

Public Document Pack

Daneshill House
Danstrete
Stevenage
Hertfordshire

10 December 2018

Dear Sir/Madam

Notice is hereby given that a meeting of the Stevenage Borough Council will be held in the Council Chamber, Daneshill House, Danestrete, Stevenage on Tuesday, 18 December 2018 at 7.00pm and you are summoned to attend to transact the following business.

Yours faithfully

Scott Crudgington
Chief Executive

AGENDA

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 17 OCTOBER 2018

To approve as a correct record the Minutes of the meeting of the Council held on 17 October 2018.

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3. MAYOR'S COMMUNICATIONS

To receive any communications that the Mayor may wish to put before Council.

4. MAIN DEBATE - POLICING STEVENAGE: A PRESENTATION BY THE POLICE AND CRIME COMMISSIONER FOR HERTFORDSHIRE

To receive a presentation from the Hertfordshire Police and Crime Commissioner.

5. PETITIONS AND DEPUTATIONS

None.

6. QUESTIONS FROM THE YOUTH COUNCIL

None.

7. QUESTIONS FROM THE PUBLIC

None.

8. LEADER OF THE COUNCIL'S UPDATE

In accordance with the Council's Standing Orders, the Leader of the Opposition shall be given the opportunity to raise one matter relevant to the Borough that has arisen since the last meeting of the Council. The Leader of the Council shall then have the opportunity to advise the Council of matters relevant to the Borough that have arisen since the last meeting.

9. NOTICE OF MOTIONS

To consider the following motion submitted by Councillor S Taylor OBE CC –

Universal Credits – Stop and Reverse

That Council notes:

That Universal Credit, the Government's flagship social security programme, has been beset by flaws in its design and delivery. It is causing immense hardship for many people wherever it is rolled out. That Universal Credit was designed as an integral part of the Welfare Reform Act brought in by the Coalition Government following their election in 2010. That underpinning the Act has been an ideological drive to make being on Welfare Benefits as degrading and punishing as possible with the intention of forcing as many claimants off benefits as possible. Welfare Reform including the introduction of UC was accompanied with the rhetoric of benefit dependency, skivers and strivers, cheats and malingerers as a way of winning public support for pushing through the biggest changes in welfare since the 1930s. UC is just one part of these reforms which include the discredited and hated Work Capability Assessments, the change from DLA to PIP with a 20% budget reduction target and cuts to the Access to Work programme.

These changes are interconnected and form the core of the Conservatives' making work pay programme.

Council believes:

- Universal Credit is a vehicle for cuts: cuts in support for families with a disabled child; cuts in support for disabled people in work and cuts in support for lone parents bringing up children.
- That UC cannot be fixed.
- That Universal Credit should not have been rolled out in Stevenage, and that this should be reversed. That, as with the Work Capability Assessments, an entirely new scheme needs to be created making sure that Disabled People's Organisations and other groups affected are included at the heart of how these schemes are designed.

Council resolves:

- To write to the local MP and call on him to condemn the cruelty inflicted on local UC claimants
- To write to the Secretary of State and demand they halt the roll-out in Stevenage and nationally
- To support the opposition motion to demand the government publish its analysis of the impact of UC on people's incomes and debt

That under no circumstances will tenants in rent arrears due to waiting times for receipt of Universal Credit be evicted.

10. QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS / PORTFOLIO HOLDERS

A. Question from Cllr J. Brown

“What will be the effect of Brexit on European funded and supported projects and employment in Stevenage?”

B. Question from Cllr G. Snell

“What is the number of Dentists and other health professionals operating from residential properties across Stevenage and what consideration has been given to encourage the practices to relocate into vacant business properties or community amenity space?”

C. Question from Cllr R. Parker

“What are the Council doing to improve the poor sickness record of Stevenage Borough Council staff?”

D. Question from Cllr A. McGuinness

“What is the Council’s policy on subletting within its Community Centres?”

E. Question from Cllr T. Wren

“What negotiations have the Council undertaken concerning access to affordable properties on the future Gresley Park development?”

11. UPDATES FROM SCRUTINY CHAIRS

To receive updates from the Chairs of the Scrutiny Committees on the recent activities of those Committees.

12. SCHEME OF DELEGATION TO OFFICERS

To consider proposed modifications to the Scheme of Delegation of Council functions to Officers.

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13. 2018/19 MID YEAR TREASURY MANAGEMENT REVIEW

The report circulated at item 11 was considered by the Executive on 21 November 2018 when the following recommendations to Council were agreed:

1. That Council be recommended to approve the 2018/19 Treasury Management Mid-Year review.

2. That Council be recommended to approve the latest list of approved Countries for investments, as set out in Appendix D to the report.
3. That Council be recommended to empower officers to undertake treasury management functions on behalf of Council wholly owned companies and/or Council Limited Liability Partnership (LLP), subject to authorisation from the Board of Directors (see Paragraph 4.5.12 of the report).

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14. AUDIT COMMITTEE MINUTES

To note the minutes from the Audit Committee meeting held on 20 November 2018.

Minutes attached – Item 14.

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COUNCIL MINUTES

Date: Wednesday, 17 October 2018

Time: 7.00pm

Place:

Present: Margaret Notley (Mayor), Doug Bainbridge, Sandra Barr, Philip Bibby CC, Lloyd Briscoe, Rob Broom, Jim Brown, Laurie Chester, Michael Downing, John Gardner, Michelle Gardner, Jody Hanafin, Liz Harrington, Roni Hearn, Richard Henry, Jackie Hollywell, Matthew Hurst, Graham Lawrence, John Lloyd, Mrs Joan Lloyd, Lin Martin-Haugh, Andy McGuinness, John Mead, Sarah Mead, Adam Mitchell CC, Sarah-Jane Potter, Ralph Raynor, Graham Snell, Simon Speller, Sharon Taylor OBE CC, Jeannette Thomas and Tom Wren

Start / End Start Time: 7.00pm
Time: End Time: 9.00pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for Absence were received from Councillors Howard Burrell, Dave Cullen, Jamie Fraser, Lizzy Kelly, Maureen McKay, Robin Parker and Ann Webb.

There were no declarations of interest.

2 **MINUTES - 25 JULY 2018**

It was **RESOLVED** that the Minutes of the Council meeting on 25 July 2018 be approved as a correct record and signed by the Mayor.

3 **MAYOR'S COMMUNICATIONS**

The Mayor announced the sad death of former Mayor and Councillor Alderman Ken Vale.

Councillor Sharon Taylor led the tributes and spoke of Alderman Vale's passion for Stevenage and his great contribution to sport and leisure in the Town in particular his long association with Stevenage Borough Football Club. Councillor Taylor said that her thoughts were with Ken's wife Betty who looked after him so lovingly.

Councillor Jeannette Thomas remembered Alderman Vale as a great local Councillor who had mentored her when she first became a Councillor and was well known by nearly everyone in his ward.

The Mayor read a tribute from Councillor Robin Parker. Councillor Parker knew Alderman Vale for many years as a political opponent in a neighbouring ward and

had served on many Council committees with him over the years. Councillor Parker advised that he had always found Ken knowledgeable and well informed about local issues and referred to his quiet and persuasive sense of humour.

Councillor Lloyd Briscoe referred to Alderman Vale's long involvement with and his love of Stevenage Borough Football Club.

Following the tributes, Council stood and observed a minute's silence in remembrance.

The Mayor presented Councillor John Gardner with a certificate in recognition of his 20 years service as a Councillor to Stevenage Borough Council.

The Mayor then informed Council that since the last meeting the Mayoral Team had attended 52 engagements. She referred to a number of highlights including:

- The Coptic Service held in St Margaret's Church, Westminster Abbey;
- The 60 year celebration of the Stevenage Male Voice Choir;
- The film - A County At War, Life On The Home Front in Hertfordshire at the Rex Cinema in Berkhamstead - a DVD commissioned by HM Lieutenancy of Hertfordshire;
- The British Empire Medals Presentation which included an award to Stevenage resident Miss Christabel Cofie for her charitable work in the UK and Ghana;
- The Stevenage Reception/Pride Awards which celebrated and honoured the wonderful people of Stevenage who do so much in and for the Community;
- The Strictly Wheelchair Dancing Championships held at Stevenage Leisure Centre which included competitors from Great Britain, The Netherlands and Russia;
- The fundraising Quiz for the Mayor's Charities, with over 120 people taking part.

The Mayor also reminded Members of her upcoming events:

- The Annual Fireworks Display on Monday 5 November;
- Christmas Lights Switch on at 6.30pm town centre on Thursday 22 November;
- Carol Service – 2.30pm – 4.30pm Holy Trinity on Sunday 2 December
- Christingle - 4.30pm Church of St Andrew & St George – 2 December
- Mayors Christmas Social –Daneshill House 7pm – 17 December

4 **MAIN DEBATE - CREATING A 21ST CENTURY YOUTH COUNCIL**

The Council received a presentation from the Stevenage Youth Council (SYC) on the development of SYC over the past 12 months, celebrating and reflecting on the

growth of the group and their work while also presenting the opportunities to develop further, modernise and further increase inclusivity over the next year.

The Mayor thanked the Members of the Youth Council for their well prepared and informative presentation.

A Motion was moved by Councillor Henry and seconded by Councillor Barr.

A full debate ensued, points raised included:

- The Council should work more closely with the Youth Council but also with young people who had disengaged from learning;
- Praise was given regarding the development of the Youth Council and the importance of being responsible for their own governance and constitution was stressed;
- The Council should continue its work with the Youth Council to ensure links with the Twin Towns continued to strengthen;
- The image of young people was often not deserved and the challenge was to become more youth centred and not just youth aware;

After a full debate it was moved, seconded and **RESOLVED** "That this Council welcomes the participation of Stevenage Youth Council at Stevenage Borough Council meetings and supports their aspirations for improving the quality of life of young people across the town.

This Council also supports the Youth Council's aspirations to grow and evolve with new engagement mechanisms to continue to meet young people's needs."

5 **PETITIONS AND DEPUTATIONS**

None received.

6 **QUESTIONS FROM THE YOUTH COUNCIL**

None received.

7 **QUESTIONS FROM THE PUBLIC**

None received.

8 **LEADER OF THE COUNCIL'S UPDATE**

The Deputy Leader of the Opposition asked about the current situation regarding Fairlands Valley Farmhouse. He questioned the Council's performance with regards to maintaining the building and not undertaking repairs to it since 2016. He asked what measures were being put in place for the future of the Farmhouse.

In response, the Leader of the Council advised that Government funding cuts had significantly affected the Council's ability to maintain this building. The building had recently been the focus of the Community Right to Bid process which had resulted in

two bids from community groups which unfortunately after full and proper consideration the Council could not progress. The Council was now reconsidering options for a future solution for the Farmhouse.

The Leader stated that a number of security measures had been put in place and that a written reply would be sent to Councillor Bibby regarding the cost of securing the building.

The Leader advised that the Council was committed to the preservation of the older buildings in the Town and she would encourage representations to be made to the Department for Culture Media and Sport (DCMS) regarding the unusual position of Stevenage as a New Town and the importance of preserving the very few older buildings in the Town.

The Council then received updates on the following:

- A public showing of the Lord Lieutenants DVD – A County at War, Life on the Home Front;
- Modern Slavery Charter;
- Arts Council Award;
- Stevenage Celebrates 100s years of votes for women;
- Fraud;
- Stevenage MRC (Flat Block Contract);
- Housing Development;
- Older People’s Day 2018;
- SADA Expands to North Herts;
- Play Area Investment;
- Yes Futures;
- Regeneration
- Planning;
- Business and Economy.

Finally, the Leader advised that she would request Officers to provide to Members the results of the Broadwater Parking Survey.

9 NOTICE OF MOTIONS

In moving the Motion, the Leader of the Council referred to the national 5 fold increase in hate crimes and the divide within the country since the EU Referendum. She spoke of the good work done in Stevenage which celebrated cultural differences including events such as the Celebrate Annual Event held at the Gordon Craig Theatre and the Holocaust Memorial Service held each year.

In seconding the Motion, Councillor Mrs Joan Lloyd welcomed the fact that Stevenage Borough Council was the first Council in Hertfordshire to formally adopt the definition.

After a full debate, it was moved, seconded and **RESOLVED**:

That this Council adopts the full IHRA definition of anti-semitism, together with its examples, as follows.

“Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.”

Manifestations might include the targeting of the state of Israel, conceived as a Jewish collectivity. However, criticism of Israel similar to that levelled against any other country cannot be regarded as anti-Semitic. Antisemitism frequently charges Jews with conspiring to harm humanity, and it is often used to blame Jews for “why things go wrong.” It is expressed in speech, writing, visual forms and action, and employs sinister stereotypes and negative character traits.

Contemporary examples of antisemitism in public life, the media, schools, the workplace, and in the religious sphere could, taking into account the overall context, include, but are not limited to:

- Calling for, aiding, or justifying the killing or harming of Jews in the name of a radical ideology or an extremist view of religion.
- Making mendacious, dehumanizing, demonizing, or stereotypical allegations about Jews as such or the power of Jews as collective — such as, especially but not exclusively, the myth about a world Jewish conspiracy or of Jews controlling the media, economy, government or other societal institutions.
- Accusing Jews as a people of being responsible for real or imagined wrongdoing committed by a single Jewish person or group, or even for acts committed by non-Jews.
- Denying the fact, scope, mechanisms (e.g. gas chambers) or intentionality of the genocide of the Jewish people at the hands of National Socialist Germany and its supporters and accomplices during World War II (the Holocaust).
- Accusing the Jews as a people, or Israel as a state, of inventing or exaggerating the Holocaust.
- Accusing Jewish citizens of being more loyal to Israel, or to the alleged priorities of Jews worldwide, than to the interests of their own nations.
- Denying the Jewish people their right to self-determination, e.g., by claiming that the existence of a State of Israel is a racist endeavour.
- Applying double standards by requiring of it a behaviour not expected or demanded of any other democratic nation.
- Using the symbols and images associated with classic antisemitism (e.g., claims of Jews killing Jesus or blood libel) to characterize Israel or Israelis.

- Drawing comparisons of contemporary Israeli policy to that of the Nazis.
- Holding Jews collectively responsible for actions of the state of Israel.

Anti-Semitic acts are criminal when they are so defined by law (for example, denial of the Holocaust or distribution of anti-Semitic materials in some countries).

Criminal acts are anti-Semitic when the targets of attacks, whether they are people or property – such as buildings, schools, places of worship and cemeteries – are selected because they are, or are perceived to be, Jewish or linked to Jews.

Anti-Semitic discrimination is the denial to Jews of opportunities or services available to others and is illegal in many countries.”

In accordance with Section 22 of Part 4 of the Council’s Constitution, a recorded vote was held on this item.

* Votes for the Motion – Councillors D Bainbridge, S Barr, P Bibby CC, L Briscoe, R Broom, J Brown, L Chester, M Downing, J Gardner, M Gardner, J Hanafin, L Harrington, R Hearn, R Henry, J Hollywell, M Hurst, G Lawrence, Mrs J Lloyd, J Lloyd, A McGuinness, L Martin-Haugh, J Mead, S Mead, A Mitchell CC, M Notley, S-J Potter, R Raynor, G Snell, S Speller, S Taylor OBE CC, J Thomas and T Wren.

Votes against the motion – nil

Abstentions – nil

10 **QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS/PORTFOLIO HOLDERS**

In response to a question received from Councillor Mrs Ann Webb, Councillor Jeannette Thomas, Portfolio Holder for Housing, Health and Older People responded that Stevenage Borough Council had delivered 82 new council homes since 2016 and 54 new homes were currently under construction.

A further 238 homes were currently being consulted on through the planning process and an additional 65 homes were going through the design process, prior to being submitted for planning permission.

11 **ANNUAL TREASURY MANAGEMENT REVIEW OF 2017/18 INCLUDING PRUDENTIAL CODE**

Council considered a report which had previously been presented to both the Executive and the Audit Committee who had recommended that the 2017/2018 Annual Treasury Management Review be approved.

It was moved, seconded and **RESOLVED** that the Annual Treasury Management Review is approved.

12 **AUDIT COMMITTEE MINUTES**

It was moved, seconded and **RESOLVED** that the minutes from the Audit Committee meetings held on 26 July 2018 and 12 September 2018 be noted.

CHAIR

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Meeting: COUNCIL

Date: 18 DECEMBER 2018

SCHEME OF DELEGATION TO OFFICERS

Authors: Richard Protheroe Ext. 2938
Greg Arends Ext. 2081
Lead Officer: Scott Crudgington Ext. 2185
Contact Officer: Richard Protheroe Ext. 2938

1 PURPOSE

- 1.1 To modify the scheme of delegation of Council functions to officers in Part 3, paragraph 4 of the Constitution, so that all Council functions not specifically reserved to Council for decision – making are delegated to the Chief Executive. This is intended to improve the speed and transparency of decision making. The Chief Executive, will have power to sub-delegate these functions to other officers as required. A draft of the Chief Executive’s proposed delegations is set out in Background Document BD2, and will be kept up-to-date as changes are made.
- 1.2 The proposed changes take into account changes in the structure of the senior management of the officers, and recognises the role of the Deputy Chief Executive.

2 RECOMMENDATIONS

The Council:

- 2.1 Approves the proposed changes to Part 3, paragraphs 4.2, 4.4 and 4.5 of the Constitution as set out in Appendix A to this report.
- 2.2 Notes Background Document BD2 – Chief Executive’ s draft sub - delegations of Council Functions dated 5th Dec 2018.
- 2.3 Notes that officers will be asking the Leader to revise the delegations of Executive functions to officers at a future date.

3 BACKGROUND

- 3.1 The Council’s Constitution is a critical document that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

Part I

Annex 3 of the Council's Constitution covers Responsibility for Functions, including at paragraph 4, the Scheme of Delegation to Officers.

- 3.2 Section 101 of the Local Government Act 1972 deals with delegation of local authority functions (other than those which are the responsibility of an authority's Executive under section 13 of the Local Government Act 2000). Section 101(1) provides that (subject to any express statutory provision) a local authority may arrange for the discharge of any of its functions by a committee, sub-committee or one of its officers.
- 3.3 For the purpose of expediency and to maintain swift decision making processes, some decisions are delegated to officers. This is a key part of the Council's day to day running thereby allowing operational decisions to take place on normal everyday matters as the need arises.
- 3.4 The current Scheme of Officer Delegation was designed for an officer structure in which the Chief Executive only had Strategic Directors reporting into him/her, and had no services directly reporting into him/her. As a result the delegation of Council functions is currently made to the Strategic Directors, and the Chief Executive has limited ability to exercise delegated functions.
- 3.5 The current scheme of delegation also assumes a highly regimented officer structure in which Strategic Directors only consider matters in areas of business in which they are still highly involved in day to day operations.
- 3.6 The Senior Management Review in 2016 confirmed an officer structure in which the Chief Executive has two Strategic Directors, one of whom is the nominated Deputy Chief Executive. All three of these senior officers have operational services reporting into them (via an Assistant Director), and are expected to be able to provide appropriate strategic oversight of any business area as required.
- 3.7 Executive functions are currently delegated in a similar way. It is for the Leader to decide how these should be delegated and officers will be asking her to revise these at a future date.
- 3.8 The proposed changes to the Constitution are provided in Appendix A, and comprise of a revision to Part 3 paragraph 4. The current Constitution is available in Background Document BD1. A draft of the Chief Executive's intended sub - delegations is available in Background Document BD2.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The proposed scheme of delegation reflects the new senior officer structure by delegating all Council functions not reserved to Council itself to the Chief Executive who can then sub - delegate them as appropriate to the Deputy Chief Executive, Strategic Directors and other relevant officers. This better

Part I

reflects the current officer structure following the Senior Management Review 2016.

- 4.2 The proposed scheme provides more flexibility for the Deputy Chief Executive and Strategic Directors to act in delegated matters if the need arises. This reflects the way senior officers now operate across all the Council's services, rather than just those that structurally report into them. This improves the speed of decision making particularly in large complex projects that draw on many different services.
- 4.3 The Chief Executive will update and revise his sub - delegations as required for the benefits of speed and good decision making.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.2 In all cases, designated officers can only authorise expenditure within the limits of the usual budget delegation framework (contract standing orders and financial regulations) and any temporary financial controls.

5.2 Legal Implications

- 5.2.1 The scheme of delegation authorises the relevant officers to exercise the functions of the council as set out in the scheme.
- 5.2.2 The revised scheme will enable the Chief Executive to sub – delegate Council functions to any officer of the council in the interests of effective corporate management as he thinks fit.

5.3 Equalities and Diversity Implications

- 5.3.1 No implications identified.

5.4 Risk Implications

- 5.4.1 No implications identified.

5.5 Staffing Implications

- 5.5.1 Stevenage Borough Council like other local authorities, delivers a wide range of public services. The proposed changes to the constitution will help ensure good housekeeping and provide transparency over delegated powers.
- 5.5.2 The Council has given a general indemnity to any officer acting in purported discharge of an authority delegated for any action, costs, claim or liability incurred by him or her.

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5.6 Other Corporate implications

5.6.1 No implications identified.

6 APPENDICES

Appendix A – “Part 3 Responsibility for Functions (amendments to para. 4 – Scheme of Delegation to Officers)”.

7 BACKGROUND PAPERS

BD1 – Part 3 of the Council’s Constitution (current version).

BD2 – Chief Executive’s sub-delegations of Council Functions – 5th Dec 2018 (Draft).

PART 3

RESPONSIBILITY FOR FUNCTIONS

**(amendments to para. 4 – Scheme of
Delegation to Officers)**

4. SCHEME OF DELEGATION TO OFFICERS

4.1 General

Delegations to officers shall be without prejudice to the rights and powers of the Council and its committees or the Leader or the Executive and its committees, as appropriate at any time to decide upon any matters which fall within their responsibility.

In exercising powers delegated to them under this Scheme of Delegation, officers:

- a. Shall comply with the principles of decision making (Article 11 of this Constitution), standing orders, contract standing orders and financial regulations and any other relevant matters set out in the Council's Constitution;
- b. Shall comply with the approved policy schemes and decisions of the Council, its committees or the Executive;
- c. Shall consult with the appropriate professional or technical officers of the Council on relevant matters, in particular, the Chief Finance Officer and Borough Solicitor;
- d. Shall consult, where appropriate, with the Executive Member(s) whose portfolio(s) is/are affected.

4.2 Proper officer provisions

Subject to the appointments specified elsewhere in the Constitution, the Chief Executive or relevant Strategic Director will make the proper officer appointments across business units. In the event of any uncertainty, the Chief Executive may make or remake any proper officer appointment (save that the Chief Executive shall always make any proper officer appointments which relate to the functions of the Planning and Development Committee).

4.3 Executive functions

The Leader has determined that Strategic Directors may exercise all of those executive functions which the Executive does not reserve to itself or to an Executive Member. Subject to discretion of the Executive to amend these delegations, these functions are deemed to be delegated to the relevant Strategic Director as follows:

- a. The Chief Executive may exercise any executive function in the absence of a relevant Strategic Director or nominate another Strategic Director to do so in the Chief Executive's absence;

- b. The Chief Executive may exercise any executive power in cases of urgency whether or not reserved to executive decision making and whether or not falling within the departmental or budget area of another Strategic Director (in accordance with the Section 4 of this Constitution the Executive are to be informed of such actions):
- c. Any Strategic Director may exercise any executive power falling within his or her departmental or budget area;
- d. Such other corporate areas of responsibility to which a Strategic Director will be nominated from time to time;
- e. The Borough Solicitor shall have authority to institute, defend or settle any legal proceedings as necessary to protect the interests of the Council.

4.4 Council functions

- a. The Chief Executive may exercise all of those Council functions that are not specifically reserved to Council for decision-making, or actions delegated by the Planning and Development Committee to the Assistant Director (Planning & Regulation) or his/her delegate
- b. The Chief Executive may exercise any Council power in cases of extreme urgency whether or not reserved for Council decision making
- c. The Borough Solicitor shall have authority to institute, defend or settle any legal proceedings as necessary to protect the interests of the Council.

4.5 Exercise of officer delegations

The Chief Executive will establish a scheme of sub-delegations that specifies the functions, names the post which may carry out that sub-delegated function, and the limits if any on the sub-delegation. The Chief Executive will periodically review sub-delegations and whenever necessary, and may change sub-delegations as (s)he sees fit. The limits on sub-delegation may include the obligation to consult, record and/or refer back to the Chief Executive, Deputy Chief Executive and/or Strategic Directors (or another officer) in certain circumstances, and are made subject to relevant policies.

The Borough Solicitor will maintain the current version of the Council's scheme of officer delegations.

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Meeting: **Audit Committee / Executive /
Council**

Portfolio Area: Resources

Date: **20 November / 21 November /
18 December 2018**



2018/19 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

Author – Anita Thomas Ext No. 2430

Contributors – Lee Busby Ext No. 2730

Lead Officer – Clare Fletcher Ext No. 2933

Contact Officer – Clare Fletcher Ext No. 2933

1. PURPOSE

1.1 To update members on the Treasury Management activities in 2018/19 and review effectiveness of the 2018/19 Treasury Management and Investment Strategy including the 2018/19 prudential and treasury indicators.

2. RECOMMENDATIONS

2.1 That subject to any comments from Executive and the Audit Committee, recommend to Council to approve the 2018/19 Treasury Management Mid-Year review.

2.2 That subject to any comments from Executive and the Audit Committee, recommend Council to approve the latest approved Countries for investments (paragraph 4.7.13 Appendix D).

2.3 That subject to any comments from Executive and the Audit Committee, recommend to Council that officers may undertake treasury management functions on behalf of Council wholly owned companies and or Council Limited Liability Partnership (LLP) subject to authorisation from the Board of Directors (see paragraph 4.7.12)

3. BACKGROUND

3.1 The Council is required under the Local Government Act 2003 to produce a Mid Year Treasury Management Report reviewing treasury management activities including the 2018/19 prudential and treasury indicators. In addition the report

meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). Both these documents were revised and updated in 2017. As from 2019/20 all local authorities will be required to prepare a Capital Strategy that provides:

- High level overview of how capital strategy, capital financing and treasury management activities contribute to council services,
- how the associated risk is managed,
- and implications for the future financial sustainability of the council.

Officers will be incorporating these elements into the 2019/20 Capital strategy to be approved by Council on 27 February 2019.

3.2. This report covers one of three reporting requirements under the code of practice, the other reports being;

- Annual Treasury Strategy (in advance of the year) (last reported to Council 28 February 2018)
- Annual Treasury Management Review after the year end (2017/18 was reported to Council 17 October 2018)

3.3 This report summarises:

- Capital expenditure for 2018/19;
- Impact of the expenditure on the Council's underlying indebtedness, (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rates currently available;
- Detailed debt and investment activity; and
- An economic update for the first part of 2018/19.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2018/19

4.1.1 Capital expenditure¹ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts & capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash

¹ Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practises.

balances held by the council (see also 4.2.2). The need to borrow is measured and reported through the prudential indicators.

4.1.2 The Treasury Strategy and Prudential Indicators for 2018/19 were originally approved by Council on the 28 February 2018. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2017/18 Annual Treasury Management Review (approved by Council on the 17 October 2018). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st quarter capital programme reported to Executive (5 September 2018).

4.1.3 Table One (shown below) shows the original capital programme, the revised capital programme (approval Executive 5 September 2018) and financing.

Table One: 2018/19 Capital Expenditure and Financing		
	2018/19 Original Estimate £'000	2018/19 Revised Mid-Year Review (Executive September 2018) £'000
Capital Expenditure:		
General Fund Capital Expenditure	32,806	32,007
HRA Capital Expenditure	23,228	26,128
Total Capital Expenditure	56,033	58,135
• Capital Receipts	(9,601)	(10,303)
• Capital Grants / Contributions	(8,483)	(7,083)
• Capital Reserves	(1,748)	(1,648)
• Revenue contributions	(8,092)	(8,092)
• Major Repairs Reserve	(9,028)	(9,028)
Total Resources Available	(36,953)	(36,154)
Capital Expenditure Requiring Borrowing	(19,081)	(21,981)

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)². Whether physical borrowing is taken out depends on the level of cash balances held by the Council. Based on the Capital Strategy and Treasury Management Strategy, the treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments. This may be through borrowing from utilising cash balances held by the Council in the short to medium term or external bodies

² Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

(such as the Government, through the Public Works Loan Board (PWLB) or the money markets).

4.2.2 The Council has not undertaken any new physical borrowing as at 15 October 2018.

4.2.3 In 2018/19 the average cash holding between April and September was £64Million (£70.7Million April to September 2017/18). While investment returns are low the “internal” borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council’s cash balances, unless the condition in para 4.3.1 apply.

4.2.4 As at the 30 September 2018 the Council had total external borrowing of £205,614,160 (projected to increase to £227,463,331 by 31 March 2019 if all approved borrowing is taken). When expenditure is incurred on the purchase of commercial property the decision to take out the remaining of approved borrowing (£15million) will be reviewed. To accelerate the purchase process, an agent has been appointed towards end of September and they have three months to seek opportunities which will take us to the end of December. In the meantime other purchase options are also currently being pursued.

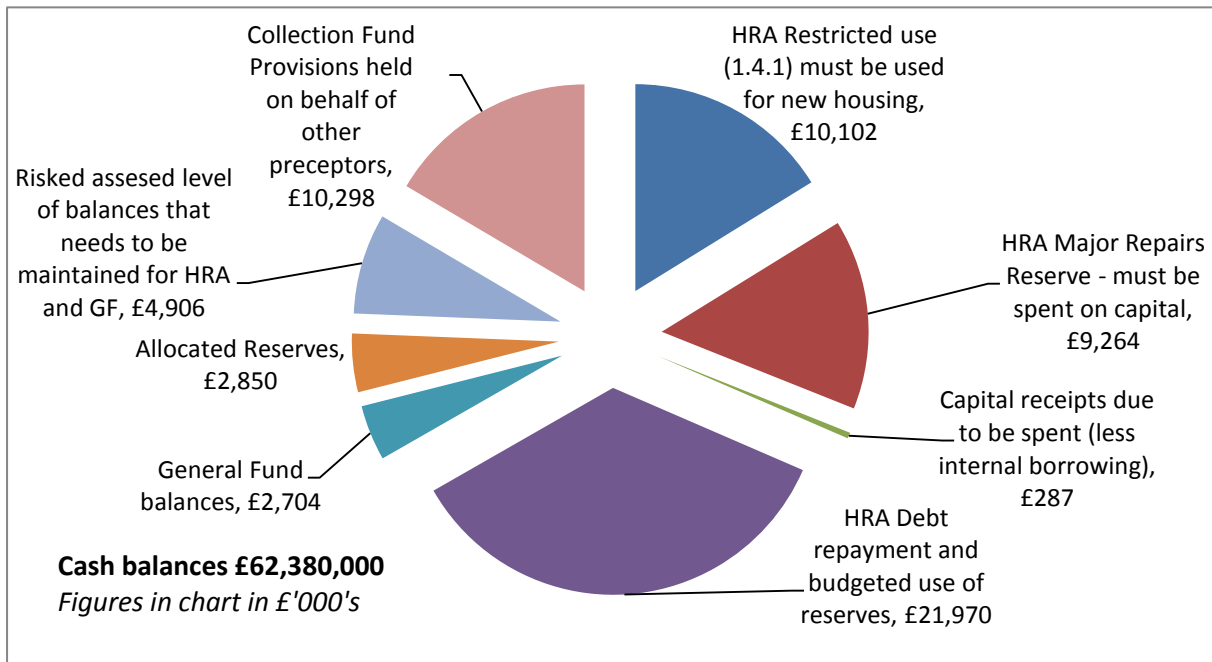
4.2.5 The General Fund has £2,940,160 external borrowing with the PWLB. The HRA has external borrowing of £202,674,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities

4.2.6 The HRA borrowing includes £7,763,000 used to fund the pre 2012 decent homes programme. This debt was called ‘supported borrowing’ under the former HRA subsidy system but now forms part of the HRA debt portfolio. . The remaining difference between the HRA debt portfolio and CFR at 31 March 2019 is the result of asset transfers from General Fund to the HRA and HRA internal borrowing prior to self-financing.

4.2.7 HRA borrowing was constrained by legislation (unlike the General Fund) and was capped at £217,685,000. In the autumn budget statement it was confirmed that **the borrowing cap on local authorities with housing revenue accounts (HRA) will be abolished completely with immediate effect**. Going forward the constraint on HRA borrowing will be based on affordability rather than legislation. The approved prudential indicators contained within this report (operational boundary and authorised limit for borrowing (see paragraph 4.4.6)) are based on the HRA debt cap pre autumn statement. These limits will be reviewed and updated following approval of the HRA 2019/20 budget and the Capital Strategy.

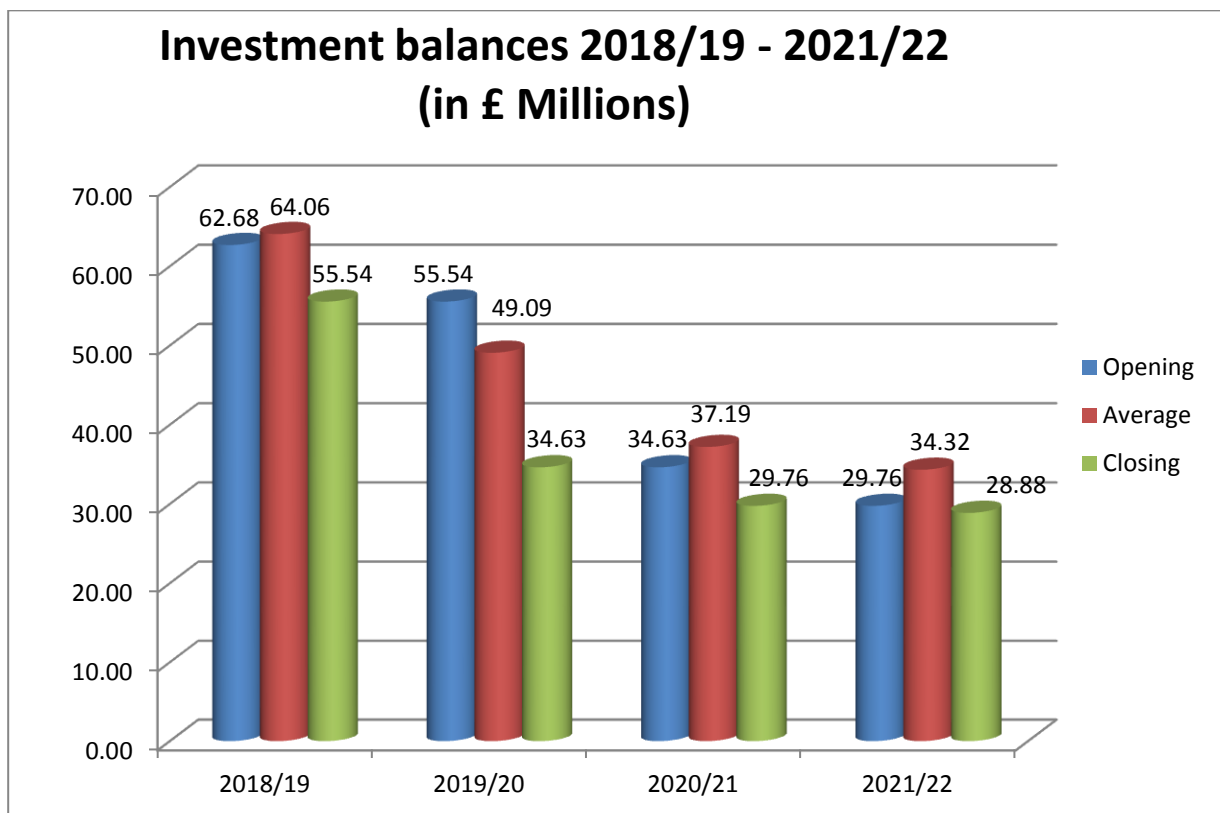
4.3 Cash balances and cash flow management

4.3.1 As at 1 April 2018 cash balances held by SBC totalled £62.4Million. As seen in the following pie chart most of these sums are held on behalf of other parties (Collection Fund – Hertfordshire County Council, Police and Central Government) or their use is restricted to capital projects which have already been identified.



4.3.2 Currently cash balances are estimated to be £55.5Million by 31 March 2019, but is dependent on current spending projections and approved borrowing included in the capital strategy and HRA business plan (General Fund - £15.581million and HRA - £6.4Million) for 2018/19. Decisions as to when this borrowing is actually taken will be considered based on cash balances and anticipated interest rates.

Chart One: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to 21 November 2018, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2018/19 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown below. The estimate of the CFR for 2018/19 has been updated for the capital strategy approved by Members (5 September 2018 Executive).

Table Two : Capital Financing Requirement 2018/19			
	2018/19 Original Estimate	2018/19 Revised Annual Treasury Management Review of 2017/18 (Approved Council October 2018)	2018/19 Revised Mid-Year Review (Executive November 2018)
CFR Calculation	£'000	£'000	£'000
Opening Balance	221,877	221,877	221,877
Closing Capital Financing Requirement (General Fund)	35,666	35,666	29,835
Closing Capital Financing Requirement (Housing Revenue Account)	208,709	208,709	211,857
Closing Balance	244,375	244,375	241,692
Increase/ (Decrease)	22,498	22,498	19,815

4.4.3 Total debt repayments made in the first half of 2018/19 relating to principle on PWLB GF loans were £131,579 (paid in August) and a repayment of £1,241,000 in respect of HRA debt in April 2018. A further repayment of £131,579 will be made in February 2019 in relation to General Fund debt.

4.4.4 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund.

4.4.5 The **net borrowing position** of the Council at 31 March 2019 is estimated to be **£173,344K** of borrowing (total borrowings/loans of £227,463K less total investments held of £54,119K).

4.4.6 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. A temporary breach of the operational boundary is permissible for short term cash flow purposes however a breach of the authorised limit would require a report to Council. To date there have been **no breaches** of either limit in 2018/19. Both limits have been updated to reflect approved borrowing for the HRA and debt cap and approved prudential borrowing for the General Fund (see also paragraph 4.2.7).

4.4.7 **Minimum Revenue Provision (MRP)**³ – In 2018/19 the MRP charged to the General Fund is £661,090, based on previous years' borrowing. At present the only borrowing included in this indicator relates to the ten year plan for the garages estate (£6.7million prudential borrowing over the period 2018/19 to 2020/21) and the investment property strategy (£13.24million in 2018/19 out of the £15M that was approved). MRP will need to be made regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates (as in paragraph 4.2.2).

4.4.8 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and RSG/NDR. For 2018/19 this indicator has changed due to changes to MRP, re profiling of garages business plan and the revised capital programme figures are shown in Appendix A. In future years it increases due to approved borrowing for the investment property strategy which will contribute to General Fund financial security objectives.

4.4.9 The treasury management indicators for 2018/19 onwards have been calculated based on the 1st quarter capital programme reported to Executive 5 September 2018. There will be subsequent updates to the capital programme including the capital bidding process for the period 2019/20 to 2023/24 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

³ MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

4.5 Update on Treasury Management Strategy Position 2018/19

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counter parties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to historically low Bank of England Base Rate which is currently 0.75% (see also para 4.8.3) and the risk appetite in the treasury management strategy. As at 30 September 2018 the 2018/19 average rate of interest being earned on investments was 0.77% this compares to 0.58% earned in 2017/18. This exceeded the 7 day LIBID benchmark rate of 0.59% (source: LINK Asset Services 30-9-18).

4.5.3 While costs for loans of between eight and ten years are around 2.35-2.50% (as at 12 October 2018) it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.2.3) for short-term internal borrowing. However, borrowing costs are forecast to increase and officers will be determining whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows;

Table three Treasury Position 2018/19						
	30 Sep 2018 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 Mar 2019 Principal £'000s	Rate / Return %	Average Life (Yrs)
Fixed rate loans - PWLB	205,614	3.37	15.53	205,482	3.37	15.53
Approved Prudential Borrowing	15,581	TBC	TBC	15,581	TBC	TBC
Approved HRA Borrowing	6,400	TBC	TBC	6,400	TBC	TBC
Total Borrowing	205,614	3.37	15.53	227,463	3.37	15.53
CFR				241,692		
Over/(under) borrowing*				(14,229)		
Investments Portfolio	69,450	0.54		54,119	0.54	

* financed by internal borrowing

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four Maturity of Debt Portfolio for 2017/18 and 2018/19		
Time to maturity	31 March 2018 Actual £'000's	30 September 2018 Actual £'000's
Maturing within one year	3,004	263
1 year or more and less than 2 years	263	263
2 years or more and less than 5 years	790	658
5 years or more and less than 10 years	18,956	18,956
10 years or more	185,474	185,474
Total	208,487	205,614

4.5.6 There are seven investments with **maturities over one year** as detailed below:

Counterparty	Country	Rating	Deposit amount	Start date	Maturity on
Birmingham City Council	UK	AA	3,000,000	24/04/2017	24/04/2019
Spelthorne Borough Council	UK	AA	1,300,000	22/06/2017	21/06/2019
Newcastle upon Tyne City Council	UK	AA	1,000,000	03/04/2017	03/04/2020
London Borough of Barking and Dagenham	UK	AA	2,000,000	09/01/2017	09/04/2020
Lancashire County Council	UK	AA	2,300,000	06/09/2018	07/09/2020
Great Yarmouth BC	UK	AA	2,000,000	16/05/2018	17/05/2021
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15/09/2017	15/09/2021
			14,300,000		

All other investments held during the first half of 2018/19 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Five. (See also Appendix B).

Table Five : Fixed and Variable Rate Investment Totals		
	31 March 2018 Actual £'000's	30 September 2018 Actual £'000's
Fixed rate principal	48,500	51,800
Variable rate principal	13,880	10,970
Total	62,380	62,770

4.5.7 The total limit on the amount invested in **Money Market Funds** was removed (Recommendation 2.5 Treasury Management Review including Prudential

Code – Council 28 Feb 2017) and no further Money Market funds have been added to the portfolio in 2018/19.

- 4.5.8 There have been **no breaches** of treasury **counter party limits**. Any breach would be notified to the Chief Finance Officer. There have been no pressures on counter party limits and no investments have been deposited with the DMO since October 2014 when Treasury Management limit changes were implemented.
- 4.5.9 The use of **enhanced cash funds** was also approved in February 2017. These funds are now referred to as “Ultra Short Dated Bond” (USDB) funds (Recommendation 2.7 Treasury Management Review including Prudential Code – Council 28 Feb 2017). Currently no investments have been made with USDB funds.
- 4.5.10 The updated list of “Approved Countries for Investments” is detailed in Appendix D.
- 4.5.11 Other Treasury Management Issues - **Money Market Fund Regulatory Change** The Money Market Fund sector is now in the last stages of introducing new regulations, expected to be finalised in early 2019. These will see existing non-government Constant Net Asset Value (CNAV) funds convert to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds will remain as “CNAV” funds under the new regulations. This change is not expected to impact on the existing treasury Management strategy.
- 4.5.12 As part of the Council regeneration programme and financial security objectives officers will be establishing special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV’s will include a Limited Liability partnership and wholly owned companies. As completely separate legal entities the board of Directors of the SPV will need to delegate authority for the treasury management function to the Council. This report seeks to gain approval from Members for officers to invest monies on behalf of the SPV’s subject to Director’s delegation. All sums invested on behalf of these SPV’s will be done in accordance with the Councils own treasury management policies.

4.6 Economic Review & Interest Rate Outlook

4.6.1 UK Growth

The first half of 2018/19 saw the UK economy grow modestly and the Monetary Policy Committee, (MPC) voted (9-0) to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will continue at around 1.5% in 2018, the Bank of England’s August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, caveated by whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

4.6.2 Inflation and Bank Rate

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.5% to **2.7% in August** due to increases in

volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019. Should interest rates increase by 0.25% annual interest costs for the Council would rise by £2,500 for every £1 million of new borrowing taken.

4.6.3 **Wage inflation**

Unemployment remains at a 43 year low at 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. Wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in **July of 3.1%**. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. The MPC views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy and hence its increase in Bank Rate in August.

4.6.4 **Eurozone Economy**

Eurozone growth has undershot early forecasts of a strong economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, growth is expected to be in the region of 2% for 2018.

4.6.5 **Brexit**

There is continued uncertainty as to the outcome of Brexit negotiation and a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit in March 2019. If the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up. Treasury advisors do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. They also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, this cautious approach will be dependent on the Brexit negotiations.

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for the 2018/19. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent Quarterly budget monitoring reports.

5.2 Legal Implications

5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.

5.3 Risk Implications

5.3.1 The current policy of not borrowing externally only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to borrow at higher rates which would increase revenue costs.

5.3.2 There is continued uncertainty regarding Brexit negotiations and the possibility of a “no deal” exit. SBC’s approach to Brexit is that it is treated as a business continuity issue with appropriate cross-checking carried out with other members of the Hertfordshire Resilience Forum.

5.4 Equalities and Diversity Implications

5.4.1 This purpose of this report is to review the implementation of the Treasury management policy in 2018/19. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations’ human rights issues.

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2018/19 (28 February 2018 Council)

BD2 Annual Treasury Management Review of 2018/19 (28 February 2018 Council)

6 APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments

Appendix A		2018/19 Treasury Management Strategy - Mid year review				
Treasury Management Prudential Indicators						
	2017/18	2018/19	2018/19	2018/19	2019/20	2020/21
Capital Expenditure (Based on Q1 Capital report September 2018):	Actual	Original	Revised	Revised	Revised	Revised
	£000	£000	September 2018 (TM report) £000	Mid year review 18-19 £000	Mid year review 18-19 £000	Mid year review 18-19 £000
General Fund	9,013	21,708	32,007	32,007	17,544	3,784
HRA	17,022	31,355	26,128	26,128	44,744	31,439
Total	26,035	53,063	58,135	58,135	52,148	35,409
Ratio of financing costs to net revenue stream:	Actual	Original	Revised	Revised	Revised	Revised
	%	%	September 2018 (TM report) %	Mid year review 18-19 %	Mid year review 18-19 %	Mid year review 18-19 %
General Fund Capital Expenditure	6.91%	14.22%	14.22%	9.34%	15.32%	15.13%
HRA Capital Expenditure	15.61%	16.94%	16.94%	16.94%	16.72%	16.16%
General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.						
HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self financing.						
Authorised Limit for external debt	Actual	Revised	Revised	Revised	Revised	Revised
	£000	£000	September 2018 (TM report) £000	Mid year review 18-19 £000	Mid year review 18-19 £000	Mid year review 18-19 £000
Borrowing - General Fund	33,971	40,666	40,666	40,666	42,251	43,103
Borrowing - HRA	217,655	217,655	217,655	217,685	217,685	217,685
Total	251,625	258,321	258,321	258,351	259,906	260,758
The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £9m headroom, which is in addition to our capital plans.						
Operational Boundary for external debt	Actual	Revised	Revised	Revised	Revised	Revised
	£000	£000	September 2018 (TM report) £000	Mid year review 18-19 £000	February 2018 £000	February 2018 £000
Borrowing - General Fund	31,471	38,166	38,166	38,166	39,751	40,603
Borrowing - HRA	211,209	211,209	211,209	211,209	211,209	211,209
Total	242,680	249,376	249,375	249,375	250,961	251,812
The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £1m headroom in addition to our capital plans.						
Gross & Net Debt	Actual	Revised	Revised	Revised	Revised	Revised
	£000	£000	September 2018 (TM report) £000	September 2018 (TM report) £000	February 2018 £000	February 2018 £000
Gross External Debt - General Fund	4,572	18,389	18,389	18,390	20,692	22,284
Gross External Debt - HRA	203,915	206,174	206,174	209,074	206,174	206,174
Gross External Debt	208,487	224,563	224,563	227,464	226,866	228,458
Less Investments	(62,380)	(45,563)	(45,563)	(54,119)	(37,038)	(31,479)
Net Borrowing	146,107	179,000	179,000	173,345	189,828	196,979
The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Gross External Debt should not exceed the Operational Boundary						
The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the estimates of any additional financing.						
Capital Financing Requirement	Actual	Revised	Revised	Revised	Revised	Revised
	£000	£000	September 2018 (TM report) £000	Mid year review 18-19 £000	February 2018 £000	February 2018 £000
Capital Financing Requirement GF	15,623	35,666	35,666	29,835	37,251	38,103
Capital Financing Requirement HRA	206,253	208,709	208,709	211,857	208,709	208,709
Total Capital Financing Requirement	221,876	244,376	244,376	241,692	245,961	246,812
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).						

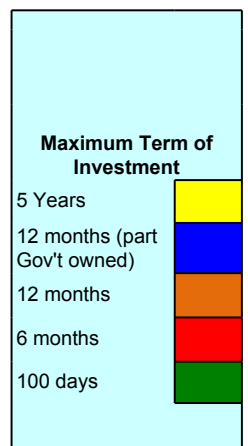
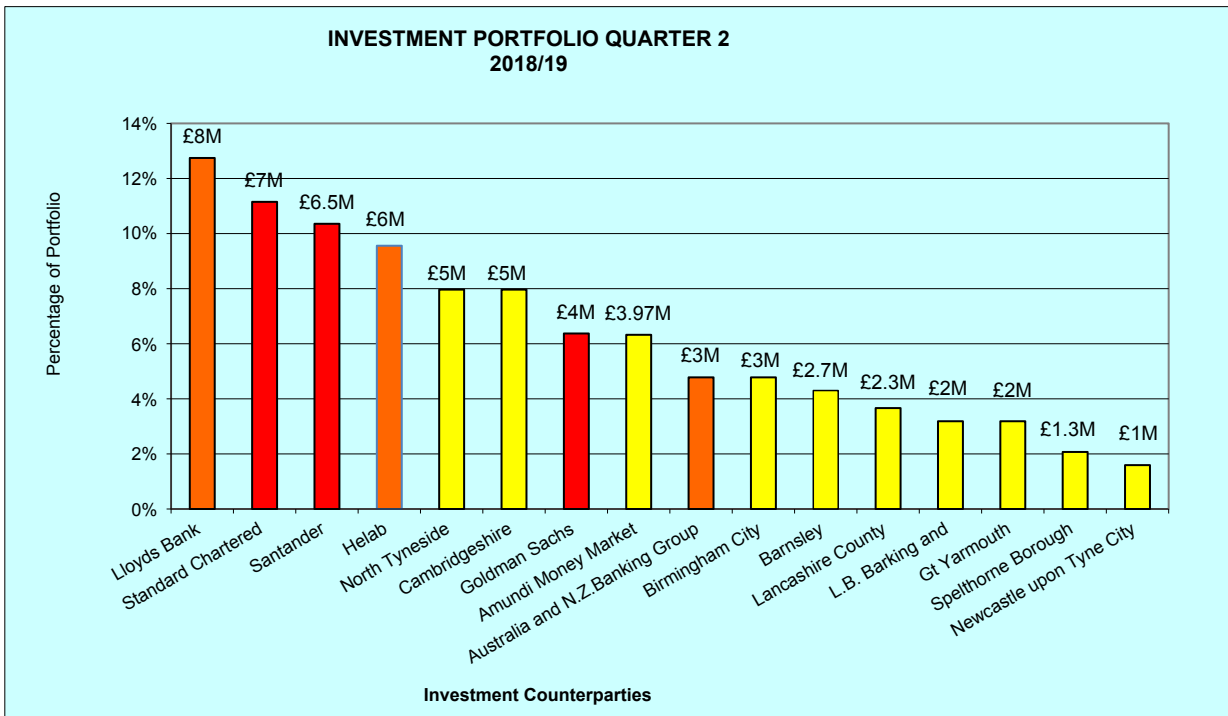
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INVESTMENT PORTFOLIO QUARTER 2 (30th September 2018)

Appendix B

Average interest rate for 2017/18 **0.58%**
 Average Investment Rate Sept 2018 **0.77%**
 Bank of England Bank Rate **0.75%**
 (Bank Rate Increased 2 Aug 2018 from 0.50%)

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Amundi	UK	AA	3,970,000			0.70
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			1.01
Fixed Term Deposit						
Helaba	GER	AAA	2,000,000	10/01/18	10/10/18	0.71
Goldman Sachs International	UK	AA	1,700,000	19/04/18	19/10/18	0.98
Lloyds Bank plc	UK	AA	5,000,000	24/11/17	23/11/18	0.90
North Tyneside Metropolitan Borough Council	UK	AA	5,000,000	18/12/17	17/12/18	0.75
Santander UK	UK	AA	3,500,000	21/06/18	20/12/18	0.80
Santander UK	UK	AA	3,000,000	02/07/18	02/01/19	0.80
Goldman Sachs International	UK	AA	2,300,000	17/07/18	17/01/19	0.90
Lloyds Bank plc	UK	AA	3,000,000	24/01/18	23/01/19	0.85
Australia and New Zealand Banking Group	AUS	AAA	3,000,000	24/05/18	25/02/19	0.82
Birmingham City Council	UK	AA	3,000,000	24/04/17	24/04/19	0.80
Spelthorne Borough Council	UK	AA	1,300,000	22/06/17	21/06/19	0.70
Helaba	UK	AA	4,000,000	14/08/18	13/08/19	0.97
Cambridgeshire C.C.	UK	AA	5,000,000	11/09/18	10/09/19	1.05
Newcastle upon Tyne City Council	UK	AA	1,000,000	03/04/17	03/04/20	1.00
London Borough of Barking and Dagenham	UK	AA	2,000,000	09/01/17	09/04/20	0.98
Lancashire County Council	UK	AA	2,300,000	06/09/18	07/09/20	1.20
Gt Yarmouth BC	UK	AA	2,000,000	16/05/18	17/05/21	1.45
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15/09/17	15/09/21	0.98
			62,770,000			



LOAN PORTFOLIO QUARTER 1 (30th September 2018)

Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
			<u>7,763,000</u>			

Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			<u>194,911,000</u>			

Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/EIP	2.37	1,184,211	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			<u>2,940,161</u>			

Total Borrowing

205,614,161

Appendix C
Specified and Non-specified Investment Criteria
(including Treasury Limits and Procedures)

TM Review Update

Table 1

Specified Investments are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account	Part-nationalised or Nationalised UK banking institutions	
	Short Term Deposit	(subject to regular reviews of government share percentage).	
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access	AAA rated	Instant Access

Table 2

Non-Specified Investment are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

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Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million	Cash balances higher than £30Million
	Limits	Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £8M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £8M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certificates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

Procedures of Applying the Criteria and Limits	
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

APPENDIX D: Approved Countries (with Approved counterparties) for Investments (October 2018)

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Finland

AA

- United Arab Emirates
- France

AA-

- Belgium
- Qatar

The UK is exempt from the sovereign rating criteria as recommended by Link Asset Services

The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments

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STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 20 November 2018

Time: 6.00pm

Place: Shimkent Room - Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Howard Burrell, Laurie Chester, Graham Lawrence and Graham Snell. Independent Member – Mr Geoff Gibbs.

Also Present: Simon Martin (Shared Internal Audit Services)
Nick Jennings (Shared Anti-Fraud Services)

Start / End Time: Start Time: 6.00pm
End Time: 7.07pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors David Cullen and John Lloyd.

There were no declarations of interest.

2 MINUTES - 12 SEPTEMBER 2018

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 12 September 2018 be approved as a correct record and signed by the Chair.

In respect of Minute 4 – SIAS Annual Report 2017/18, the Independent Member (Mr Geoff Gibbs) confirmed that he had just received the Ernst & Young toolkit for assessing the effectiveness of Audit Committees. He acknowledged that a full scale review might be costly, but felt that some form of self-assessment might be possible.

3 SHARED ANTI-FRAUD SERVICE (SAFS) - PROGRESS WITH DELIVERING THE 2018/19 ANTI-FRAUD ACTION PLAN

The Shared Anti-Fraud Manager presented a progress report on the Anti-Fraud Plan 2018/19.

The Shared Anti-Fraud Manager referred to the Government's Anti-Corruption Strategy 2018-22, which was a useful reference document for tackling bribery and corruption, especially from overseas sources.

The Shared Anti-Fraud Manager advised that the number of alleged fraud cases reported remained high. To the end of September 2018, SAFS had received 94 allegations of fraud; 113 cases were carried forward from 2017/18; and 91 cases were still under investigation.

The Committee noted that of the 35 cases investigated and closed during the year where fraud was identified, losses of £77,655 and savings of £91,853 were recorded.

In response to a Member's question, the Shared Anti-Fraud Manager confirmed that he was confident that all of the actions contained in the 2018/19 Action Plan would be completed by the end of March 2019.

It was **RESOLVED** that the work of Officers and the Shared Anti-Fraud Service (SAFS) in delivering the Anti-Fraud Plan 2018/19 be noted.

4 SHARED ANTI-FRAUD SERVICE (SAFS) - COUNCIL ANTI-FRAUD PLAN 2017/2018

The Shared Anti-Fraud Manager presented a report detailing the work of the Council and Shared Anti-Fraud Service (SAFS) in delivering the Anti-Fraud Action Plan 2017/18.

The Shared Anti-Fraud Manager drew attention to an interesting CIPFA document on all reported fraud in Local Government in the UK. He undertook to circulate this document to all Members of the Committee.

The Shared Anti-Fraud Manager advised that the SAFS/SBC Business Plan objectives for 2017/18 had been achieved, apart from the Anti-Fraud and Corruption Strategies, which it was planned to complete in 2018/19.

It was noted that all of the SAFS 2017/18 Key Performance Indicators had been met, with the exception of the one relating to "Success rate for cases investigated", which had achieved a 44% outcome against a target of 50%.

In response to a series of Members' questions, the Shared Anti-Fraud Manager replied as follows:

- Sometimes it was difficult to place a value on identified fraud, and so some of the figures in the report referred to irrecoverable losses to SBC as a result of fraudulent activity;
- Staff who reported fraud were provided feedback on the outcome (success or otherwise) of the case;
- Blue Badges – where these were removed from individuals due to fraudulent use, the costs attributed to this were recorded as savings (ie. the additional revenue gained by the individual using a regular parking space rather than a Blue Badge space);
- The majority of the type of Local Government fraud had not changed over the past 5 years (mostly Council Tax and Housing Benefit fraud), although certain areas of fraud had become much more sophisticated, especially due to the rise in "fake" companies, many of them based overseas; and
- Where no action had been taken on fraud allegations this was often due to the quality of the report; the fact that it did not fit into the SAFS remit (in which case it was referred to others organisations, such as the Department for Work &

Pensions); or the value of the alleged fraud could be dealt with administratively, without the need for further investigation.

It was **RESOLVED** that the work of the Council and Shared Anti-Fraud Service (SAFS) in delivering the Anti-Fraud Action Plan 2017/18 be noted.

5 SHARED INTERNAL AUDIT SERVICE (SIAS) - PROGRESS REPORT 2018/2019

The Committee received the Shared Internal Audit Service (SIAS) 2018/19 progress report for the period to 2 November 2018.

The SIAS Client Audit Manager confirmed that, since the preparation of the report, the final reports relating to the Cash & Banking and Council Tax audits had been issued, both with good assurance ratings.

The Committee was advised that, since the issue of the progress report, the number of SIAS billable days had increased from 178.5 to 185.

The SIAS Client Audit Manager confirmed that the dates pertaining to the Mobile Device Management and BYOD and TSS Improvement Plan Governance Audits, shown as May and June 2018 respectively, were the start dates for these audits. Final reports had not yet been issued due to the complexities of both of these audits and the need for a management response to the recommendations made.

The Committee noted that High Priority Audit Recommendations set out in the report related to CCTV and Cyber Security, and that Management Responses had been provided against each recommendation.

In respect of the CCTV recommendations, the Committee was informed that a shareholder review was taking place of the effectiveness of both the Joint CCTV Partnership and the CCTV company, with a view to ascertaining whether to expand the service or concentrate on the core functions.

It was **RESOLVED**:

1. That the Internal Audit Progress report be noted.
2. That the status of Critical and High Priority Recommendations be noted.

6 2018/2019 MID YEAR TREASURY MANAGEMENT REVIEW

The Committee considered a report which updated Members on Treasury Management activities in 2018/19 and reviewed the effectiveness of the 2018/19 Treasury Management and Investment Strategy, including the 2018/19 prudential and treasury indicators.

The Assistant Director (Finance & Estates) referred to some minor amendments to the report, including that the figure for "Total Borrowing" in the second column of the table at Paragraph 4.5.4 of the report should be £227,595.

The Assistant Director (Finance & Estates) commented that the average borrowing rate on loans as at 30 September 2018 was 3.37% and the average investment rate at the same date was 0.77% (compared to 0.58% earned in 2017/18).

The Assistant Director (Finance & Estates) advised that, as at 1 April 2018, the cash balances held by the Council totalled £62.4Million. Most of this sum was held on behalf of other parties or their use was restricted to capital projects which had already been identified.

The Committee noted that the report also recommended that, in the future, officers were authorised to undertake treasury management functions on behalf of any Council owned companies and Council Limited Liability Partnerships.

It was **RESOLVED**:

1. That Council be recommended to approve the 2018/19 Treasury Management Mid-Year review.
2. That Council be recommended to approve the latest list of approved Countries for investments, as set out in Appendix D to the report.
3. That Council be recommended to empower officers to undertake treasury management functions on behalf of Council wholly owned companies and/or Council Limited Liability Partnership (LLP), subject to authorisation from the Board of Directors (see Paragraph 4.5.12 of the report).

7 URGENT PART 1 BUSINESS

None.

8 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

9 STRATEGIC RISK REGISTER

The Committee considered the Council's latest Strategy Risk Register.

Members asked a number of detailed questions about the report which were answered by the Officer.

It was **RESOLVED**:

1. That the latest Strategic Risk Register (Appendices A1 - A3 to the report) be noted.
2. That the developments on risk management issues be noted.

10 URGENT PART II BUSINESS

None.

11 PART II MINUTES AUDIT COMMITTEE 12 SEPTEMBER 2018

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 12 September 2018 be approved as a correct record and signed by the Chair.

CHAIR

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