Roberto Tambini
Chief Executive

Please contact:	Richard Powell
Please telephone:	01784 446240
Fax Number:	01784 446333
Email Address:	r.powell@spelthorne.gov.uk
Our Ref:	RP/Cabinet
Date:-	**4 February 2010**

NOTICE OF MEETING:

CABINET

DATE: TUESDAY 16 FEBRUARY 2010

TIME: 5.00 p.m.

PLACE: GODDARD ROOM, COUNCIL OFFICES, KNOWLE GREEN, STAINES

[Refreshments for Members are available from 4.30pm in the Members' Room.]

TO: THE MEMBERS OF THE CABINET:-

Members of the Cabinet	**Cabinet Member Areas of Responsibility**
J.D. Packman [Chairman]	Leader of the Council
R.A. Smith-Ainsley [Vice-Chairman]	Planning and Housing
F. Ayers	Community Safety
S. Bhadye	Independent Living
C.A. Davis	Economic Development
G.E. Forsbrey	Environment
Mrs. D.L. Grant	Young People and Culture
A.P. Hirst	Communications
Mrs. V.J. Leighton	Finance and Resources

EMERGENCY PROCEDURE [THE LIFT MUST NOT BE USED]
In the event of an emergency the building must be evacuated. All Members and Officers should assemble on the green adjacent to Broome Lodge. Members of the public present should accompany the Officers to this point and remain there until the Senior Officer present has accounted for all persons known to be on the premises.
[PLEASE NOTE THAT THIS AGENDA IS AVAILABLE IN LARGE PRINT ON REQUEST TO RICHARD POWELL ON TEL: 01784 446240]

IMPORTANT PUBLIC NOTICE

MOBILE TECHNOLOGY – ACCEPTABLE USE

Use of mobile technology (e.g. mobile telephones, Blackberries, XDA's etc.) in meetings can:

- Interfere with the Public Address and Induction Loop systems;
- Distract other people at the meeting;
- Interrupt presentations and debates;
- Mean that you miss a key part of a decision taken.

PLEASE:

Either switch off your mobile telephone etc. **OR** switch off its wireless/transmitter connection and sound for the duration of the meeting.

THANK YOU FOR YOUR CO-OPERATION IN THIS MATTER.

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for non-attendance.

2 **CABINET MINUTES – 19 JANUARY 2010 [pages 1 to 5]**

To confirm the Minutes of the Meeting of the Cabinet held on 19 January 2010.

3 **DISCLOSURES OF INTEREST**

To receive any disclosures of interest from Members in accordance with the Council's Code of Conduct for Members.

4 **MANAGEMENT TEAM REPORTS**

To consider the reports of the Chief Executive [CX], Deputy Chief Executive [DCX], Assistant Chief Executives [ACX] and the Chief Finance Officer [CFO] on the following items:-

(a) Procurement of Energy Efficiency in the Home (HECA) Scheme [DCX]
(pages 6 to 11) ***[Cabinet Member – Councillor Forsbrey]***

(b) Spelthorne Safer Stronger Partnership (SSSP) - Partnership Plan 2010-2013 – Key Decision [CX]
(pages 12 to 14) ***[Cabinet Member – Councillor Ayers]***

(c) Monday Market, Staines [DCX]
(pages 15 to 17) ***[Cabinet Member – Councillor Davis]***

(d) Car Park Fees and Charges 2010/2011 [ACX]
(pages 18 to 22) ***[Cabinet Member – Councillor Davis]***

(e) Treasury Management Strategy Statement and Annual Investments Strategy 2010/2011 – Key Decision [CFO]
(pages 25 to 40) ***[Cabinet Member – Councillor Mrs. Leighton]***

(f) Fees and Charges Report 2010/2011 - Key Decision [CFO]
(pages 42 to 49) ***[Cabinet Member – Councillor Mrs. Leighton]***

(g) Capital Programme 2010/2011 to 2013/2014 - Key Decision [CFO]
(pages 50 to 64) ***[Cabinet Member – Councillor Mrs. Leighton]***

(h) Draft Detailed Budget 2010/2011 - Key Decision [CFO]
(pages 65 to 78) ***[Cabinet Member – Councillor Mrs. Leighton]***

5 **THE CABINET FORWARD PLAN (pages 79 to 83)**

To note the updated version of the Council's Cabinet Forward Plan for the period from 1st January to 31st December 2010.

6 **ISSUES FOR FUTURE MEETINGS**

Members are requested to identify issues to be considered at future meetings.

7 **URGENT ITEMS**

To consider any items which the Chairman considers are urgent.

Agenda Item: 2

MINUTES OF THE CABINET

19 JANUARY 2010

PRESENT:

Councillor J.D. Packman (Leader of the Council, Chairman of the Cabinet and Cabinet Member - Leader of the Council);
Councillor R.A. Smith-Ainsley (Deputy Leader of the Council, Vice-Chairman of the Cabinet and Cabinet Member for Planning and Housing;
Councillor F. Ayers (Cabinet Member for Community Safety);
Councillor S. Bhadye (Cabinet Member for Independent Living);
Councillor G.E. Forsbrey (Cabinet Member for Environment);
Councillor Mrs. D.L. Grant (Cabinet Member for Young People and Culture);
Councillor A.P. Hirst (Cabinet Member for Communications); and
Councillor Mrs. V.J. Leighton (Cabinet Member for Finance and Resources).

Apologies: Councillor C.A. Davis.

1554. MINUTES

The Minutes of the Meeting held on 8 December 2009 were confirmed as correct record.

1555. RECOMMENDATIONS FROM THE AUDIT COMMITTEE HELD ON 14 DECEMBER 2009 – CORPORATE RISK MANAGEMENT

The Cabinet considered a report on the recommendations from the Audit Committee held on 14 December 2009 relating to Corporate Risk Management.

RESOLVED:

1. To endorse the recommendations from the Audit Committee of 14 December 2009.

2. To adopt the Corporate Risk Register appended to the Chief Finance Officer's report on Corporate Risk Management to the Audit Committee of 14 December 2009 [see also Minute 1556 below].

1556. CORPORATE RISK MANAGEMENT

The Cabinet considered a report on Corporate Risk Management.

The options considered were in the main body of the report.

RESOLVED approve the Corporate Risk Register appended to the Chief Finance Officer's report on Corporate Risk Management [see also Minute 1555 above].

1557. REVISED STREET TRADING POLICY – DRAFT POLICY FOR CONSULTATION

The Cabinet considered a report on the Revised Street Trading Policy – Draft Policy for Consultation. The report was seeking Members' approval to consult on Spelthorne's revised draft Street Trading Policy. This Policy would provide a clear framework to control street trading activities within the Borough to ensure the health and safety of its residents and road users.

The options considered were in the main body of the report.

RESOLVED:

1. To approve the revised draft Street Trading Policy for consultation, in accordance with the timetable specified in the report of the Assistant Chief Executive.

2. To note that, subject to the consultation responses, it is proposed to recommend to the full Council on 29 April 2010 that the Scheme of Delegation in the Council's Constitution be amended so that any new applications for Street Trading Permits will be formally approved by the Head of Environmental Health and Building Control Services, in conjunction with Spelthorne's Cabinet Member for Community Safety.

1558. EVENTS PROGRAMME

The Cabinet considered a report proposing the outline Events Programme for 2010.

The options considered were in the main body of the report.

RESOLVED to:

1. Agree the main Events Programme for 2010, as follows:-

    a. Youth Awards (delivered by the Youth Council, with support and guidance from Leisure Services) - £3,000.

    b. 10K Road Race (Leisure Services provide support to Runnymede Runners and Staines Strollers clubs).

    c. Summer youth events (Urban Jamming) - £3,100, co-ordinated by Leisure Services.

    d. Sports Awards (Surrey Youth Games and Spelthorne Sports Council) - £1000, co-ordinated by Leisure Services.

    e. National Play Day - £1,200, co-ordinated by Leisure Services.

    f. Santa Sprint- £1,000, co-ordinated by Leisure Services.

2. Agree for the Leisure Services Department to support local community / voluntary groups to enable them to deliver community events, such as choirs/bands in parks.

    a. Community Events - £1,500.

1559. PLAYING PITCH STRATEGY UPDATE – KEY DECISION

The Cabinet considered a report on the Playing Pitch Strategy update. The report updated Members on the progress of the Playing Pitch Strategy Action Plan.

The options considered were in the main body of the report.

RESOLVED to continue to support the ongoing actions resulting from the Playing Pitch Strategy and the Action Plan.

1560. SPELRIDE AND PARTNERSHIP WITH ELMBRIDGE BOROUGH COUNCIL – KEY DECISION

The Cabinet considered a report on Spelride and Partnership with Elmbridge Borough Council. The report detailed a proposal for the administration of the Spelride Service to be undertaken in future in partnership with the Elmbridge Borough Council's Community Transport Service.

The options considered were in the main body of the report.

RESOLVED to endorse the proposed plan for Spelthorne Borough Council to partner with Elmbridge Borough Council in administering the Spelride Service.

1561. CEMETERIES CHARGING REVIEW

The Cabinet considered a report on the Cemeteries Charging Review seeking approval for an across the board rise in charges for Cemetery Services. This rise in charges would bring Spelthorne's Cemetery Services costs in line with other local authorities.

The options considered were in the main body of the report.

RESOLVED to agree:

1. That an immediate rise in Cemetery Charges be approved in line with the figures in (Appendix 1 to the report of the Deputy Chief Executive), with effect from 1 February 2010.
2. That a full review be carried out to consider raising charges for Cemetery Services in order to bridge the gap between expenditure and income and in time for further increasing charges for the financial year 2011/2012.

1562. THE CABINET FORWARD PLAN

RESOLVED:

1. To note the latest version of the Council's Cabinet Forward Plan for the period from 1st December 2009 to 30th November 2010.

2. That the Cabinet Forward Plan be updated to include reports on (a) Surrey Eco Park, Charlton Lane – Progress Report and (b) Playing Pitch Strategy Update for submission to the Cabinet Meeting on 1 June 2010.

1563. EXCLUSION OF PRESS AND PUBLIC

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

1564. REVIEW OF PARKING SERVICES
[Paragraph 1 – Information relating to any individual]

The Cabinet considered an exempt report on a Review of Parking Services. The report examined options for different ways of providing the Parking Services function in the future, with the aim of ensuring that best value for money was obtained by the Council.

The options considered were in the main body of the report.

RESOLVED to waive Contract Standing Orders and to invite proposals for the provision of Parking Services from just two providers, NSL and Vinci.

1565. LALEHAM PARK CAMPSITE LEASE
[Paragraph 3 – Information relating to the financial or business affairs of any particular person [including the authority holding that information.]]

The Cabinet considered an exempt report on the Laleham Park Campsite Lease, seeking agreement for the introduction of a lease agreement and stepped rental arrangements with the Laleham Camping Club.

The options considered were in the main body of the report.

RESOLVED to authorise the Officers to proceed with the lease and rental charges recommended under paragraph 3.1 of the report of the Assistant Chief Executive.

1566. WRITE-OFFS
[Paragraph 1 – Information relating to any individual]

The Cabinet considered an exempt report recommending the write-off of non-recoverable income from penalty charge notices issued by the Council.

The options considered were in the main body of the report.

RESOLVED to approve the write off, in all cases listed in the report of the Assistant Chief Executive, of non-recoverable income from penalty charge notices totalling £14,535.

NOTES:-

(1) Members of the Improvement and Development and Performance Management and Review Committees are reminded that under Overview and Scrutiny Procedure Rule 16.2 in the Council's Constitution, the "call-in" procedure shall not apply to recommendations the Cabinet makes to the Council. The matters on which recommendations have been made to the Council, if any, are identified with an asterisk [*] in the above Minutes.

(2) Members of the Improvement and Development and Performance Management and Review Committees are entitled to call in decisions taken by the Cabinet for

scrutiny before they are implemented, other than any recommendations covered under (1) above.

(3) Within three working days of the date on which a decision of the Cabinet or a Cabinet Member is published, not less than three members [one of whom must be the Chairman] of either the Improvement and Development or the Performance Management and Review Committee are able to "call in" a decision which falls within the functions of their own particular Committee;

(4) To avoid delay in considering an item "called in", an extraordinary meeting of the relevant Committee will be convened within seven days of a "call in" being received if an ordinary meeting is not scheduled in that period;

(5) When calling in an Cabinet decision for review the members doing so should in their notice of "call in":-

- ***Outline their reasons for requiring a review;***
- ***Indicate any further information they consider their committee needs to have before it in order to conduct a review in addition to the written report made by officers to the Cabinet;***
- ***Indicate whether, where the decision was taken collectively by the Cabinet, they wish the Leader or his nominee (who should normally be the Cabinet Member) or where the decision was taken by a Cabinet Member, the member of the Cabinet making the decision, to attend the committee meeting; and***
- ***Indicate whether the officer making the report to the Cabinet or the Cabinet Member taking the decision or his/her representative should attend the meeting.***

(6) The deadline of three working days "for call in" by Members of the Improvement and Development and Performance Management and Review Committees in relation to the above decisions by the Cabinet is the close of business on **<u>TUESDAY – 26 JANUARY 2010</u>.**

Agenda Item: 4 [a]

PROCUREMENT OF ENERGY EFFICIENCY IN THE HOME (HECA) SCHEME

Resolution required

Report of the Deputy Chief Executive

REPORT SUMMARY

How does the content of this report improve the quality of life of Borough Residents

Implemented and improved energy efficiency measures in Spelthorne will identify reduced utility costs for residents and will create a key example of how the council is working towards reducing fuel poverty and energy use for homes within the borough.

Purpose of Report

To obtain approval to invite to tender the 4 successful companies that will give monetary grants which will provide residents with both information on energy efficiency measures and improved energy efficiency within their homes.

Key Issues

- dissatisfaction with the current managing agent Enact Energy (administrators for The Heat Project)

- obtain better value for money as contract commenced in 2004

Financial Implications

HECA budget (capital) of approximately £25k per annum for 4 years

Corporate Priority Environment, Healthy Community, Community Engagement, Sustainable Financial Future, Value for Money, Effective Communications

Officer Recommendation

The Cabinet is asked to authorise the Officers to proceed to the next stage of the tender process with the four recommended managing agents.

Contact: Sandy Muirhead, Head of Environment Services – 01784 446318
Cabinet Member: Councillor Gerry Forsbrey

MAIN REPORT

1. BACKGROUND

1.1 The Government has an aim to ensure that, as far as reasonably practicable, people in England do not live in fuel poverty after 2016. The most widely accepted definition of a fuel poor household is one which needs to spend more than 10 per cent of its income on fuel to maintain an adequate heating regime.

1.2 Since the Home Energy Conservation Act (HECA) in 1995, Spelthorne has implemented and achieved many projects to promote energy efficiency within the borough.

1.3 Managing agent Enact Energy has been administering The Heat Project scheme for Spelthorne since 2004 to help combat fuel poverty. Enact applies for carbon emissions reduction targets (CERT) funding from utility companies, ensuring homes across the UK can benefit from affordable or free insulation measures. The rewards that they bring are a more comfortable home, lower energy bills and a drastic reduction in carbon emissions through improved home energy efficiency.

1.4 Reduction in carbon emissions through these energy saving measures are reported to central Government under the Home Energy Conservation Act 1995 (HECA), and NI 187 & NI 186.

1.5 The Heat Project entitles residents aged over 60 to free cavity wall or loft insulation. This funding is provided by Spelthorne Borough Council (approx £25k per annum). The money is available on a first come first served basis to householders aged over 60 in Spelthorne to make their homes warmer and cheaper to heat.

1.6 Spelthorne also offers separate grants under the Warmth for 1000 scheme which are targeted at home which are hard to insulate (e.g. properties with solid walls). These grants can also assist with the provision of biomass boilers.

2. KEY ISSUES

2.1 A new managing agent and home energy efficiency scheme is required for Spelthorne. Since 2006 1009 cavity wall and loft insulations have been carried out via The Heat Project. However, starting into the financial year 2009/10 we became increasingly concerned about the relative poor performance of our managing agent, Enact Energy, compared to other agencies. Enact only achieve the minimum possible funding from utility companies and the company lacks proactive marketing streams thus resulting in less insulations.

2.2 As a result negotiations were started in early summer 2009, with legal's assistance to close the contract and to obtain back the monies put into the scheme (this has now been achieved).

2.3 Additionally Enact Energy increased their insulation prices by 5% last year

2.4 The Government funded initiative for the over 70's (launched 2008) reduces the amount of households that the Heat Project can reach so we need to address modern initiatives.

2.5 Compared to other local authorities there was significant room for improvement for the amount of installs per annum. It is estimated 2100 thermal comfort measures could be carried out per annum.

2.6 A good managing agent is required to refer applicants to other services that are applicable to them such as age concern and the home improvement agency

2.7 The managing agent has to be an organisation with the ability to draw in relevant funds from other organisations as well as wisely using our monies to maximise match funding Our role then is to monitor the contract with the agent to ensure they are targeting Spelthorne households and delivering match funding and advice. This needs a specialist agency to do this so they can gain monies either from utility companies or other government grants.

2.8 A whole house approach is required to maximise energy minimisation opportunities. Other managing agents undertake a home energy survey first thus offering real economies when various measures can be captured during one visit. An effective agent offers this service.

3. OPTIONS ANALYSIS

3.1 **Option 1 Recommended –** To proceed with the tendering process to procure a new managing agent. A scheme that will have an effective, cost efficient focus on energy efficiency in the home, attracts the maximum possible funding (CERT/CESP), provides private householders insulation at reduced rates, seeks to assist both able to pay customers and priority customers and offers a whole house approach when conducting surveys.

3.2 **Option 2 -** Continue with the Heat Project providing the minimal service to our residents.

3.3 **Option 3 –** withdraw all funding. This will mean that we will not meet our fuel poverty targets (HECA) or national indicators 186/187.

4. PROPOSALS

4.1 It is proposed we proceed to the next stage of the procuring process and invite the top four highest scoring managing agents from the Pre Qualification Questionnaire to tender. Please see **Appendix 1**.

4.2 All four managing agents have proven records in delivering consistent excellence in quality assurance and business capability.

5. BENEFITS AND SUSTAINABILITY

5.1 By using energy more carefully, using alternative sources, or creating more effective heating systems, CO_2 emissions will be reduced while helping to promote sustainable development and well being.

5.2 It is important to reduce the impact of fuel poverty locally and improve the health of our local community, as well as providing residents, particularly vulnerable ones, with reduced energy bills.

6. FINANCIAL IMPLICATIONS

6.1 Spelthorne provides £25k per annum capital funding towards achieving set targets outlined under the Home Energy Conservation Act 1995 (HECA). Managing agents aim to secure substantial CERT and Community Energy

Savings Programme (CESP) funding and will hopefully offer/provide match funding (this is one of the criteria for the final assessment of the tenders)

6.2 Spelthorne Warmth for 1000 grants are part funded by the regional housing board and CERT with the remaining funding coming from the Council's house renovation grants budget.

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

7.1 No legal implications at present.

8. RISKS AND HOW THEY WILL BE MITIGATED

8.1 Further households falling into fuel poverty especially with fuel prices rising at national level.

8.2 Wasted energy or poorly managed energy provision, particularly through heating, can result in high CO2 equivalent emissions being produced, loss of money and damage to the environment.

8.3 Not meeting the ultimate target set by Government to reduce greenhouse gas emissions, one of the main contributors to climate change, by 80% by 2050

9. TIMETABLE FOR IMPLEMENTATION

9.1 Please see attached timetable (appendix 2).

Report Author: Francesca Nesbitt, Climate Change Officer, Environment Services

Background Papers:

Appendix one	Pre Qualifying Questionnaire Scoring chart
Appendix two	Project timetable

Agenda Item: 4 [b]

SPELTHORNE SAFER STRONGER PARTNERSHIP (SSSP) PARTNERSHIP PLAN 2010-2013 – KEY DECISION

Resolution Required

Report of the Chief Executive

EXECUTIVE SUMMARY

How does the content of this report improve the quality of life of Borough Residents

The draft Plan sets out the priorities for the Safer Stronger Partnership for 2010 - 2013.

Purpose of Report

To receive and approve the Partnership Plan **(Appendix 'A' – Members' Room Only).**

Key Issues

The Partnership has undertaken a comprehensive Strategic Assessment in 2009, which identified four key priorities. The Plan which needs approval from all statutory partners identifies structure, delivery, performance management and resources available which will enable the delivery of these priorities.

Financial Implications

The partnership receives funding from the Borough Council, County Council, Surrey National Health Service, A2 Dominion and central Government via the Local Area Agreement.

Corporate Priority

Making Spelthorne Safer.

Officer Recommendations:

The Cabinet are requested to approve the Partnership Plan [Appendix A – Members' Room Only], in its capacity as a statutory member of the Spelthorne Safer Stronger Partnership [SSSP].

Contacts: Tim Kita Head of Community Safety & Corporate Services Tel 01784 446243 or Keith McGroary, Senior Community Safety Officer, Tel: 01784 444224
Cabinet Member: Councillor Frank Ayers

Agenda Item: 4 [b]

MAIN REPORT

1. BACKGROUND

1.1 The Spelthorne Safer Stronger Partnership previously known as the Crime and Disorder Reduction Partnership is a body constituted by an Act of Parliament. The statutory members, of which the Borough Council is one, are required to produce a rolling 3 year Partnership Plan. This Plan **[Appendix A – Members' Room Only]** replaces the previous three year Crime and Disorder Strategy which finishes in March 2010.

1.2 The first stage of the process was the production of a Strategic Assessment covering the period from 1st October 2008 to 30th September 2009, which examined all the available data and information relating to crime, disorder and substance misuse in the Borough. From this four key priorities have been proposed.

1.3 The Plan needs to be approved by each of the statutory partners and a summary be published by 1st April 2010.

2. KEY ISSUES

2.1 The Plan identifies the four key priorities as follows: -

To reduce

1. Crime, particularly residential burglary, acquisitive crime, harm caused through drugs and alcohol, criminal damage, vehicle crime
2. Anti-social behaviours
3. Re-offending and

To improve

4. Confidence and provide greater reassurance.

2.2 The plan sets out the governance and operational structure and explains the resources available to help deliver the projects and plans that will be developed over the coming year.

2.3 The plan will include a performance management framework to ensure that projects have clear measurable targets, reporting of progress is regular and that evaluation is built into the work.

2.4 In addition to the Plan, officers of the partner organisations are developing detailed action plans identifying projects and other work, which will be undertaken together in the coming year. The action plans will be presented to the Partnership Board once the draft plans have been approved.

3. BENEFITS AND SUSTAINABILITY

3.1 By working in partnership with other organisations the Council will be able to better address its Public Service Agreement indicator targets on which it is required to report. By focussing on key priorities the council can target limited resources to help improve community safety.

4. FINANCIAL IMPLICATIONS

4.1 The Council has budgeted for a contribution of £27,000 to the Partnership in the coming year.

5. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

5.1 The Council is required with the other statutory partners, under the Crime and Disorder Act 1998 as amended by the Police and Justice Act 2006, to produce and publish the Partnership Plan as a strategy to tackle crime, disorder and substance misuse in the area.

6. TIMETABLE FOR IMPLEMENTATION

6.1 The Plan once approved by the Spelthorne Safer Stronger Partnership Board will come into force from the beginning of the financial year. A summary document of the Plan must be published by 1st April 2010. The Action Plans will be written by then and work will begin. The SSSP Board meeting in February will ratify the plans and summary document for publication.

Report Authors:

Tim Kita, Head of Community Safety and Corporate Services, Tel: 01784 446243
Keith McGroary Senior Community Safety Officer, Tel: 01784 444224

Background Papers:

Spelthorne Strategic Assessment 2009

Agenda Item: 4 [c]

MONDAY MARKET, STAINES

Resolution Required
Report of Deputy Chief Executive
REPORT SUMMARY

How does the content of this report improve the quality of life of Borough Residents?
The operation of a Monday Market in Staines will provide increased shopping for residents of Spelthorne, increased footfall and potential trade for all the shops in Staines and provide increased income to Spelthorne.

Purpose of Report
The purpose of the report is to seek approval for a Monday Market in Staines in addition to the current Wednesday and Saturday Markets.

Key Issues
A survey of the frontagers of the market or high street has taken place during the last four weeks (**Appendix 1** is a detailed summary of the results). Only five outlets expressed concerns about an extra Market day. The vast majority supported a Monday Market believing that it would increase trade on a Monday**.**

The concerns expressed by most of the five outlets could be mitigated by a revised configuration of the stalls and closer supervision of its operation. The implementation of closer supervision by using the £11,000 already allocated and some (£9,000) of the potentially increased income would allow the appointment of a temporary Market superviser to oversee all Markets in Staines and ad hoc Markets elsewhere in the Borough.

Financial Implications
The overall increase in income per year if successful could be as much as £42,000.

If the supervisers post is approved utilising £9000 of this and the £11000 already allocated to Market supervision the increase in net income to the Council would be over £ 30,000 per annum.

Corporate Priority Economic Development, Community Engagement, Sustainable Financial Future, and Value for Money.

Recommendation

The Cabinet are asked to approve the implementation of a 6 month trial of a Monday Market in Staines utilising some of the increased income to appoint initially on a temporary basis a Market Supervisor.

Contact: Deputy Chief Executive (01784) 446300 or Steve Connor (01784) 446411.
Cabinet Member: Councillor Colin Davis.

Agenda Item: 4 [d]

CAR PARK FEES AND CHARGES 2010/2011

Resolution Required

Report of the Assistant Chief Executive

Executive Summary

Purpose of Report
To propose changes to car park and other related charges in 2010/11.

Key Issues

- Current level of car park income below budgeted levels
- Economic circumstances in our town centres
- Level of income to the Council

Financial Implications

In the current economic climate it is not considered appropriate to make any wholesale changes to our car park fees and charges at the present time.

Implementing the proposed charges will not have a major impact on the level of income the Council receives from its car parks rather it is designed to allow time to assess the level of income received in 2009/10 before deciding on changes to our major car parks.

Recommendation

1) The charges as specified at **Annex A** are approved for consultation

2) The Head of Corporate Governance be authorised to make alterations to the off-street car parking order and to publish notices locally to bring about the charges as detailed in **Annex A**.

Report Author and Contact Details:
Bob Coe, Assistant Chief Executive – 01784 446257

Cabinet Member: Councillor Colin Davis

Submitted to:	**Date**	**Report Sent to:**	**Date**
MAT	25.1.10.	Legal	22.12.09
Cabinet Briefing	8.2.10.	Finance	22.12.09
Cabinet	16.2.10.	Human Resources	N/A
Council	N/A	Unison	N/A
Status:	**Y/N**		
Key Decision	N		
Confidential	N		

MAIN REPORT

1. **Background**

2. Traditionally, at about this time of year, the Council considers the charges it wishes to set for its car parks for the following year.

3. Parking legislation requires that if the Council wishes to make any changes to the current charging arrangements, then it must publish its proposals for consultation and then take into account any representations received before making a final decision.

4. **Key Issues**

5. Income from our car parks is a significant part of the Council's budget. In 2009 the expected income to be received from parking services, excluding on-street enforcement, is budgeted at £1,750,700 with budgeted expenditure of £1,003,100. However, in the current economic climate we are receiving less income than was budgeted for. At the end of the first 9 months of the financial year, we had received 97% of the income received for the same period in 2008/09 for parking fees, although income from season tickets and other sources has increased.

6. The setting of charges for 2010/2011 is important, both from the income it will bring to the Council but also the effect that such charges could have on the economic vitality of our town centres.

7. **Options**

8. In the current economic climate it is very difficult to assess what impact any increase in charges would have in our main car parks. There is the option to raise charges across the board, but if this were set at too high a level then it could deter people from coming to Staines or divert them to other car parks. Under the circumstances, it is recommended that no increase be levied at the present time.

9. The recommendation is, therefore, to maintain most car park charges at their current level until August 2010.

10. There are some minor changes that could be made and these are as follows, but it is not anticipated that they will have a major impact on the overall budget.

11. **Laleham Park**

12. Currently the first hour is free. The two car parks by the river in Laleham Park (Laleham Park and Thameside) are very busy in the summer and abuse of the first hour free period has been identified (people coming back every hour to get a free ticket). The usage of the two riverside car parks in

Laleham Park is very similar to the Lammas, where the first hour is currently charged at 50 pence.

13. In addition, in the summer months, these two riverside car parks get very busy, with people parking for most of the day. On occasions, demand for parking spaces can far exceed availability. In order to manage the spaces better and to try to create greater availability, then consideration could be given to introducing the same charges regime for these two car parks as exists for the Lammas, ie:

    i. up to 1 hour 50p;
    ii. 1-2 hours £1.50;
    iii. 2-4 hours £2.50;
    iv. Over 4 hours £4.00

14. **Elmsleigh Surface and Multi Storey**

15. There is a need to regularise the position with regards to lost tickets at Elmsleigh Multi-storey and Surface car parks. It is suggested that this be set at £12 which is the same as the all day parking charge.

16. <u>Financial Implications</u>

17. The proposed changes to Laleham Riverside Car Parks are estimated to raise up to £10k per annum.

18. It is difficult to estimate accurately the likely effect of a 10p increase in Staines until the year-end figures are known. This will be done as soon as the figures are available.

19. <u>Other Implications</u>

20. The proposed charges will have to be published for consultation. If any representations are made against the proposals, then they will have to be reported back to Cabinet for consideration before any final decision is made.

21. <u>Risks</u>

22. There is the risk that if charges are raised then this will act as a disincentive to people using our car parks and lead them to either not visit the Borough's shopping centres or use other operator's car parks.

Recommendation:

1. The charges specified at Annex A are approved for consultation

2. **The Head of Corporate Governance be authorised to make alterations to the off-street car parking order and to publish notices locally to bring about the changes as detailed in Annex A**

Report Author:
Bob Coe, Assistant Chief Executive – 01784 446257

Background Papers:
There are none.

ANNEX A

Laleham Park and Thameside Car Parks

Monday to Sunday 7.00am to 7.00pm

Up to 1 hour	£0.50p
1 – 2 hours	£1.50p
2 - 4 hours	£2.50p
Over 4 hours	£4.00p

Staines, Elmsleigh Surface and Multi-Storey Car Parks

Lost tickets will be charged at applicable rate for over 5 hours (currently £12)

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2010/2011 – KEY DECISION

Recommendation Required

Report of the Chief Finance Officer

EXECUTIVE SUMMARY

How does the content of this report improve the quality of life of Borough Residents

The ability of the Council to generate maximum net investment returns with minimal risk provides significant resources for the General Fund revenue budget and the subsequent financing of the Council's services to local residents.

Purpose of Report

This report is to update members on the current treasury position; to set the Annual Investment Strategy and Prudential Indicators for 2010/11 to 2012/13 and to formally adopt the revised Code of Practice on Treasury Management 2009 recently issued by CIPFA.

Key Issues

- To review and set treasury limits and Prudential Indicators for 2010/11 to 2012/13.
- To note the current treasury position and the future prospects for interest rates and the economic background.
- To review the annual investment strategy and the current policy for managing the Council's investments.
- To consider new statutory guidance and formally adopt the revised CIPFA Treasury Management Code of Practice 2009.

Financial Implications

- The need to maximize the Council's investment returns while maintaining flexibility and a high level of security with minimal risk.

Corporate Priority

All corporate priorities are supported.

Officer Recommendations:

The Cabinet are asked to recommend that the Council:

- **Approve the proposed Treasury Management Strategy and Annual Investment Strategy for 2010/11 as set out in this report.**
- **Formally adopt the CIPFA publication "Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes" (The Code), published in 2009.**

Contact: Terry Collier, Chief Finance Officer on (01784) 446296
Cabinet Member: Councillor Mrs. Vivienne Leighton

MAIN REPORT

1. BACKGROUND

1.1 The Local Government Act 2003, and supporting regulations, requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act and included in Paragraph 3), which sets out its policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The Council adopted the CIPFA Code of Practice on Treasury Management in October 2002. Following the collapse of the Icelandic Banks two national reports were published, the Audit Commission's "Risk and Return" on local authority treasury management and the Communities and Local Government Select Committee's Review of local authority investments. Consequently the revised CIPFA "Treasury Management in the Public Services and Cross-Sectional Guidance Notes 2009" were recently issued with the requirement that they be adopted by the Council and Members are asked to formally adopt the revised Code as part of this report.

1.4 **Treasury Management Strategy for 2010/11**

1.5 The suggested strategy for 2010/11 in respect of the following aspects of the treasury management function is based upon the view of the Chief Financial Officer on interest rates supplemented by leading market forecasts provided by, and in consultation with Sector Treasury Services, the Council's treasury management advisors. The strategy covers:-

(a) Treasury limits in force that will limit the treasury risk and activities of the Council;

(b) Prudential Indicators

(c) The current treasury position

(d) Prospect for interest rates

(e) The borrowing strategy

(f) The investment strategy

1.6 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. Increases in capital expenditure must be limited to a level where increases in interest charges from borrowing to finance capital expenditure, and increases in running costs from new capital projects are affordable for the foreseeable future.

2. MAIN ISSUES

2.1 **Treasury Limits 2010/11 to 2012/13**

2.2 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review a limit on how much it can afford to borrow. The amount so determined is called the Affordable Borrowing Limit, and it represents the legislative authorised limit specified in Section 3 of the Local Government Act 2003.

2.3 The Council must have regard to the Prudential Code when setting this limit because it is required to ensure that the total capital investment is within sustainable limits and that the impact on the Council Tax is acceptable. The limit is set on a rolling basis, for the forthcoming financial year and two successive financial years and is included in the table of Prudential Indicators set out below.

2.4 **Prudential Indicators for 2010/11 to 2012/13**

2.5 The following Prudential and Treasury indicators are relevant for the purpose of setting an integrated treasury management strategy:

Extract from Budget Setting Report	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Prudential Indicator	**£'000**	**£'000**	**£'000**	**£'000**
Gross Capital Expenditure (all non-HRA)	£2,348	£1,940	£1,001	£876
Ratio of Financing Costs to Net Revenue Stream	(6.90)	(3.27)	(4.67)	(5.87)
Net Longer-term Borrowing	£0	£0	£0	£0
In year Capital Financing Requirement	£0	£0	£0	£0
Capital Financing Requirement as at 31.3	£0	£0	£0	£0
Affordable Borrowing Limit	£12,000	£12,000	£12,000	£12,000

Treasury Management Prudential Indicators	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Prudential Indicator	**£'000**	**£'000**	**£'000**	**£'000**
Authorized Limit for external debt	£12,000	£12,000	£12,000	£12,000
Operational Boundary for external debt	£10,000	£10,000	£10,000	£10,000
Net Borrowing and Capital Finance Requirement	£0	£0	£0	£0
Upper limit for fixed rate exposure	100%	100%	100%	100%
Upper limit on variable rate exposure	100%	100%	100%	100%
Upper limit for principal invested for over 364 days	£15,000	£15,000	£15,000	£15,000

Maturity structure of fixed rate borrowing	**Upper limit**	**Lower limit**
Under 12 months	12,000,000	£ Nil
12 months but within 24 months	£ Nil	£ Nil
24 months but within 5 years	£ Nil	£ Nil
5 years but within 10 years	£ Nil	£ Nil
10 years and above	£ Nil	£ Nil

Actual External Debt as at 31.3.09	£4,554,160 (all short term borrowings)

2.6 **The Current Treasury Position**

The Council has £19 million invested as at 31st December 2009 as follows:

Investment	**£m**
European Investment Bank Bonds	6.0
Fixed Term Deposits	7.0
Cash Flow Investments (approx)	6.0
Total Value of Investments at 31.12.09	**19.0**

2.7 The Council manages all investments in house and a detailed analysis of investments held by the Council as at 31st December 2009 is attached as **Appendix A**. The return on the core investment portfolio is currently running at 3.44% for 2009/10.

2.8 The Council has no long-term outstanding debt. Borrowing has been restricted to meeting daily cash flow requirements and activity here is very limited. Currently short-term borrowing rates are around 0.40%.

2.9 Cash flow forecasts show higher daily needs during February and March when there are no Council tax or Business rate instalments due. In addition, we are incurring expenditure on capital schemes that will either require additional borrowing or the withdrawal of investment funds, depending on the relationship between investments and borrowing rates.

2.10 The portfolio will be reduced during the last quarter of the year to fund expenditure when instalments cease. Short term investments of £6m, as indicated in the above table, are available for this purpose.

2.11 **Prospects for Interest Rates**

2.12 Anticipating future interest rate increases and reductions is very important in managing the spread of maturity dates on our portfolio. The Council has retained Sector Treasury Services as treasury management advisors and part of the service is to assist the Chief Finance Officer formulate a view on interest rates.

2.13 The following table outlines Sector’s interest rate forecast at 23rd November 2009:

	Mar 2010	**Jun 2010**	**Sept 2010**	**Dec 2010**	**Mar 2011**	**Jun 2011**	**Sept 2011**	**Dec 2011**	**Mar 2012**	**Mar 2013**
Sector	**0.50**	**0.50**	**0.75**	**1.00**	**1.50**	**2.25**	**2.75**	**3.25**	**3.50**	**4.50**
Capital Economics	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**n/a**	**n/a**
UBS	**0.50**	**0.50**	**0.75**	**1.00**	**1.50**	**2.00**	**2.50**	**3.00**	**n/a**	**n/a**

2.14 As illustrated in the above table, it is Sector's view that bank rate will remain at 0.50% into 2010 and to rise steadily from September 2010 until it reaches 4.5% in March 2013.

2.15 There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. Other leading market forecasters have different views on interest rates and Capital Economics is predicting that Bank Rate will remain at 0.50% until at least the end of 2011.

2.16 **Economic Background**

2.17 The global financial crisis of 2007 and 2008 pushed most major world economies into a sharp recession in 2009. Many governments were forced to rescue their major banks and their central banks cut interest rates aggressively. Most major economies have resorted to huge fiscal stimulus packages, largely funded by government debt, to ensure a fast exit from recession.

2.18 The long awaited start of growth came in Q3 2009 in the US and EU although the UK failed to emerge from recession at this time. Growth here has been hampered by a reduced supply of credit from weakened banks compounded by weak demand for credit. Consumers have been paying down debt so there is only a minor recovery in retail sales and house prices have only recovered slightly.

2.19 Inflation has fallen in most major economies and is not seen as a problem for the next few years due to falling output and unemployment. In many countries, widespread pay freezes are likely to persist for some time.

2.20 Sector's view is that it is difficult to have confidence in exactly how strong the UK economic recovery will be. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the degree of speed and severity of fiscal contraction after the general election. There is also the effect of the timing and amounts of the reversal of Quantitative Easing and the speed of recovery in banks' profitability and balance sheet strength.

2.21 The Bank of England may delay raising bank rate if the pace of economic recovery in the UK disappoints. There is a small risk of a double dip recession as deleveraging may create a downward spiral of falling demand, falling jobs and falling prices and wages leading to deflation.

2.22 In its Pre-Budget Report in December 2009 the Government announced measures to tackle the deficit which included tax increases in national insurance, public sector pay restrictions and cuts in government spending, mainly to come into effect after the next election in June 2010. The standard rate of VAT was returned to 17.5% on 1st January 2010.

3. OPTIONS ANALYSIS

3.1 **Borrowing Strategy**

3.2 At the present time, it is intended that the Council shall continue to finance capital expenditure from capital receipts and it is therefore anticipated that there will be no capital borrowings required during 2010/11. Borrowing under the Prudential Regime may be an option for the future depending on the prevailing circumstances and it could be considered for specific new projects on a scheme-by-scheme basis.

3.3 **Annual Investment Strategy**

3.4 **Investment Policy**

The Council will have regard to the CLG's Guidance on Local Government Investments issued in March 2004 and any revisions to that guidance, the Audit Commission's report on Icelandic investments and the revised CIPFA "Treasury Management in Public Services Code of Practice and Cross-Sectional Guidance Notes 2009". The Council's investment priorities are the security of capital and the liquidity of its investments.

3.5 The overall policy objective for the Council is the prudent investment of its treasury balances and the risk appetite of the Council is low. All investments will be made in sterling and the Council will aim to achieve the optimum return commensurate with proper levels of security and liquidity.

3.6 The borrowing of monies purely to invest or lend-on to make a return is unlawful and this Council will not engage in such activity.

3.7 The Council will seek professional advice from Sector when considering treasury management decisions. Investments, which the Council may use for the prudent management of its treasury balances, are classified as Specified and Non-Specified investments and are set out in the DCLG guidance on investments issued in 2004. Details of the type of instruments that may be used for investments and the overall limits under each of these classifications are attached as **Appendix B** and Members are required to approve the minimum credit criteria for investment counter-parties.

3.8 Counter-party investment limits are set through the Council's Treasury Management Practices Schedules. Whilst the overall credit criteria in place is high to minimise risk, the counter-party monetary and time limits are directly related to the credit quality of the institutions with lower limits applied to lower rated organisations. These limits will be kept under constant review by the Chief Financial Officer and amended under delegated powers to reflect current market conditions and achieve optimum investment returns.

3.9 **Creditworthiness Policy**

3.10 The global financial crisis highlighted the paramount importance of this aspect of treasury decisions, particularly security of capital. Therefore, the Council's investment policy includes investing with AAA rated and sovereign institutions, including investments in UK Government gilts, UK Debt Management Office deposits and multi-lateral development bank bonds issued by the European Investment Bank.

3.11 The Council also uses the creditworthiness service provided by Sector to assist its selection of suitable counter-parties. This service aims to assess the credit quality of counter-parties and investment instruments by reference to major rating agencies including Fitch, Moody's and Standard and Poor's. This information is also supplemented by credit default swaps data which provides a market indication of the perceived credit risk for individual institutions. This information may give investors advance warning of credit rating downgrades.

3.12 All credit ratings are generally monitored weekly. The Council is alerted to changes in credit ratings through its use of the Sector creditworthiness service. Downgraded counter-parties are immediately withdrawn from future use. Investments that no longer meet the Council's minimum criteria are reported to the Chief Finance Officer although where these investments are fixed term deposits, no effective action can be taken until the deposits mature.

3.13 The Council will not solely rely on the Sector service but it will also make use of other sources of generally available information when considering counter-party credit risk. These may include the use of the quality financial press, market data (including credit default swaps, share price, annual reports, statements to the market etc), information on government support for banks and the credit ratings of that government support.

3.14 The Council will only invest in approved counterparties within the UK or approved counter-parties from countries with a minimum sovereign rating of AA- from Fitch Ratings or the equivalent Moody's or Standard and Poor's rating.

3.15 **Investment Strategy**

3.16 The Council manages all investments in-house and investment decisions are made in consultation with Sector Treasury Services. The portfolio will be structured to provide a suitable range of different investment options and maturities to facilitate better risk management and an element of certainty of returns. Against a background of historically low interest rates, current investments include three Multilateral Development Bank (MLDB) Bonds issued by the European Investment Bank maturing at various intervals over a three year period and fixed term deposits maturing over one and two years.

3.17 Other funds managed in-house are related to the day-to-day cash flow movements and are held in instant access and notice accounts. Surpluses arising from the day-to-day activities are generally invested in a special higher interest account although amounts exceeding £1 million are invested with the UK Debt Management Office and various bankers' treasury facilities available to the Council to maximise returns wherever possible.

3.18 **Policy on Use of External Service Providers**

3.19 The Council has appointed Sector Treasury Services as professional advisors on all treasury management matters to acquire specialist skills and resources. Regular meetings are held with them to discuss the Council's treasury options and all major investment and borrowing decisions are made on their advice. However, the Council recognises that the responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

3.20 The Council recognises the value of access to the specialist resources provided by external advisors and will continue to ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

3.21 **Scheme of Delegation and Role of the S151 Officer**

3.22 The revised CIPFA "Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes 2009" now requires that these be set out in this report and are duly attached as **Appendix C and D**.

4. PROPOSALS

4.1 Sector is currently forecasting bank rate to be 0.5% throughout 2009/10 and to remain at this level until at least September 2010. All investment decisions will be taken in consultation with Sector and the Council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available that make longer term deals worthwhile.

4.2 The balance of the portfolio will be invested in more liquid investment instruments to enable the Council to have the ability to take advantage of higher short-term interest rates that may be available at times of market volatility. Currently, the effect of low interest rates is likely to present few opportunities.

4.3 For its cash flow generated balances, the Council will seek to utilise its instant access and business reserve accounts and short dated deposits.

4.4 Treasury Management activity and interest earned on investments will continue to be closely monitored each month to ensure that the maximum overall return is achieved for the Council. Internal investment performance will be measured and compared to the average 7 day and 3 month rates for monitoring purposes. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. BENEFITS AND SUSTAINABILITY

5.1 The relevant benefits and sustainability are as set out in this report.

6. FINANCIAL IMPLICATIONS

6.1 The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small move in interest rates can have a significant effect on cash returns. Therefore, it is our aim to maintain flexibility commensurate with the highest level of security and liquidity and minimal risk when making investment decisions.

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

7.1 The Council fully complies with best practice as set out in the CIPFA Prudential Code for Capital Finance in Local Authorities, the DCLG (formerly ODPM) Guidance on Investments issued in March 2004 and the CIPFA “Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes” issued in December 2009.

7.2 Key changes in the latter include the enhanced role of scrutiny, more transparent reporting requirements and greater emphasis on the requirement for sufficient skills for those involved in treasury management activity and governance. We will be seeking to put in place in 2010 for relevant Members some treasury management training.

7.3 The Council’s Treasury Management Policy Statement has been updated to reflect the revisions to the CIPFA Code and is set out in **Appendix E**.

7.4 Members are required to formally adopt the revised CIPFA “Treasury Management in the Public Services Code of Practice 2009” as set out in **Appendix F**.

8. RISKS AND HOW THEY WILL BE MITIGATED

8.1 Although economic and market risk are outside the control of the Council, risk will be managed and mitigated in accordance with the policies set out in the Treasury Management Practices and Schedules.

9. TIMETABLE FOR IMPLEMENTATION

9.1 There is no timetable for implementation as this is an ongoing activity.

Report Author: Terry Collier, Chief Finance Officer on 01784 446296.
Background Papers: There Are None.

Appendix A

Details of Core Investments Held as at 31st December 2009

Investment Type	**Amount**	**% Yield**	**Maturity date**
Euro Sterling Bonds			
European Investment Bank 5.50% 7/12/11	3,000,000	3.69%	7 Dec 2011
European Investment Bank 4.75% 6/6/12	1,000,000	4.20%	6 Jun 2012
European Investment Bank 4.50% 13/1/13	2,000,000	4.87%	13 Jan 2013
Fixed rate Deposits			
Nationwide Building Society	2,000,000	1.00%	18 Feb 2010
Bank of Scotland	1,000,000	1.25%	1 Mar 2010
Barclays Bank	2,000,000	6.43%	1 Jul 2010
Bank of Scotland	2,000,000	1.80%	15 Oct 2010
Total - Core Investment Portfolio	**13,000,000**	**3.44%**	**Average**
Cash Flow Investments			
Alliance & Leicester	2,954,000	0.80%	Instant Access
Clydesdale Bank	2,000,000	0.75%	Instant Access
Goldman Sachs Money market Fund	1,000,000	0.46%	Instant Access
Total – All Investments at 31.12.09	**18,954,000**	**2.59%**	**Overall Average**

Appendix B

Specified Investments

All such investments will be sterling denominated, with maturities of up to a maximum of one year. These investments must also meet the minimum high rating criteria and may be used in house or, if applicable, by fund managers, and are set out in the table below:

	Minimum 'High' Credit Criteria (Fitch)	**Maximum Term**	**Maximum Sum**
Debt Management Office (DMO)	Government backed	No limit	No limit
Term deposits – other local authorities, including Police etc.	High security but not usually credit rated	1 year	£3m
Term deposits and Certificates of deposits – nationalised and part nationalised UK banks and building societies	Long-term A, Short-term F1 Individual E and Support 1	1 year	£3m
Term deposits and Certificates of deposits – UK banks and building societies.	Long-term AA-, Short-term F1+ Individual B and Support 1 or Long-term AA-, Short-term F1+ Individual C and Support 1 or Long-term A+, Short-term F1 Individual C and Support 1	1 year 6 months 3 months	£3m £3m £1m
UK Government Gilts	Long Term AAA	No limit	No limit
Bonds issued by multilateral development banks (eg. European Investment Bank)	Long Term AAA	10 year	£10m
Bonds issued by a financial institution which is guaranteed by the UK government	Long Term AAA	1 year	£2m
UK Treasury Bills	Long Term AAA	No limit	No limit
Money Market Funds	AAA	1 year	£3m
Forward deals and Fixed term deposits with variable interest rates and variable maturities, including callable deposits – UK banks and building societies	Long-term AA-, Short-term F1+ Individual B and Support 1 or Long-term AA-, Short-term F1+ Individual B/C and Support 1	1 year 6 months	£2m £1m

Non-Specified Investments

All such investments will be sterling denominated and a maximum of 100% will be held in aggregate in non-specified investments with a maturity exceeding one year. These investments must also meet the minimum high rating criteria and may be used in house or, if applicable, by fund managers, and are set out in the table below:

	Minimum Credit Criteria	**Maximum Maturity Period**	**Maximum Sum**
Term deposits – other local authorities, including Police etc.	High security but not usually credit rated	3 years	£3m
Term deposits and Certificates of deposits – nationalised and part nationalised UK banks and building societies	Long-term AA-, Short-term F1+ Individual E and Support 1	1 year	£3m
Term deposits and Certificates of deposits – banks and building societies covered by the UK Government guarantee	Long-term AA-, Short-term F1+, Individual B and Support 1	1 year	£3m
UK Government Gilts	AAA and Government backed	No limit	No limit
Bonds issued by multilateral development banks (eg. European Investment Bank)	AAA and Government backed	10 years	£10m
Bonds issued by a financial institution which is guaranteed by the UK government	AAA and Government backed	1 year	100%
Forward deals and Fixed term deposits with variable interest rates and variable maturities, including callable deposits.	Long-term AA-, Short-term F1+, Individual B and Support 1	3 months	£1m

Appendix C

Treasury Management Scheme of Delegation

Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy

Cabinet

- Approval of or amendment to the Council's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment

Performance Management and Review Committee

- Reviewing the treasury management policy and procedures and making recommendations to Cabinet

Appendix D

The Treasury Management Role of the S151 Officer

The S151 (responsible) Officer

- Recommending clauses, treasury management policy and practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variances
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of the treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit and liaising with external audit
- Recommending the appointment of external service providers

Appendix E

Treasury Management Policy Statement

1. Introduction

This Statement sets out the Council's Treasury Management policy.

It meets the recommendations set out in the *Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes* (2009 Edition) issued by the Chartered Institute of Public Finance and Accountancy.

2. Definition of Treasury Management Activities

Treasury management comprises the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.

3. Statement of Overall Policy

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

January 2010

Appendix F

Adoption of the Revised CIPFA Treasury Management Code of Practice 2009

Introduction
The CIPFA Code of Practice on Treasury management in Local Authorities was last updated in 2001 and has been revised in 2009 in the light of the default by Icelandic banks in 2008. The revised Code requires that a report be submitted to the Council setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Cross-Sectional Guidance Notes.

The revised Code also includes an amended version of the Treasury Management Policy Statement (TMPS) incorporating three clauses and a revised definition of treasury management activities. Although the Code does not require this to be approved by the Council, it is set out below for information.

The areas strengthened in the revised Code are as follows:

Minimum reporting requirements – The original Code required two reports each year, one prior to the start of the financial year which set out the strategy and one after the close of the financial year reporting operational activity compared to the strategy. The revised Code requires that in addition to these two reports, as a minimum, a mid year report is also presented to the body responsible for approving the budget. The aim of this report is to give those with overall responsibility for treasury management an opportunity to consider treasury management at a time when they are not approving the budget.
Whilst the Code specifies the minimum reporting requirements to full Council, organisations should ensure that their reporting is appropriate and relevant and keeps those responsible for treasury management fully informed.

Scrutiny – An organisation’s strategy should identify the body responsible for the scrutiny of treasury management. This is to ensure that treasury management receives the appropriate focus. It is best practice for the strategy to be scrutinised prior to its approval, with scrutiny during the year being an ongoing process.

Training for those charges with governance – The responsible finance officer must ensure that appropriate training is available in order for those responsible for treasury management can effectively discharge their duties. This includes those charged with governance and officers. The Code also stresses that those charged with governance recognise their responsibilities to ensure they have the necessary skills to complete their role effectively.

Approval – The consultation process sought comment on the practicalities of a body other than that which approves the budget to approve the treasury management strategy. However, to avoid divorcing the budget process, MRP policy, Annual Investment Strategy and Prudential Indicators from the treasury management strategy the strategy and amendments should be approved by full Council, whereas a relevant committee may approve changes to the operational process, such as Treasury Management Practices or policy statements. When policy statements are part of the strategy these should be approved by full Council.

RESOLUTIONS

CIPFA recommends that all public sector organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents the following four clauses:

1. The Council will create and maintain, as cornerstones for effective treasury management:
    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
    - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve these policies and objectives, and prescribing how it will mange and control those activities.

    The content of the policy statement and TMPs, will follow the recommendation contained in Section 6 and 7 of the Code, subject to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs, and CIPFA's Standard of Professional Practice on Treasury Management.

4. This organisation nominates Performance Management and Review Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The Council shall adopt the key recommendations contained in the CIPFA publication "Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes" (The Code), published in 2009.

Agenda Item: 4 [f]

FEES AND CHARGES REPORT 2010/2011 – KEY DECISION

Resolution Required

Report of the Chief Finance Officer

EXECUTIVE SUMMARY

How does the content of this report improve the quality of life of Borough Residents

Income from fees and charges is an essential part of funding for the Council and ensures that minimum levels of Council Tax rises can be implemented in order to maintain the services provided to as high a level as possible.

Purpose of Report

To consider and approve the schedule of fees and charges to be implemented from 1st April 2010.

Key Issues

- To ensure that all fees and charges are reviewed annually.
- To ensure that appropriate levels of charges are incorporated into the budget to maximise revenue in the current economic climate
- To ensure that the expected yield is maximised in relation to prior year income levels which may have been subjected to volume changes
- To ensure that all potential income streams have been explored and assessed

Financial Implications

As set out within the report and appendices

Corporate Priority

All 12 Priorities

Officer Recommendations

-

The Cabinet are asked to approve the Fees and Charges, as set out in Appendix A – Members' Room Only, to be implemented from 1 April 2010.

Contact: Terry Collier, Chief Finance Officer on (01784) 446296
Cabinet Member: Councillor Mrs. Vivienne Leighton

MAIN REPORT

1. BACKGROUND

1.1 The purpose of this report is to update Members on the proposed fees and charges for the financial year 2010/11 and to identify the level of increases proposed in calculating the new charges

2. KEY ISSUES

2.1 **PROPOSED FEES AND CHARGES**

2.2 The schedule of proposed fees and charges to be effective from 1st April 2010 is attached as **Appendix A – Members' Room Only.**

2.3 **Appendix B** shows the Authorities income budgets and identifies the actual income for 2008/09 levels, the 2009/10 original budget, the income received to January 2010 and projected outturn for 2009/10.

2.4 As part of the 2009/10 budget setting process Heads of Service adopted a cautious approach to raising the level of fees and a number of fee budgets were reduced in response to the downturn in the economic climate which had produced lower levels of income than previously budgeted

2.5 All fees and charges have been reviewed by Heads of Service to ensure that they are covering our costs and they have been assessed as to the reasonability of the fee being set. Comparisons are made with other neighbouring districts to ensure all appropriate areas of fee income are being charged and that the charges made are maximised.

2.6 For 2010/11 Heads of Service have been asked to revisit the overall budgeted income estimates and base them upon the income seen in 2009/10 to date in order to reassess the likely full year income position.

2.7 The total value of fee income anticipated for 2010/11 is approximately £6.9m, an increase of £0.4m from the 2009/10 budget.

2.8 In respect of the economic climate all areas are being monitored through the 2009/10 budget monitoring process to see how the income is holding up against budgets.

2.9 Currently Building Control and Land Charges are both indicating that they will achieve more than originally budgeted and any increase seen as ongoing has been incorporated into the base revenue budget.

2.10 The Council's Car park income is currently holding up.

2.11 However other major income areas such as Planning and Parks income have all seen no upturn so are being reflected at previous or lower rates than that previously budgeted

2.12 Factors which are affecting the level of income include

2.13 (a) Planning

i) The increase in the level of statutory fees - we have not been advised of any change in the fee levels for 2009/10

ii) The number of large applications received in the year

iii) The downturn in the Housing market

iv) The level of grant received from the Government for the Planning and Housing delivery grant

(b) Car Parks – a separate paper on this agenda outlines in more detail the issues and position of proposed changes to car park tariffs. Due to the uncertainty as to final income levels it is proposed to review the charges once the year end outturn position has been finalised. Implementing the proposed charges will not have a major impact on the level of income the Council receives from its car parks rather it is designed to allow time to assess the level of income received in 2009/10 before deciding on changes to our major car parks.

(c) Land Charges - Uncertainty over the state of the housing market and the continued increased use of personal search agencies has impacted on income levels. Currently there is also a challenge by the personal search agencies on the level of fees proposed to be charged which could impact on the level of income receivable. This and the current economic climate make it difficult to predict the possible income level. Fees notified to us by Surrey County Council, as their element of cost for land charge searches, are incorporated in the total level of land charges fees set by SBC.

2.14 The proposed fees and charges submitted here for the next financial year have, in some cases not been up rated by 5%, which was part of the Financial Strategy agreed by Executive in November 2006, but have been amended to reflect the maximum level it is perceived that the market can currently stand.

2.15 It should be noted that in exceptional circumstances discounted pricing may be considered where an activity supports a strategic priority of the council to the benefit of a particular community group.

3. PROPOSALS

3.1 It is proposed that charges are increased as set out in **Appendix A – Members' Room Only**.

4. BENEFITS AND SUSTAINABILITY

4.1 Careful monitoring of the fees and charges costs will ensure that the Council receives maximised income levels to try and offset below inflation rises in other types of funding.

4.2 The fees proposed however should be subject to regular comparisons with both other authorities and where possible against private providers to ensure that we stay competitive and are not missing out on opportunities to increase fees.

5. FINANCIAL IMPLICATIONS

5.1 As detailed within the report and appendices

6. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

6.1 There are none

7. RISKS AND HOW THEY WILL BE MITIGATED

7.1 The risk of not achieving the expected projected income levels has tried to be mitigated by looking at prior years information and assessing the likely impact of the changes and by looking at the current year expected yield to try and take account of volume changes of the services

7.2 The risk of not achieving the required level of income generated by the new fees and charges will be monitored on a regular basis and any significant variations will be identified as part of the monthly budget monitoring process

8. TIMETABLE FOR IMPLEMENTATION

8.1 The Fees and Charges proposed **[Appendix A – Members' Room Only]** are to be implemented from 1 April 2010.

Report Author: David Lawrence, Chief Accountant, (01784) 446471

Background Papers:
There Are None

Agenda Item: 4 [g]

CAPITAL PROGRAMME 2010/2011 TO 2013/2014 – KEY DECISION

Resolution Required

Report of the Chief Finance Officer

REPORT SUMMARY

How does the content of this report improve the quality of life of Borough Residents

Money spent on capital schemes enables the Authority to ensure that residents are able to have an improved standard of living and amenities.

Purpose of Report

The report is to consider and approve the proposed Capital Programme for 2010/11 to 2013/14 in the light of the available resources and corporate priorities. The report covers progress on current scheme and includes future schemes for consideration. It also provides information on the availability of resources to continue moving forward with the proposed schemes.

Key Issues

- Priorities and financing of the Housing Investment Programme.
- Progress and future financing of the Other Services Programme.
- Overall resources available for financing capital schemes.
- Current position of the New Schemes Fund and projected use of fund.
- How to fund the Capital Programme once the currently available resources have been used.

Financial Implications
As set out within the report and appendices

Corporate Priority

All 12 priorities

Officer Recommendations

The Cabinet are asked to:

1. **Consider and approve the Capital Programme for 2010/2011 to 2013/2014.**

2. **Consider and approve the Prudential Indicators for 2010/2011 to 2013/2014.**

Contact: Terry Collier, Chief Finance Officer (01784) 446296
Cabinet Member: Councillor Mrs. Vivienne Leighton

MAIN REPORT

1. BACKGROUND

1.1 The proposed Capital Programme 2010/11 to 2013/14 covering the Housing Investment Programme (HIP), Other Services and New Schemes Fund is set out at the attached **Appendix 1**.

1.2 The programme shows the total capital cost of each scheme. Where grants and contributions are received in respect of specific schemes, these are also identified to illustrate both the gross cost of the scheme and the net cost to the Council. The investment cost, which represents the interest (currently assumed to be 1.44% pa for 2010-11) that would have been earned on the capital sum, is also included.

2. KEY ISSUES

2.1 The Housing Investment Programme (HIP) consists of renovation and renewal grants and assistance to Housing Associations through our partnership programme. These schemes are funded from capital receipts, section 106 contributions and government grants. Comments on specific service areas are:

a) House Renovation Grants - These grants are part funded by a cash limited grant from central government, currently £250k per annum. A small provision for discretionary Disabled Facility Grants (DFGs) is included although where possible applicants for discretionary grants are referred to the Home Improvement Agency where they can obtain loans for improvements.

2.2 The Other Services Programme relates to the non-housing activities of the Council apart from those schemes financed from the New Schemes Fund.

2.3 Estimate 2009/2010 -The approved budget was set at £2,024,500.

2.4 The revised estimate for this year is £2,035,900.

2.5 Estimate 2010/2011 - The schemes proposed in the attached programme total £1,940,200.

2.6 All bids to go on the programme for 2010/11 have been critically assessed and reviewed by Management Team. The level of spend proposed has been revised to reflect the level of capital resources now available to finance future capital expenditure

(a) Within the IT programme there are a number of schemes that are classified as invest to save schemes which, if implemented, will assist the Authority in producing ongoing revenue savings. The savings identified have been incorporated as part of the revenue budget report also on this agenda

2.7 New schemes identified (with estimated costs) for the programme are:

(a) Document Management System - £100,000 – implementation of a corporate electronic document and records management system which is Microsoft based and will reduce the duplication of information, improve version control and workflow plus will potentially be able to replace other systems within the Council that will enable savings on licences to be achieved. Electronic document management allows physical space savings both in the offices and on the network. The chosen software supports partnership working and collaboration as it is web-based. The savings identified as a result of implementing the system would mean that the initial cost would be recovered in 3 years.

(b) Website upgrade - £50,000 – improving the website will enable the web-site to become more transactional allowing customers to do more on-line rather than just look for information. It will reduce customer contact and supports the Customer Service Strategy in enabling self-service which is the cheapest of all the channels of communication.

(c) Customer Relationship Management (CRM) system - £160,000 – this will assist the Council in its Customer Service Strategy and is necessary if the vision of a contact centre is to be achieved. CRM technology allows the seamless flow of data between system integrating them so that functions at the front office can be fed back and accessed immediately by the back office, therefore freeing up back office resource for the more specialist queries.

(d) Environmental Health / Building Control mobile working - £40,000 – implementing the ability for officers to work remotely will assist in reducing the requirement of officers to be situated within Knowle Green and enable office space to be potentially made available for external letting in addition to improving the efficiency of the service. Travelling to and from the office is time wasted and the advent of mobile technology has enabled a more flexible approach to the working day. This initiative will be made easier by the implementation of Document Management and CRM.

(e) Verge Maintenance equipment – £60,000 - bringing the verge maintenance works back in house will require machinery to be purchased reducing the lease costs by £20,000 pa resulting in a 3 year payback period

(f) Clockhouse Tower Ashford Recreation Ground - £50,000 – renovation of the listed building by removal of its' timber framed surrounding structure and for the provision of seating and re-landscaping the surrounding area to make the structure safer and more vandal proofed.

2.8 The budget also includes provision for ongoing schemes and comments on specific areas are:-

(a) Information Technology - The budget of £250,000 reflects the purchase of new IT equipment and systems in implementation of the Council's ICT strategies.
(b) Capitalised Salaries – £50k salaries of staff doing capital works can legitimately be capitalised as part of the total cost of the scheme.

2.9 The budget for 2010/11 does not currently include a provision for Planned Maintenance Capital Works. A separate report will be produced once the outcome of a stock condition survey, currently being undertaken, is complete which will indicate the level of expenditure needed to finance the programme of essential and health and safety works to the Council's assets.

3. OPTIONS ANALYSIS

3.1 The Housing Investment and Other Services Programmes have always been funded from capital receipts as the use of any long-term borrowing would have resulted in the loss of the Council's debt-free status. However, under the Prudential regime introduced in 2004, Councils now have much greater freedom to borrow for capital investment provided certain criteria are met as set out in the Prudential Code. Any borrowing would of course result in a charge to the General Fund for principal and interest.

3.2 The ability to borrow to finance capital investment does increase available resources, but would have to be set at a level that is prudent and affordable in the longer term. This option may be suitable for specific revenue enhancing projects following prudent appraisal. With lower interest rates there may be more potential to consider specific business cases for prudential borrowing.

3.3 The resources set out below assume that the programme is funded from capital receipts:

Programme	Revised Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£000	£000	£000	£000	£000
Housing Investment	573	456	451	456	451
Other Services	1,463	1,184	550	420	400
Total Programme (excluding NSF)	2,036	1,640	1,001	876	851
Resources b/f		1,667	1,148	318	(387)
Anticipated receipts in year		1,121	171	171	170
Resources Available	3,703	2,788	1,319	489	(216)
Surplus/ (Deficit)	1,667	1,148	318	(387)	(1,068)

3.4 The New Schemes Fund programme is financed from funds earmarked following the sale of the Council's housing stock in 1996. Ongoing schemes currently budgeted include Area Regeneration works (£100k). Match funding has been obtained from Surrey County Council to finance additional works in the regeneration programme.

3.5 It is estimated that the capital element of the fund will be exhausted in 2010/11. Additional funding will need to be allocated from reserves or future capital receipts to finance these works.

3.6 The current and projected position of the capital element of the fund is as follows:-

	Revised Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£000	£000	£000	£000	£000
Bal b/f	112	112	(188)	(188)	(188)
NSF Programme	-	300	-	-	-
Bal c/f (Deficit)	112	(188)	(188)	(188)	(188)

3.7 As can be seen in tables 3.3 and 3.6 both the general capital receipts reserves and New Schemes Fund are due to be fully / over utilised in the period of the proposed capital programme.

3.8 In order therefore to complete the programme it is necessary to either identify additional funds to support the programme, reduce the level of proposed expenditure to meet the reserves available or if there is a sufficiently robust business do prudential borrowing.

3.9 A summary of the additional anticipated receipts in the period of the programme is attached as **Appendix 2**

3.10 The calculation for the Prudential Indicators is attached as **Appendix 3**

4. PROPOSALS

4.1 There are sufficient resources to fund the programme up to the end of the 2011/12 financial year based on the current level of receipts held. Additional funds of approximately £1,068k are currently required to ensure that the programme for the whole budget period can be financed. The final decision on financing will be considered in the context of the Council's overall financial strategy, including the impact on the General Fund of any borrowings allowed under the new regime.

4.2 The use of borrowing under the Prudential regime can be considered on a scheme-by scheme basis where appropriate. The Council's asset base is being kept under constant review and wherever possible additional resources will be generated from the disposal of both under-performing and surplus assets.

5. BENEFITS AND SUSTAINABILITY

5.1 Expenditure incorporated onto the capital programme is designed to be on schemes, equipment etc which is likely to produce an asset with a life expectancy of greater than one year

5.2 The schemes incorporated are expected to enhance the residents of the Borough standard of living and amenities and increase the business efficiency of the Council

6. FINANCIAL IMPLICATIONS

6.1 Financing the capital programme from capital receipts results in a loss of investment income. An estimate of these costs is included on Annex 1, under the column headed "Interest Lost". The loss for 2010/11 has been calculated on the basis of the current interest rate 1.44% per annum.

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

7.1 There are none.

8. RISKS AND HOW THEY WILL BE MITIGATED

8.1 The risk that schemes included on the programme have been inadequately planned and costed could lead to major revisions in the level of resources required to complete the project can be mitigated by increased project planning and involvement of the accountancy section when determining the likely scheme cost.

8.2 In addition to this slippage of schemes may also result in the original budget requested being insufficient if there is too long a time delay in costing the scheme and it's implementation.

8.3 All schemes identified on the capital programme should therefore be re evaluated on the minimum of an annual basis in order to try and assess any revisions required to the budget and if the budget needs to still be part of the revised programme.

8.4 The risk of officers' time being diverted to other projects in times of a shortage of resources will potentially cause schemes to be left partially complete. A risk assessment should always be completed as part of the original project plan to enable sufficient officer resources are available to complete the project to a satisfactory conclusion.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Schemes included in the capital programme are programmed to commence in 2010/11 and will be monitored monthly to ensure that any slippage of schemes is identified at an early date and the programme is adjusted accordingly

9.2 Any schemes incomplete at the end of March 2010 will be incorporated as part of the revised programme for 2010/11.

9.3 Bi Monthly reports are prepared for MAT to show the current status of the schemes and presented to Cabinet and Performance and Management Review Committee quarterly for revisions and updates to both estimates and projected outturns.

Report Author:

David Lawrence Chief Accountant (01784) 446471

Background Papers:

There are none.

Agenda Item: 4 [h]

DRAFT DETAILED BUDGET 2010-2011 – KEY DECISION

Recommendation Required

Report of the Chief Finance Officer

Report Summary

How does the contents of this report improve the quality of life of borough residents

By accurately planning and managing its financial resources the Council can maximise the services it provides to the public.

Purpose of Report

To consider and approve the net Revenue Expenditure Budget for 2010/11 and to consider and formally propose a Council Tax for 2010/11

Key Issues

- Significant savings exercises have been undertaken to enable a balanced Budget for 2010/2011

Impact of:

- Tight three year grant settlement for district councils
- Economic downturn
- Credit crunch and falling investment returns
- Concessionary Fares
- Need to balance budget for future years- need to maximise savings in 2010-11 and have in place longer term strategies for balancing budget

Financial Implications

As detailed in the report.

Corporate Priority All

Officer Recommendations:

The Cabinet is asked to make the following recommendations to the Council:

1. **To consider and approve the growth and savings items as set out in the report.**
2. **To approve a 0% increase in the Spelthorne element of the council tax for 2010/11 the following proposals:**
   a) **The Revenue Estimates as set out be approved**
   b) **No money, as set out in this report, is appropriated from General Reserves in support of Spelthorne's local Council Tax for 2010/11.**
   c) **To agree that the council tax base for the year 2010/11 is 40,388.20 calculated in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, made under Section 35(5) of the Local Government Finance Act 1992.**

3. That the following sums be now calculated by the Council for the year 2010/11 in accordance with Sections 32 and 33 of the Local Government Act 1992.

(a)	£55,270,200	Being the aggregate of the amount which the council estimates for the items set out in Section 32 (2)(a) to (e) of the Act
(b)	£42,889,822	Being the aggregate for the amounts which the Council estimates for the items set out in Section 32 (3)(a) to (c) of the Act.
(c)	£12,380,378	Being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
(d)	£5,623,432	Being the aggregate sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant or additional grant, increased by the sum which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 (Council Tax surplus) and increased by the sum which the council estimates will be transferred from its collection Fund to its General Fund pursuant to the collection Fund (Community Charges) Directions under Section 98(4) of the Local Government Finance Act 1988 made on 7th February 1994 (Community Charge surplus).
(e)	£167.30	Being the sum (c) above less the amount at (d) above, all divided by the amount at (c) above, calculated by the Council in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.

THAT THE FOLLOWING AMOUNTS BE NOW CALCULATED BY THE COUNCIL FOR THE YEAR 2010/11 IN ACCORDANCE WITH SECTION 36 OF THE LOCAL GOVERNMENT FINANCE ACT 1992.

<u>VALUATION BANDS</u>

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
111.53	130.12	148.71	167.30	204.48	241.66	278.83	334.60

Being the amounts given by multiplying the amount at (e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the sum which in that proportion is applicable to dwellings listed in valuation band ‘D’, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different band.

Contact: Terry Collier, Chief Finance Officer Tel: (01784) 446296

Cabinet Member: Councillor Mrs. Vivienne Leighton

REPORT

1. BACKGROUND

1. In November 2008 the Cabinet considered a report on the outline budget for the period 2009-10 to 2012-13 and noted the estimated deficit of £0.9million for 2009-10. The underlying deficit we had been facing for 2010-11 is approximately £1.7m which is not dissimilar to the scale of deficits faced by other Surrey districts. Considerable work has since been undertaken in order to get to the point of presenting a balanced budget proposal for 2010-11.

1.1 The budget process for 2010-11 has been particularly challenging because of the continuing impact of the credit crunch and property downturn then the broader economic downturn on the Council's financial position. These have impacted in a number of ways:

(a) Reduced capital receipts

(b) Base rates falling from a peak of 5.75% to 0.5% reducing the investment income the Council will earn in 2010-11 and 2011-12.

(c) Initially reductions in income streams particularly car parking (whilst there remains some uncertainties as to outturn car parking income there does appear to have been some recovery) and planning fees.

(d) Additional service pressures in areas such as Benefits, Revenues and Housing Options.

(e) The rise in the UK public sector levels of borrowing does mean that we expect the next local government settlement to be harsh.

1.2 Whilst the UK economy may have officially come out of recession, unemployment pressures may continue to rise and the recovery may be weak with a risk that we could fall back into recession. The outline budget planning process tried to build in prudent provision to anticipate the possible impact of the above factors.

2. KEY ISSUES

Detailed Budget

2.1 Appendix 1 summarises the current draft detailed Budget proposed for 2010-11.

Grant Settlement

2.2 As notified last year as part of the three funding settlement, the Government has confirmed that Spelthorne will receive just a 0.5% (£28k) increase in general grant support for 2010-11.This is equivalent to a mere additional 31 pence to spend next year on each of our residents.

Level of Grant Support

2.3 Spelthorne receives £63.87 per head of population of general government grant (revenue support grant and redistributed business rates) for 2010/11. This is 19**% below the national average of £78.40** per head for English shire districts. Within Surrey we are the third highest funded district, on a per head of population basis. Spelthorne, in common with almost forty percent of districts in England and all but one of the Surrey districts, are on the "floor" (the mechanism by which the government ensures a minimal increase in grant for each council) hence our funding has only increased this year by 0.5%, which is significantly less than the rate of inflation. 2010-11 is the last year of the current three year settlement which means that there is uncertainty as to grant funding for the following three years, currently we have assumed as our mid range working assumption annual cash reduction of 2% annum in grant for future years.

Council Tax and Capping

2.4 The government has again stated that it is still prepared to cap if necessary and that they are looking for an *average* council tax increase to be *substantially lower than previous year.* Authorities believe that the capping limit imposed by the Government is likely to be around 3%. As a result no authority in Surrey is proposing an increase of more than 3%. We anticipate the County and Surrey Police to set increases of about 2.5%. Three other boroughs are believed to be planning a nil council tax increase like ourselves.

Basis of Preparation of Detailed Budget

2.8 **Service levels –** the estimates have been prepared on the basis of maintaining existing service levels except where variations have been approved by the Cabinet and/or the Council. . Members will be aware that considerable work has been undertaken to reduce the list down to the absolute essentials. Appendix 2 contains a list of savings measures both corporate and service specific.

2.9 Pay and price levels –the estimates have been prepared at pay and price levels ruling at November 2008 including an increase of 0% for salaries and wages from 1 April 2010. If the national pay award is higher savings will be found from the salaries budget to fund the difference under our obligation to match the national award added in respect of salaries and wages. Inflation has been included in respect of contracts where appropriate.

2.10 Fees and charges - all fees and charges have been reviewed. See the separate report on the agenda

2.11 Contingencies – no provision has been made for any general contingencies. The General Fund reserve exists as a source of contingency funds should a need arise which can be addressed through offsetting savings.

2.12 Interest – the interest rate that will be earned on the maturing investments next year has been assumed to be in the range of 1% to 1.5%. The overall average rate of return is expected to be 1.4% and this reflects some fixed deposits which either mature in 2010/11 or do not mature for up to three years.

2.13 Use of reserves –it is proposed not to use general reserves. This is a reduction of the £175k use of general reserves built into the 2009 -10 budget. This represents a modification to the Outline Financial Strategy in response to the change of circumstances the Council is now facing. The change in the financial landscape, particularly the extended period of low interest rates, means it will be unrealistic to eliminate entirely use of all reserves in 2010-11. The level of likely use of reserves is as set out below.

2.14 Indicative Use of Reserves (all specific use of reserves – no use of general reserves):

2009-10 (original) £1,004k

2009-10 (revised; reflects VAT refund set aside) £485k

2010-11 £683k

2011-12 £50K

2012-13 NIL

2013-14 (£100K) – i.e. net contribution to reserves

The 2010-11 figure is broken down as follows:

Interest equalisation reserve	£293k
New Schemes fund	£250k
set aside LPSA reward grant	£ 80k
set aside to fund Airtrack	£ 60k

2.15 The Council as a participant in the Surrey Local Public Service Agreement (LPSA) for 2005-2008 received in 2008-09 a total of £503k in grant to be split 50:50 between revenue and capital. The authority set aside the revenue component into reserve using £100k in 2009 -10 and £80k in 2010 -11 to support the overall budget.

2.16 We still have outstanding claims for refund of historic VAT which if fully successful would total approximately £1.5m; however, we anticipate that we are less likely to obtain a full refund than in the other areas where we have been successful. Any further VAT refunds will like the £518k received in 2009-10 be set aside to help replenish reserves.

2.17 **Investment Income**

2.18 The Cabinet has on the agenda of this meeting the Annual Investment Strategy report in the aftermath of the global financial crisis central banks around the world aggressively cut interest rates in a coordinated attempt to mitigate world recession and sustain global economic growth. In the UK, bank rate was rapidly cut over a short period to a historically low level of 0.50% on 5th March 2009 where it has remained ever since. Indeed, leading market forecasters, including Sector, the council's treasury advisors, expect it to remain at these levels until at least September 2010.

	Estimated Investment income to support general revenue budget
2008-09 Original	£1.880m
2009-10 Estimate	£1.020m
2010-11 Estimate	£0.419m
2011-12 Estimate	£0.6m
2012-13 Estimate	£0.725m

2.19 These low interest rates have had a major impact on the Council's ability to generate investment income. Although we locked into some very good rates during the banking crisis these investments have been maturing over the past year and re-investment has been at the significantly lower rates that are currently available in the market. We do have £6m invested in AAA rated European Investment Bank bonds, with a total average yield of 4.17%, which mature over a two to three year period. This boost our investment returns if rates remain at these historically low levels but the overall effect will be particularly noticeable in 2010/11 when investment income will be halved to around £418k.

2.20 This situation is not unique to Spelthorne, it will affect the investment returns of all local authorities and it has a "double whammy" effect. The reduction in investment income will have a major impact on increasing our budget deficit but shortfalls funded from reserves will only reduce our ability to generate sufficient investment income to support the General Fund in future years.

Growth items

2.21 Appendix 2 summarises the main budget growth and unavoidable expenditure pressures.

2.22 **Savings**

2.23 **Appendix 3** summarises the proposed savings. In total savings of approximately £1.7m or 12% have been found.

2.24 All services areas were asked In September 2009 to scrutinise their budgets to identify in year savings to redress the budget for 2009/10 caused by in year problems and to identify which of these could be ongoing – approximately £287k savings were identified and these have been built into the detailed budget.

2.25 In addition to this services have been asked to scrutinise their budgets and come up with an additional list of savings based on 2% and 5% of their total service area budget which have also been built into the detailed budget. In many cases the savings taken have been closer to the 5% level.

2.26 Along side this Management Team have been scrutinising the employee budgets and have identified a number of long standing vacant posts which could be deleted from the establishment and have requested that services relook at their structures to ensure that they are fit for purpose and a number of opportunities have been taken to review structures which has resulted in a reduction of the employee budgets. In total the employee budget for 2010-11 is approximately £700,000 lower than that for 2009-10.

Income generation

2.27 There are separate papers on this agenda for proposed car park charges and fees and charges generally. The budget forecasts have taken into account that there has been some decline in income streams in areas such as planning fees arising from the impact of the economic downturn. As part of the 2009-10 budget monitoring officers have been keeping under continuous review the council's various income streams and this has impacted on the level of in-year savings required to balance the 2009/10 budget. Income has however generally held up fairly well and additional income has been included in the detailed estimates where it was seen to be achievable and potentially on going.

2.28 A joint Scrutiny Committee Outline Task Group was convened in September 2009 to identify potential in year and future year's savings. A separate report has been prepared by them outlining proposed actions to address the 2010-11 and future year's budget deficit. This report will be taken to a special joint meeting of the two scrutiny committees on 1^{6th} February and then to a special Cabinet meeting on the 1^{8th} February.

3. OPTIONS ANALYSIS

3.1 The council is required to set a balanced budget and in the light of the detailed budget prepared, a council tax increase of 0% is recommended**.**

5. CAPITAL PROGRAMME AND PRUDENTIAL CODE OF CAPITAL FINANCE

5.1 Each year we are required to formally consider the impact of our capital spending plans on the level of the council tax, and make a judgement about the affordability of those plans. In order to do this a number of prudential indicators have been set which we are required to calculate. The details of these are set out in the capital programme item considered by the Cabinet in the separate paper on this agenda.

Capital expenditure

5.2 The February 2010 Cabinet report details the capital programme for 2010/11 to 20013/14. The council is intending to finance the programme from capital receipts and considers that it is affordable.

Ratio of financing costs to net revenue stream

5.3 The ratio for Spelthorne is negative because the level of investment income far exceeds the cost of borrowing, which in our current circumstances is short term, thus the financing costs are affordable.

Band 'D' council tax and incremental impact

5.4 In the financial strategy the Cabinet have agreed that future council tax increases be set at or above the level assumed in the revenue support grant settlement. For planning purposes we have estimated this to be 0% in 2010/11 and 0% in 2011/12. This would mean that subject to next years council tax being set at the recommended figure, the 2010/11 and 2011/12 band D figures are estimated to be £167.30 for both years.

The incremental effect of the draft capital programme shown separately in **Appendix 4** is considered to be affordable.

6 PRECEPTS

6.1 Surrey County Council at its Council meeting on 8th February set a Band D council tax of £1,116.36 representing a 2.5% increase and Surrey Police at its tax setting meeting on the 8th February set a band D council tax of £198.54 representing a 2.41% increase.

7. BENEFITS AND SUSTAINABILITY

7.1 As Chief Finance Officer I have a statutory due to ensure that the Budget is sustainable and that the capital programme is affordable. At the time of writing we are close to achieving this. We will review in the coming year the items funded from the New Schemes Fund to help ensure the Council's finances are on a sustainable basis.

7.2 Whilst the proposals set out produce a balanced budget for 2010 -11 at present the projections indicate a deficit of approximately £830k for 2011 -12 which we now need to start working towards addressing. Our approach will be informed by the recommendations coming out of the Member Budget Task Group report. We have identified a number of strategies we can pursue to ensure that we address this including, developing further our business improvement programme, implementing rolling zero based budgeting reviews, reviewing our use of assets; exploration of opportunities for joint working. We are aware that in 2011-12 there will be additional pressures on the Council in the form of additional employers national insurance contributions and probably additional employer superannuation contributions following the next triennial pension fund revaluation.

8. FINANCIAL IMPLICATIONS

8.1 Addressed in the body of the of the report

9. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

9.1 Robustness of estimates – the Local Government Act 2003 requires me, as the Council's Chief Financial Officer, to report on the robustness of the estimates made for the purposes of calculating the council tax. I am satisfied that each service budget has been prepared in the context of the council's corporate strategies, and longer-term financial strategy which means that the Council is presented with robust estimates as a basis for making decisions about the level of council tax.

9.2 The nature and size of our revenue budget carries a degree of risk as set out at section 10. This is particularly the case in the current economic climate.

9.3 Reserves and provisions – the Local Government Act 2003 requires me to report on the adequacy of the council's financial reserves when consideration is given to the general fund budget requirement for the year. Under the local government finance act 1988, all revenue balances held by the council are at the direct disposal of the general fund with the exception of the collection fund and the investment reserve. Those balances are expected to total approximately £12.1 m as at 1 April 2010. However, a number of these balances are earmarked specifically for social housing and the new scheme fund. The uncommitted funds will stand at £1.3 million Taken together with the council's financial strategy to reduce the reliance on revenues to support the council tax, I consider that the reserves and provisions will ensure that the council maintain a reasonably healthy financial position.

9.4 Officers are undertaking an equalities impact assessment of the budget proposals.

10. RISKS AND HOW THEY WILL BE MITIGATED

10.1 The budget has a number of risks and these are set out below:

Outside control		**Internally based**
Economic Downturn and risk of severe public sector spending cuts		Achievement of business improvement savings
Interest rates		Delivery of other savings, including vacancy savings
Recycling credits- falling values of recyclable materials		Resource impacts of CAA, Use of Resources and International Financial Reporting Standards implementation
Contaminated land (main impact would be on capital)		Property maintenance – addressing future requirements following stock condition analysis
Council tax capping level		
PSL/housing benefit subsidy		
Staines town centre rents		
Staines town centre redevelopment		
Reliance on interest		

earnings		

10.2 The risks are that the level of savings anticipated do not materialise or that there are additional spending pressures. This will be mitigated by ensuring proposals have been properly evaluated before being built into the final detailed budget for example clarifying any contractual assumptions, and thereafter through careful budget monitoring.

10.3 The UK economy has just come out of recession but is still facing a period of only small growth and this may impact on fee income and parking income. Realistic estimates and assumptions have been made within the budget figures as to this likely impact; however, there is a risk that this impact could be greater than anticipated. This will be monitored carefully throughout the year.

11. TIMETABLE FOR IMPLEMENTATION

Full Council to approve the Budget on 25th February 2010.

Author:

Terry Collier, Chief Finance Officer on Tel: (01784) 446296

Background Papers:

There are none