Public Document Pack

WYCOMBE DISTRICT COUNCIL

Queen Victoria Road
High Wycombe
Bucks HP11 1BB

Cabinet

Date: 11 November 2019
Time: 7.00 pm
Venue: Council Chamber
District Council Offices, Queen Victoria Road, High Wycombe Bucks

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Agenda

EXEMPT

For further information, please contact Democratic Services on 01494 421206, or email:committeeservices@wycombe.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. MINUTES

To confirm the minutes of the meeting of the Cabinet held on 21 October 2019 (attached).

3. DECLARATIONS OF INTEREST

To receive any disclosure of disclosable pecuniary interests by Members relating to items on the agenda. If any Member is uncertain as to whether an interest should be disclosed, he or she is asked if possible to contact the District Solicitor prior to the meeting.

Members are reminded that if they are declaring an interest, they should state the nature of that interest whether or not they are required to withdraw from the meeting.

WYCOMBE DISTRICT COUNCIL

Cabinet Minutes

Date: 21 October 2019

Time: 4.00 - 5.08 pm

PRESENT: Councillor Ms K S Wood (Executive Leader of the Council - in the Chair)

Councillor D H G Barnes	-	Deputy Leader and Cabinet Member for Engagement and Strategy
Councillor S Broadbent	-	Cabinet Member for Economic Development and Regeneration
Councillor D A Johncock	-	Cabinet Member for Planning
Councillor Mrs J D Langley	-	Cabinet Member for Housing
Councillor G Peart	-	Cabinet Member for Community
Councillor D M Watson	-	Cabinet Member for Finance and Resources
Councillor L Wood	-	Cabinet Member for Digital Development & Customer Services

By Invitation

Councillor Mrs S Adoh	-	Deputy Cabinet Member for Engagement and Strategy
Councillor C Etholen	-	Deputy Cabinet Member for Digital Development and Customer Service
Councillor R Gaffney	-	Chairman of Improvement & Review Commission
Councillor G C Hall	-	Deputy Cabinet Member for Environment
Councillor M Harris	-	Deputy Cabinet Member for Economic Development and Regeneration
Councillor M E Knight	-	Leader of the East Wycombe Independent Party
Councillor R Raja	-	Leader of the Labour Group
Councillor A Turner	-	Deputy Cabinet Member for Planning
Councillor P R Turner	-	Chairman of Council

Also present: Councillors Mrs L M Clarke OBE, R Farmer, S Graham, M Hanif and H L McCarthy

32 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs J Adey (Cabinet Member for Environment), Miss S Brown (Deputy Cabinet Member for Community), D Carroll (Cabinet Member for Youth and External Partnerships), T Green (Deputy Cabinet Member for Unitary Transition).

33 MINUTES

RESOLVED: That (i) the minutes of the meeting of the Cabinet held on 16 September 2019 be approved as a true record and signed by the Chairman.

34 DECLARATIONS OF INTEREST

There were no declarations of interest.

35 REGENERATION STRATEGY

The report before Cabinet outlined the Regeneration Strategy setting out the Council's regeneration vision, strategies and principles for High Wycombe, Princes Risborough and Marlow.

The following decision was made as the Strategy provided both principles and an outline programme showing how the main settlements within the district could contribute to economic growth within Buckinghamshire.

> **RESOLVED:** That the Regeneration Strategy be approved and passed to the Shadow Executive to be considered and, in whole or part, become incorporated in a wider strategy for the new Buckinghamshire Council in due course.

36 CABINET RESPONSE TO THE RIVER WYE TASK AND FINISH GROUP RECOMMENDATIONS

The report before Cabinet detailed the Cabinet responses to each of the Improvement and Review Commission's River Wye Task and Finish Group (TFG) recommendations. In December 2018, the recommendations of the Group's review of the River Wye had been presented to Cabinet and it was agreed that the responses would be presented to a future Cabinet meeting

The Cabinet Member for Planning summarised the responses to each of the recommendations and Members noted that the reasons for changing or rejecting certain recommendations had been detailed in the report. He also expressed his thanks to the Task and Finish Group Members for all their hard work.

The Chairman of the Task and Finish Group, Councillor H McCarthy, gave a detailed verbal presentation of the findings of the review that had been undertaken by the TFG. Councillor McCarthy thanked the TFG Members and all those that had contributed or supported the proposals.

After due consideration, the following decisions were made to formally respond to the recommendations made by the River Wye Task and Finish Group.

> **RESOLVED:** That (i) the proposed recommendations that had been contained in the River Wye Task and Finish Group report to Cabinet in December 2018 be noted; and
>
> (ii) the Cabinet responses set out in the report be agreed.

37 HIGH WYCOMBE TOWN CENTRE MASTERPLAN AND PUBLIC REALM IMPROVEMENTS

The report before Cabinet summarised the achievements that had been realised due to the High Wycombe Town Centre Masterplan, including public realm improvements and structural changes to the highway network.

It was noted that in order to meet the strategic ambitions of the Masterplan, ensuring the public realm of the town was of a high quality, and a good place for pedestrians, was deemed essential. Cabinet approval was therefore sought to delegate authority to release funds for a programme of work to provide improvements within the High Wycombe Town Centre.

As for the remaining High Wycombe Town Centre Masterplan projects, Cabinet was informed that it would be for the new Buckinghamshire Council to prioritise schemes, and consider further funding priorities.

The following decisions were made to celebrate the achievement of the High Wycombe Town Centre Masterplan Programme, release funds for major works to the town centre as per the agreed approved budget, and to note the continued need and opportunities for future public realm improvements, including in the context of the Council's bid for Future High Street Fund.

RESOLVED: That (i) delegated authority be granted to the Head of Planning and Sustainability, in consultation with the Head of Finance, for the release of £500,000 from the High Wycombe Town Centre Masterplan Future Phases/ Public Realm Improvements budget for a major works programme centred on the High Street;

(ii) the opportunities to make use of the remaining £3.111m funds in the High Wycombe Town Centre Master Plan Future Phases/public realm budget, as set out in Appendix A of the report, be noted; and

(iii) Cabinet recommend that Buckinghamshire Council undertake a review of High Wycombe Town Centre improvements, and set out an implementation plan.

EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That pursuant to Regulation 4(2)(b) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 the press and public be excluded from the meeting during consideration of Minute No 39, because of its reference to matters which contain exempt information as defined as follows:

Minute 39 Green Spaces Contract

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

(Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972)

(The need to maintain the exemption outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future tender process or negotiations)

38 GREEN SPACES CONTRACT

Cabinet was advised that the Council's current Green Spaces Contract was due to terminate in December 2019. Cabinet's approval was sought to enter into a two year contact with the current provider.

The following decision was made as the current Green Spaces contract was due to expire in December 2019.

RESOLVED: That delegated authority be granted to the Head of Housing, Environment and Community to negotiate a two year Green Spaces contract with the incumbent provider and to the same service specification as the existing, to run from January 2020 until December 2021.

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Chairman

The following officers were in attendance at the meeting:

Ian Hunt	-	Democratic Services Manager
Catherine MacKenzie	-	Principal Democratic Services Officer
John East	-	Acting Chief Executive
Nigel Dicker	-	Head of Housing, Environment & Community Services

WYCOMBE DISTRICT COUNCIL

Report For:	Cabinet
Date of Meeting:	Cabinet 11 November 2019
Part:	Part 1 - Open

SUMMARY

Title of Report:	**CABINET RESPONSE TO THE REFERRAL FROM HIGH WYCOMBE TOWN COMMITTEE – HIGH WYCOMBE TOWN MARKET**
Chairman of High Wycombe Town Committee: Cabinet Member: Officer Contact: Direct Dial: Email:	Councillor Tony Green Councillor Steve Broadbent Peter Wright 01494421841 Peter.wright@wycombe.gov.uk
Wards affected:	High Wycombe Town Unparished Areas
Reason for the Decision:	To respond to the referral from the High Wycombe Town Committee in relation to proposals for the High Wycombe Town Market.
Proposed Decision:	That: (i) the suggestions from the High Wycombe Town Committee be noted; (ii) the Council continue to welcome discussions with the operator to maximise future opportunities; and (iii) the Council remain open to exploring international food market opportunities.
Sustainable Community Strategy/Council Priorities - Implications	Risk: n/a Equalities: n/a Health & Safety: n/a
Monitoring Officer/ S.151 Officer Comments	**Monitoring Officer:** High Wycombe Town Committee holds no executive powers and any motions put forward must be to the executive, being Cabinet. The two motions put forward were put forward in accordance with procedure and can now be considered by Cabinet taking into account any officer recommendations. **S.151 Officer:** There are no direct immediate financial implications of the recommendations. Any decision made will need to be factored into the budget setting for the new Buckinghamshire Council.
Consultees:	High Wycombe Town Committee considered its proposed recommendations at its meeting on 10 September 2019.

Options:	Cabinet can accept or reject the recommendations of the High Wycombe Town Committee.
Next Steps:	Cabinet provide a response to the High Wycombe Town Committee Chairman.
Background Papers:	Info Sheet: 3 June - HWTC 02-2019 High Wycombe Town Committee Agenda: 10 September 2019 High Wycombe Town Committee Minutes: 10 September 2019
Abbreviations:	HWTC – High Wycombe Town Committee

1. The High Wycombe Town Committee at its meeting on 10 September 2019 received responses to a number of questions and concerns regarding the High Wycombe town market. Following discussions and comments two motions were put forward by members at the meeting. The suggested recommendations were as follows:
   i) the market does not open for one more day for further hot food sales and;
   ii) the option for an international food market be investigated.
2. The first motion was agreed by a majority of the Committee in that the market did not extend sales for an additional day specifically regarding hot food sales. The second motion was also agreed by a majority of the Committee in that an international food market option should be investigated. The Chairman of the Committee agreed that these proposals would be referred to Cabinet for discussion and consideration.

Officer Comments

3. The importance of the market is recognised as being a central and historical feature of the town. It animates the town centre, providing an attraction which drives footfall, supporting surrounding businesses. The market also caters to High Wycombe's diverse community.
4. In recent years the market has shrunk in size due to competition from online and discount retailers. This is not an uncommon position for a town market and the Council are looking at ways to improve matters. However, as responsibility will transfer to the new Buckinghamshire Council at the end of March 2020 options are limited. It is proposed that an additional day is trialled, aiming at higher value stalls, to see whether or not there is sufficient demand. Having an additional day separate from the existing market would prevent there being a conflict with the new traders.
5. The market is particularly important as part of the Council's Future High Street Fund bid, which could potentially attract as much as £25m of central government funding. The bid is currently being developed but there is potential to ask for an element of funding to increase the vibrancy of the High Street, building on and improving the current market offering.
6. In terms of the exact mix of uses that an additional day may have, it has not currently been worked out with the operator, and it would not be sensible to restrict those uses before understanding what the wider appetite is among potential traders.
7. It has been suggested that street food is not appropriate or desirable. This would appear to be contrary to the direction that markets are moving in generally: the more successful traders currently operating in High Wycombe are selling food and these sorts of businesses are part of the 'experiential' offering the town must provide if it is to continue to thrive.

Report For:	Cabinet
Date of Meeting:	Cabinet 11 November 2019
Part:	Part 1 - Open

SUMMARY	
Title of Report:	**CABINET RESPONSE TO RECOMMENDATIONS FROM THE IMPROVEMENT & REVIEW COMMISSION – PARKING TASK & FINISH GROUP**
Cabinet Member: Officer Contact: Direct Dial: Email:	Councillor Mrs Julia Adey Peter Wright 01494 421841 Peter.wright@wycombe.gov.uk
Reason for the Decision:	The Commission seeks the approval of the Cabinet to the recommendations from the Parking Task and Finish Group, as agreed by the Improvement and Review Commission.
Proposed Decision:	To consider the recommendations of the Improvement & Review Commission in respect of Parking as featured below.
Sustainable Community Strategy/Council Priorities - Implications	Risk: N/A Equalities: N/A Health & Safety: N/A
Consultees:	N/A
Options:	To consider the acceptance and endorsement, rejection or adaption of each of the Commission's Parking recommendations.
Background Papers:	N/A

Executive Summary

The Parking Task and Finish Group was set up by the Improvement and Review Commission on 24 January 2019 to consider parking capacity across the District, specifically the areas of High Wycombe, Princes Risborough, Marlow and Bourne End.

A total of 5 meetings were held; the first on 28 March then 10 April, 30 April, 15 May and 17 June.

Membership of the Group included:

***Chairman of the Parking Task & Finish Group*:** Councillor Mrs L Clarke OBE

Vice-Chairman: Councillor A Collingwood

Other Members: Cllrs K Ahmed, A Hill, Mrs W Mallen, N Marshall, H McCarthy and P Turner

Relevant Cabinet Member (Environment) Cllr Mrs J Adey also attended meetings with the Interim Head of Regeneration and Investment, Peter Wright.

***Officer contact*:** Catherine Whitehead (ext: 3980) catherine.whitehead@wycombe.gov.uk

The recommendations were considered by the Commission at its Wednesday 11 September 2019 meeting and it was agreed that they should be recommended onto the Cabinet Meeting of Monday 16 September 2019.

Detailed Report

1. To consider the recommendations of the Parking Task and Finish Group as agreed by the Improvement & Review Commission at its 11 September 2019 meeting as featured below.

2. The Parking Task & Finish Group was set up by the Improvement & Review Commission following discussions at its meetings on 24 January 2019 and 13 March.

3. The Task and Finish Group considered parking capacity, location, technology and planning issues relating to car parking across the district.

4. As a result the Task & Finish Group arrived at 16 recommendations for consideration, by both Improvement & Review and the Executive.

5. The recommendations were considered by the Commission at its Wednesday 11 September 2019 meeting and it was agreed that they should be recommended onto Cabinet in their entirety with no amendment to the Cabinet Meeting of Monday 16 September 2019.

6. These recommendations are featured below. Recommendations are of course open to any additions or deletions as agreed.

7. A total of five meetings were held, on 28 March, 10 April, 30 April, 15 May and 17 June. The following process was followed:

   28 March – a scoping meeting took place to discuss the direction of the Parking TFG and which areas of focus could be considered.

   10 April - further discussions were undertaken with members and officers, including the Parking Services Manager, Robin Evans.

   30 April – information was received regarding the Park and Ride at the Handy Cross hub. Andy Clarke (Bucks CC) and Peter Cartwright (Chairman, LAF Transport Sub-Group) joined the group for discussions.

   15 May – the group were joined by Melanie Williams (HWBIDCo), Charles Brocklehurst (Major Projects and Property Executive, WDC) and Ian Manktelow (Planning Policy, WDC) to receive information and discuss underutilised car parking and usage in the district. Recommendations were suggested.

   17 June – External visitors, Mr Mike Rann and Mr William Knighton from Chiltern Railways and Andrew Norton from The Eden Centre attended to discuss commuter and

consumer parking. The group were also joined by Rosie Brake (Planning Policy Officer, WDC), who provided a presentation on the High Wycombe Transport Vision and Strategy. Further recommendations were suggested.

8. Relevant Cabinet Member (Environment) Cllr Mrs J Adey also attended meetings with the Interim Head of Regeneration and Investment, Peter Wright.

Recommendations

Recommendation 1

That there be an agreed parking strategy.

Reason: To ensure that all car parks have the same sized car parking space, opening times, levels of cleanliness, provision of disabled and mother and child spaces. To improve the number of short stay spaces and consider the possibility of free parking for the first 30 minutes of any stay over all car parks.

Accepted: A parking strategy for the new unitary authority is being developed as part of the programme of work prior to vesting day.

Recommendation 2

That funding be provided for consultancy work to survey the usage of the Park and Ride.

Reason - Data was required to find out who was using the Park and Ride car park. Currently any member of the public could use the car park and it was suspected that a majority of users were not using the park and ride bus service.

Partially accepted: It is the case that it is difficult to assess usage in the Park and Ride currently due to the fact that the procurement of parking equipment has been delayed. A budget growth bid will be discussed by the unitary parking workstream and considered as part of the budget setting process for 2020/21.

Recommendation 3

That four buses be provided for the Park and Ride rather than three as suggested by Buckinghamshire County Council to run in conjunction with the trains to and from Birmingham/London.

Reason - BCC were currently reviewing options for the bus service to and from the Park and Ride. This was to reduce operational costs when Section 106 funding that helped subsidise the current route comes to an end. Four buses would provide a better service and help maintain the best route to and from High Wycombe town centre. This would also ensure the bus provision for the Park and Ride would run in conjunction with trains to and from Birmingham/London. Although the times have been amended they still are out of sync with the trains and takes no cognisance of the walking times to and from the platforms.

Not accepted: This is currently a matter for the County Council.

Recommendation 4

To ensure that the Park and Ride remains free for people parking and then using the bus service to and from the town centre in High Wycombe.

Reason - To encourage people to use the Park and Ride service.

Accepted: The Park and Ride service will remain free until the end of March 2020.

Recommendation 5

That the new barriers and payment system for the car park at the Park and Ride site be put in place as soon as possible.

Reason - So that charging for car park users that are not using the Parking and Ride service can be implemented.

Accepted: Procurement of the new barriers is currently underway.

Recommendation 6

Provide improved signage and information at the Park and Ride site regarding payment and tickets for the users of the bus service.

Reason - To provide users with the correct information and to ensure that they receive a ticket to enable free return travel.

Accepted: Signage will be updated as part of the equipment purchase and installation project.

Recommendation 7

That funding be providing for a report to be commissioned to provide information and data on the anticipated parking demand expected across the district in the future.

Reason - Due to housing requirements outlined in the Wycombe Local Plan and changing Government policy up-to-date data was required regarding future parking requirement in the District.

Partially accepted: A budget growth bid will be discussed by the unitary parking workstream and considered as part of the budget setting process for 2020/21.

Recommendation 8

To investigate the use of new technologies to help assess the usage of car parks.

Reason - New technologies would help to identify the amount and locality of users of car parks in the District. This would enable capacity requirements for car parking to be accurately measured.

Partially accepted: This will be fed into the development of the new parking strategy, and ultimately will be an issue for the new unitary authority.

Recommendation 9

That Dynamic Parking Management apps be utilised to help identify users such as local residents or blue badge holders to enable charging to be applied accordingly.

Reason - This would enable users to such as blue badge holders to access car parks with barriers and payment options be easier to manage.

Partially accepted: This will be fed into the development of the new parking strategy, and ultimately will be an issue for the new unitary authority.

Recommendation 10

That the electronic signs in High Wycombe providing information on parking availability be updated to include all major car parks and real-time information.

Reason - Not all of the major car parks in High Wycombe were included on the current parking information signs and the information regarding number of parking spaces available was not accurate.

Partially accepted: The upgrade of the parking information system in High Wycombe is not currently funded in the MTFP for the new unitary authority. Bids will need to be made for funding in subsequent financial years.

Recommendation 11

Issuing of on street parking permits should be limited for new build residential properties along with the instigation of greater control of pavement and grass verge parking.

(Suggested reason - new build properties in the town centre did not provide adequate parking capacity and was therefore causing issues with on street parking. Parking as a planning condition/policy would be difficult to enforce so limiting on street parking permits would be the best option to alleviate this problem.)

Not accepted: The only mechanism to limit parking permits for new build properties wold be through the planning system. Many new build properties in the town centre are created through permitted development, and therefore there is no opportunity to control associated parking. For cases where permission is required, there are very few circumstances in which such a condition would be reasonable. If a development requires parking, and that parking cannot be accommodated, the expectation would be that the application would be refused. It would also fail the test of being enforceable. Further, the costs of monitoring and following up such permits would fall to the local planning authority at public expense.

The matter of controlling parking on pavements and verges is a matter for the County Council.

Recommendation 12

That all surface car parks be stacked to provide additional parking capacity.

Reason - To increase car parking capacity.

Not accepted: the increase of parking capacity is a matter for the parking strategy, until this is complete and adopted there is no strategic case for carrying out large scale capital works.

In addition, for many car parks a deck would not be efficient – more space would be lost to the ramps than would be gained by the deck – and planning permission would be required, which, depending on the site circumstances, may not appropriate.

Recommendation 13

That funding be provided as soon as practicable possible to stack the Park and Ride car park to provide long term airport parking as per the recently approved local plan.

Reason - Due to plans to provide a bus provision to Heathrow Airport from the Park and Ride funding is sought with a view to bring this into place as soon as possible and as a future income stream.

Partially accepted: The upgrade of the parking information system in High Wycombe is not currently funded in the Medium Term Financial Plan for the new unitary authority. Bids will need to be made for funding in subsequent financial years.

Recommendation 14

That town centre car parks are refurbished.

Reason - The WDC owned town centre car parks are past their original replacement date and need to be brought up to a better standard for users.

Partially accepted: Easton St multi-storey is at the end of its design life and requires substantial investment. Currently works are limited to those related to health & safety.

However, this future of this car park needs to be considered as part of wider regeneration plans around High Wycombe station. The Swan multi-storey is in a better condition and substantial planned maintenance works are currently being scoped.

Recommendation 15

That a co-ordinated parking strategy be created to work with partners such as Chiltern Railways, Eden and supermarkets within Wycombe.

Reason – To ensure that all partners within the town were in agreement and worked to a co-ordinated parking strategy.

Accepted: Development of a parking strategy will be part of the work carried out by the Buckinghamshire Council after vesting day.

Recommendation 16

To look at provision of parking at supermarkets and residential development within the town centre. To look at what control WDC has and how much WDC can influence supply.

Reason: Some supermarkets have increased their free parking time to 3 hours. There would be reference back to their Planning Permission to ascertain whether this was in line with their original Permission.

Accepted: This issue will be investigated and if a breach of planning permission has occurred then appropriate measures will be taken.

Report For:	Cabinet
Meeting Date:	Cabinet 11 November 2019
Part:	Part 1 - Open

WYCOMBE
DISTRICT COUNCIL

Title of Report:	**TREASURY MANAGEMENT MID-YEAR REPORT (2019/20)**
Cabinet Member: **Officer Contact:** **Direct Dial:** **Email:**	Cllr David Watson David Skinner 01494 421322 david.skinner@wycombe.gov.uk
Wards affected:	All
Reason for the Decision:	To promote effective financial management and comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended and other relevant guidance. The Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy.
Proposed Decision:	That the treasury management mid-year report for 2019/20, covering the period 1 April 2019 to 30 September 2019 be considered and noted.
Sustainable Community Strategy/Council Priorities – Implications:	Treasury Management activities play a significant role in supporting the delivery of the Council's services and corporate priorities. Risk: The key financial risks relating to the treasury activity are set out in the main body of the report. Equalities: Not applicable Health and Safety: Not applicable
Monitoring Officer/ Section 151 (s151) Officer Comments:	**Monitoring Officer:** The reports meet the relevant criteria for effective financial management pursuant to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (under Part 1 of the Local Government Act 2003) as amended and other relevant guidance **Section 151 (s151) Officer:** This is a Section 151 Officer report and all the financial implications are included in the Report
Consultees:	Not applicable for this Report

Options:	Not applicable for this Report
Next Steps:	Consideration and noting by the Cabinet on Monday 11th November 2019 of all Treasury activities within the half-year to 30 September 2019 as set-out within this Report
Background Papers:	Treasury Management Strategy approved by Council in February 2019
Abbreviations:	- s151 Officer – the Council's Section 151 Officer and appropriate individual charged with overseeing the Council's governance obligations. This is Head of Finance and Commercial; - CIPFA – the Chartered Institute of Public Finance and Accountancy; - CFR – Capital Financing Requirement; - Treasury Management Strategy Statement (TMSS); - London Interbank Bid Rate (LIBID); - London Interbank Offered Rate (LIBOR); - Brexit – the United Kingdom's exit from the European Union (EU). This is currently scheduled to occur on Thursday 31 October 2019.

Appendices to this Report are:

Appendix A – Finance Department Paper on UK Banks

Appendix B – Economics and Interest Rates Data (as at 30 September 2019) supplied by Link Asset Services

Executive Summary

The primary purpose of this Report is to meet the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011).

This is a mid-year summary of Treasury Management activities. The Report documents progress made during the 2019/20 financial year against the Strategy approved by Council on 13 February 2019.

It is recommended that the Committee considers and notes the Report. This Report will be considered by the Cabinet on 13 November 2019.

Background

1. The Council operates a balanced budget. This broadly means that the total cash raised during a financial year will meet cash expenditure. A primary objective of the Council's Treasury Management function is to ensure that cash flow requirements are adequately planned, with surplus funds invested in low-risk counter-parties only. A key concern is that these investments offer adequate liquidity in preference to the acquisition of any financial return.
2. A secondary role of the Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the borrowing needs of the Council, essentially longer-term cash flow planning to ensure that the Council is able to meet its capital spending commitments. The monitoring of cash over longer periods may involve the arrangement of short-term or long-term loans, and on occasion debt previously drawn may be restructured to meet the Council's risk or cost objectives.
3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) has been adopted by this Council.
4. Treasury Management is defined as:

   "The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
5. The primary requirements of the CIPFA Code are as follows:
   a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities;
   b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
   c. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for the forthcoming financial year, a mid-year Treasury Report and an Annual Report (Stewardship Report) summarising activities during the previous year;
   d. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of treasury management decisions;

e. Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

6. The purpose of this Report is to satisfy the mid-year reporting requirements and the Report covers the following elements for the 2019/20 financial year:

- A review of the Treasury Management Strategy Statement (TMSS) (Paragraph 7);
- The Council's Capital Position and Prudential Indicators (Paragraphs 8 to 11);
- A review of the Council's Investment Portfolio & Review of Investment Strategy (Paragraphs 12 to 16);
- A review of the Council's Borrowing Strategy and Debt Rescheduling (Paragraphs 17 to 19);
- Other updates (Paragraphs 20 to 21);
- Paper on UK Banks (Appendix A);
- Economics and Interest Rate Data (as at 30 September 2019) supplied by Link Asset Services (Appendix B).

Treasury Management Strategy Statement

7. The TMSS was approved by full Council on 13 February 2019. There are no policy changes to the TMSS; the details in this Report update the position in light of the updated economic outlook and all budgetary changes already approved.

The Council's Capital Position

8. This part of the Report provides an update on:

    - The Council's capital expenditure and funding plans;
    - The impact of any changes in capital expenditure plans on the Prudential Indicators and the underlying need to borrow; and
    - Compliance with the limits in place for borrowing activities.

Capital Expenditure and Funding

9. The Table below illustrates the forecast outturn as at Quarter 2 for capital expenditure and the expected financing arrangements for this same capital expenditure:

2019/20	Approved Programme (February 2019 Council) £000	Revised Programme £000	Forecast Outturn £000
Capital Expenditure:			
Community	3,825	4,217	4,376
Economic Development and Regeneration	25,245	8,850	8,760
Housing	7,300	4,898	5,356
Environment	2,130	2,130	2,130
Planning	11,266	5,919	5,740
Digital Development and Customer Services	1,671	1,388	1,388
Finance and Resources	308	308	308
Total	**51,745**	**27,710**	**28,058**
Financed by:			
Capital receipts	24,511	4,627	5,291
Grants and contributions	15,748	9,653	9,337
Revenue	11,486	13,430	13,430
Total	**51,745**	**27,710**	**28,058**

The £24m reduction from the Budget agreed at September 2019 Cabinet reflects the re-profiling of Budgets into 2020/21 and later years. There is a strong focus on delivery of the programme in 2019/20 supported by a rigorous programme management process. The re-profiling of some budgets on larger Schemes takes account of the degree of complexity and detailed work required on planning, legal and procurement activities on the more complex Schemes.

Prudential Indicators

10. The Table on the next page discloses the following:

- **Capital Financing Requirement (CFR)** – The CFR measures the extent to which capital expenditure has not yet been financed from either Revenue or Capital resources. This indicator is essentially a measure of indebtedness and therefore a guide as to the Council's underlying borrowing needs. Any capital expenditure which has not immediately been financed or paid for will increase the CFR;

- **Authorised Limit for External Debt** – This is the limit prescribed by Section 3(1) of the Local Government Act 2003 and represents the maximum level of borrowing that the Council may incur. This sum reflects the amount of external debt which, while not desired, could be afforded by the Council in the short-term. It should be noted that this commitment may not be sustainable over a longer period;

- **Operational Boundary** – This is the limit that indicates the level of external debt that the Council should not normally expect to exceed. This threshold is based upon current debt plus anticipated net financing needs in respect of forthcoming financial years.

Capital Financing Requirements	2019/20	2019/20	2019/20
	Approved	Revised	Forecast
	£m	£m	£m
Gross Projected Debt	0.790	0.790	0.790
CFR (31 March)	3.943	3.943	3.943
Under Borrowing	**3.153**	**3.153**	**3.153**

Borrowing and Investment Limits	2019/20	2019/20	2019/20
	Approved	Revised	Forecast
	£m	£m	£m
Authorised limit for external debt			
Borrowings and other long-term liabilities	9	9	9
Operational boundary for external debt			
Borrowings	3	3	3
Other long-term liabilities	1	1	1
Total	**4**	**4**	**4**
Upper limit for fixed interest rate exposure			
Net Principal Amount (fixed rate borrowing)	3	3	0
Upper limit for variable interest rate exposure			
Net Principal Amount (variable rate borrowing)	0	0	0
Upper limit for Principal Amounts invested over 364 days	20	20	20

Compliance with Limits for Borrowing Activities

11. The first key control governing the Council's Treasury Management activities is a Prudential Indicator to ensure that over the medium-term, net borrowing will be undertaken for capital funding purposes only. Gross external borrowing should not, except in the short-term, exceed the total CFR amount in the preceding year together with the estimates of any additional CFR for 2019/20 and the preceding two financial years.

12. The s151 Officer reports that no difficulties are envisaged for the current year or future financial years in order for the Council to comply with this Prudential Indicator. This assessment takes into account current commitments, existing programmes and the proposals in the Budget Report.

Investment Portfolio

13. As at 30 September 2019, the Council had no external borrowing. Treasury Investments were £88.3m and have earned an average rate of return of 1.51%. The Treasury position is summarised in the Table on the next page:

	As at September 19 £m	%	As at March 19 £m	%
Specified Investments (up to one year)				
Banks and Building Societies	34.2	39%	29.1	40%
Local Authorities	23.0	26%	26.0	36%
Money Market Funds	11.1	13%	4.8	7%
Non-Specified Investments (longer than one year)				
Local Authorities	5.0	6%	5.0	7%
Property Fund	15.0	16%	7.5	10%
Total Investments	**88.3**	**100%**	**72.4**	**100%**

14. The Council's budgeted investment return for 2019/20 is £929k. Performance for the year to date is in line with the budget. The average return on investment during the first six months in 2019/20 is 1.51% compared to the 3 month LIBOR rate of 0.79% (as at 30 September 2019) and as summarised in the Table below:

Returns	Sep-19	Mar-19
Benchmark-7 day LIBID	0.57%	0.51%
Benchmark-3 month LIBOR	0.79%	0.80%
Actual	1.51%	1.13%

London Interbank Bid Rate (LIBID) – The rate at which a bank is willing to borrow from other banks;

London Interbank Offered Rate (LIBOR) – This is the average of interest rate estimates by the leading banks in London that these institutions would be charged if borrowing was undertaken from other banks.

15. The Council originally invested £7.5m in the CCLA Property Fund in December 2017 with a further sum of £7.5m invested during this financial year on 27 September 2019. This is in line with the approved treasury management strategy and approved by the Chief Executive, the Cabinet Member for Finance & Resources and the Leader. The dividend due from this investment is paid quarterly in arrears net of management charges and the returns arising as at Qtr1 in 2019/20 are highlighted in the Table below which details the returns since the investment was initiated:

Period	Net Dividend	% Net Yield on Original Investment of £7.5m	% Net Yield on Net Investments (less costs) of £7.0m	% Net Yield on Bid Value of Investments £7.3m (June 2019)
2017/18 (4 months)	**105,626.44**	**4.23%**	**4.51%**	**4.51%**
2018/19 (12 months)	**310,569.72**	**4.14%**	**4.42%**	**4.34%**
2019/20 (Quarter 1)	**74,684.17**	**3.98%**	**4.25%**	**4.16%**

16. The Council's operational Treasury Management activities have complied with the Treasury Management Strategy and there have been no instances of counter-party breaches during the six months to September 2019.

17. The daily limit on the Council's primary banking facility (the NatWest SIBA Account) was exceeded on eight occasions during the half-year to September 2019. These breaches resulted from shortage of financially-viable deals available from approved counter parties meeting the credit criteria on the business days.

Review of Investment Strategy

18. In accordance with the Code, it is the Council's priority to ensure the security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's overall appetite for risk. The prevailing climate within the external investment market continues to be very challenging, with UK interest rate levels continuing to remain comparatively low against previous decades. Rates offered by the leading financial institutions have remained largely consistent with the 0.75% Bank of England Rate. Due to the fact that increases in the Bank of England Rate are likely to be gradual and are unlikely to return to the levels noted in previous decades, investment returns for the Council are likely to remain low during the medium-term.

Review of Borrowing Strategy and Debt Rescheduling

19. The Council had no external borrowing in place at the end of the last financial year (to 31 March 2019) and has taken out no new borrowing during the six months to 30 September 2019.

20. With low interest rates in place and taking into account counter-party risks, the Council's overall strategy continues to be centred around the utilisation of internal borrowing in order to assist in financing the Capital Programme.

21. As the Council remains debt-free, there are no debt rescheduling opportunities to consider at the present time.

Other Updates

22. **UK Banks**

    The supplementary paper itemised within Appendix A outlines in detail the effects of Fitch Ratings' action to place all UK Banks on 'negative watch' in light of the ongoing Brexit negotiations. In summary, this development should have no significant operational impact upon the Council's Treasury Management activities.

23. **Economics and Interest Rates Data (as at 30 September 2019) supplied by Link Asset Services**

    Link Asset Services are the Council's Treasury Management advisers and have provided Economics and Interest Rates data as at 30 September 2019. This incorporates an Economics Update and an Interest Rate Forecast.

SUBJECT - UK BANKS PLACED ON 'NEGATIVE WATCH'

Current scenario

The Council's assigned Treasury adviser (Link Asset Services) has confirmed that Fitch Ratings has placed all UK Banks on 'negative watch'.

This negative watch reflects the heightened uncertainty regarding the ultimate outcome of the ongoing Brexit negotiations and the increased risk that a disruptive 'no-deal' Brexit (where the UK will leave the European Union (EU) with no formal withdrawal agreement in place) will result in adverse trading conditions for these UK banks within their respective financial markets. Fitch Ratings expect to revisit the assignment of this negative watch assessment in late 2019 following the UK's exit from the EU on Thursday 31 October 2019. It is possible though that the negative watch may be further extended if Brexit negotiations are lengthened for an additional time period.

The Council's Treasury Management Strategy (TMS) refers to an overall credit worthiness policy and states that such sovereign credit ratings should not be regarded as the sole determinant in terms of an assessment of the quality of a financial institution that it intends to transact with. Credit default swaps data will also be referenced in addition to the ratings so as to determine overall credit worthiness.

The TMS does however state that in the event that any negative rating watch is applied to any counterparty, the Council will suspend transacting with this party and will need to review its arrangements with all other parties given the existence of these market conditions.

As of 30 September 2019, the Council holds a total value of £88.3m with UK counterparties, of which £57.0m are fixed term investments are un-callable, with £11.3m classified as short-term balances held with NatWest and Money Market Funds.

Conclusion

The Council's Finance department has opted to continue referencing the Link Asset Services counterparty list, and will endeavour to consider the credit rating swap data alongside the ratings information so as to determine the overall credit worthiness of counterparties.

Due to the fact that the basis for the introduction of Fitch Ratings' negative watch is the wider UK geo-political environment surrounding Brexit, rather than any specific inherent weaknesses identified within the assigned UK counterparties, the Council's strategy will be to continue to transact with these organisations. As an ongoing measure though, the Council will continue to ensure that the counterparty lists and limits used reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referenced within the TMS. The TMS states that the minimum sovereign rating (for a counterparty) that the Council should transact with is AA.

The Council will continue to monitor the UK Government's Brexit negotiations in the lead-up to 31 October 2019 (the currently-proposed date of withdrawal from the EU).

Economics and interest rates as at 16th October 2019

All data supplied by Link Asset Services

Economics update

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market,** despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, 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 although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transhipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast.

This forecast includes the increase in margin over gilt yields of 100bps introduced on 9.10.19.

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we saw during the last half year up to 30 September is a near halving of longer term PWLB rates to completely unprecedented historic low levels. *(See paragraph 7 for comments on the increase in margin over gilt yields of 100bps introduced on 9.10.19.)* There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government’s bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.

- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Report For:	Cabinet
Date of Meeting:	Cabinet 11 November 2019
Part:	Part 1 - Open Report with Part 2 Appendicies
If Part 2, reason:	Para 3 - Information about the financial or business affairs of any particular person (including the authority holding that information).

SUMMARY	
Title of Report:	**REVENUE AND CAPITAL BUDGET MONITORING REPORT FOR PERIOD 6 / QUARTER 2 ENDING 30 SEPTEMBER 2019**
Cabinet Member: Officer Contact: Direct Dial: Email:	Councillor David Watson David Skinner 01494 421322 David.Skinner@wycombe.gov.uk
Wards affected:	All
Reason for the Decision:	The Cabinet approves a budget each year within the context of a Medium Term Financial Strategy (MTFS) to achieve the Council's priorities. This report updates Cabinet members on the 2019/20 forecast position for Quarter 2.
Proposed Decision:	That Cabinet consider the forecast outturn position for the financial year 2019/20 as at end of September 2019.
Sustainable Community Strategy/Council Priorities - Implications	Risk: Contained within the main body of the report. Equalities: N/A Health & Safety: N/A
Monitoring Officer/ S.151 Officer Comments	**Monitoring Officer:** The Local Government Act 2003, section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. **S.151 Officer:** This is a Section 151 Officer report and all the financial implications are included in the report.
Consultees:	N/A
Options:	N/A
Next Steps:	N/A
Background Papers:	1. Revenue Budget and Council Tax setting 2019-20 to February 2019 Cabinet

	2. Capital Plan approved Cabinet February 2019 3. Capital Refresh Cabinet September 2019
Abbreviations:	BCC: Buckinghamshire County Council

Appendices to this report are as follows:

<u>Revenue:</u>

Appendix 1 – Savings Tracker

<u>Capital:</u>

Appendix C1 - Scheme Forecast detail (Part 2)

Appendix C2 - Major Projects Extract (Part 2)

Appendix C3 - Capital Receipts (Part 2)

1. Executive Summary

1.1. This report sets out the Council's Revenue projection for the year based on the position at 30 September 2019. The report reflects what was reported to Senior Management Board.

2. General Fund Revenue position

2.1. The net revenue forecast position shows a balanced budget as summarised in Table 1 below.

Table 1 Revenue Projection by Portfolio 2019/20

Portfolio	Actuals Year to Date	Budget Year to Date	Variance Year to Date	Forecast Outturn 2019/20	Budget Full Year	Variance
	£k	£k	£k	£k	£k	£k
Community	764	887	(123)	1,676	1,773	(97)
Environment	2,633	2,343	289	5,322	4,687	635
Economic Development & Regen	(2,809)	(2,089)	(721)	(4,109)	(4,177)	68
Planning	702	631	71	1,427	1,262	165
Digital Development and Customer Servs.	2,421	2,670	(249)	5,325	5,340	(15)
Housing	877	1,114	(238)	1,952	2,229	(277)
Strategy and Communications	1,785	2,267	(482)	4,447	4,534	(86)
Young People	5	39	(34)	78	78	-
Finance	(1,621)	3,001	(4,622)	5,610	6,003	(393)
TOTAL NET COST OF SERVICES	**4,756**	**10,864**	**(6,108)**	**21,728**	**21,728**	**(0)**
Corporate items						
Interest receipt				(928)	(928)	-
Capital financing charges				(2,017)	(2,017)	-
Movement to/from Earmarked reserves				(2,482)	(2,482)	-
Revenue Contribution to Capital Outlay				660	660	-
Budget Requirement				**16,961**	**16,961**	**(0)**

Significant variances are summarised below:-

- **Community** – Underspend of £97k. Vacancy savings of £42k; £100k underspend on grounds maintenance; £40k pressure on Community Centre rents. £125k loss on Leisure Centre income from refurbishment scheme, and £69k surplus on Crematorium income.
- **Environment** - Overspend of £635k. In Parking, £407k pressure on income, from lower usage and season ticket activity; £239k net pressure against £250k operating savings; and £94k pressure on business rates. Vacancy savings of £67k on Street wardens, Regulatory services and Emergency planning.
- **Economic Development and Regeneration** – Overspend of £68k. £67k staffing pressures in Property Development.
- **Planning and Sustainability** – Overspend of £165k. £140k pressure on planning application income, £161k staffing pressure, £100k reduced feasibility study expenditure.
- **Digital Development & Customer Services** – Underspend of £15k. £115k staffing pressure from agency spend offset by £100k underspend on consultants budget in Supplies

& services. £45k pressure on licences, and £48k savings on Capita contract. £42k net vacancy, training and miscellaneous savings in HR and Processing.

- **Housing** – Underspend of £277k. £173k net underspend on Bed and Breakfast from Homelessness Prevention activity placing households in private accommodation. £325k staffing pressure in Homelessness Prevention, offset by £284k new Rough Sleeper grant funding. £43k pressure on HMO licenses and £33k on WDC licensed properties.
- **Strategy and Communications** – £86k underspend. £227k grant for EU election and IER, with associated £205k additional staffing and supplier costs. £161k vacancy savings, including Chief Executive, £50k shortfall on land charges income
- **Young People** – Nil variance and no risks to report.
- **Finance** – £393k underspend. Net £294k pressure on staffing due to agency staff offset by £151k underspend in Housing Benefit bad debt provision and £514k on contingency budget.

3. Savings and New Income Tracker – Appendix 1

The 2019/20 budget has a savings target of £853k and new income target of £2,444k. This in total represents 15.7% of the net cost of service budget. Overall, most of the savings and income are on track to achieve budgeted target, except for Parking operations where both the savings and new income targets are facing challenges as summarised below:-

- Service review in Parking Operations - £250k Pressure – Delayed implementation of new Parking system
- New income from increase parking tariffs - £400k pressure from reduced activity

The above pressures are contained within the overall monitoring position.

Pressure on Planning income reported above does not relate to the ‘Fit for Competition’ target of £450k included in the Tracker; indications are that this is on target.

4. Council Revenue Summary – by Subjective

Subjective Summary	Actuals Year to Date £k	Budget Year to Date £k	Variance Year to Date £k	Forecast Outturn 2019/20 £k	Budget Full Year £k	Variance £k
TOTAL Income						
Fees & Charges	(2,131)	(3,128)	997	(6,193)	(6,255)	62
Rental Income	(3,951)	(3,704)	(247)	(7,363)	(7,408)	46
Car Parking Income	(1,618)	(1,960)	342	(3,513)	(3,920)	407
Planning Income	(1,081)	(898)	(183)	(1,655)	(1,796)	140
Government Grants	(20,676)	(22,316)	1,640	(38,316)	(44,633)	6,317
Income Total	**(29,457)**	**(32,006)**	**2,549**	**(57,040)**	**(64,012)**	**6,973**
TOTAL Expenditure						
Employee Costs	7,604	7,082	522	15,108	14,163	945
Premises Related Expenses	1,877	2,083	(206)	4,235	4,167	68
Supplies and Services	7,250	10,872	(3,622)	20,722	21,744	(1,022)
HB Payments	17,385	21,467	(4,082)	35,971	42,934	(6,964)
Capital Financing	97	1,366	(1,269)	2,732	2,732	(1)
Expenditure Total	**34,213**	**42,870**	**(8,657)**	**78,767**	**85,740**	**(6,973)**
TOTAL	**4,756**	**10,864**	**(6,108)**	**21,728**	**21,728**	**(0)**
Corporate items						
Interest receipt				(928)	(928)	-
Capital financing charges				(2,017)	(2,017)	-
Movement to/from Earmarked reserves				(2,482)	(2,482)	-
Revenue Contribution to Capital Outlay				660	660	-
Budget Requirement				**16,961**	**16,961**	**(0)**

Significant variances are summarised below:-

Car parking income – Pressure £407k. From lower usage and season ticket activity.

Planning income – Pressure £140k. From reduced projections of planning applications for the year.

Government grants (in Income) & HB Payments (in Expenditure) – These variances offset to a large extent; they relate to payments to HB claimants and significant variance is due to claimants transferring to Universal Credits.

Employees – Pressure £945k. Key overspends in Planning (161k), Economic Development & Regen (£197k), Housing (£325k) and Finance (£294k). The main reasons for variance are agency staff used to fill permanent vacancies and also for project work.

Supplies and Services – Underspend £1,022k. Key underspends in Planning (134k), Digital Development & Customer services (£128k), Housing (£534k) and Finance (£565k). Details are given in the variance narratives in the Portfolio Summary schedule above.

5. Repairs & Renewals Programme

The total allocated budget for the programme is £733k, including £100k supplementary budget for car park resurfacing. The forecast spend for the year is £562k. The saving of £171k derives from two delayed projects costing £198k offset by a £55k temporary housing refurbishment. Due to the nature of these projects, subject to risks and delays, any unspent commitments will be considered for carry forward at year end.

Capital position

6. Background

In February 2019 Council agreed a Capital programme for 2019/20 of £51.8m and an overall programme from 2019/20 to 2023/24 of £112.7m (£134.293m including 2018/19). Table 1 below shows the original profile, the revised profile following the 2018/19 outturn and subsequent carry forwards, and the current position which incorporates bringing forward funding of £0.979m, reprofiling of £34.996m from 2019/20 to later years based on current assessments, and the virements agreed at the September 2019 Cabinet.

The forecast estimates are provided by the scheme project managers. Responsibility for the accuracy of the forecast ultimately sits with the scheme budget holder who will also report to the relevant Programme Board.

The 2019/20 forecast outturn of £28.059m (see section 3) still contains a significant degree of uncertainty.

Table 1 Capital Outturn 2019/20 and overall Capital Plan

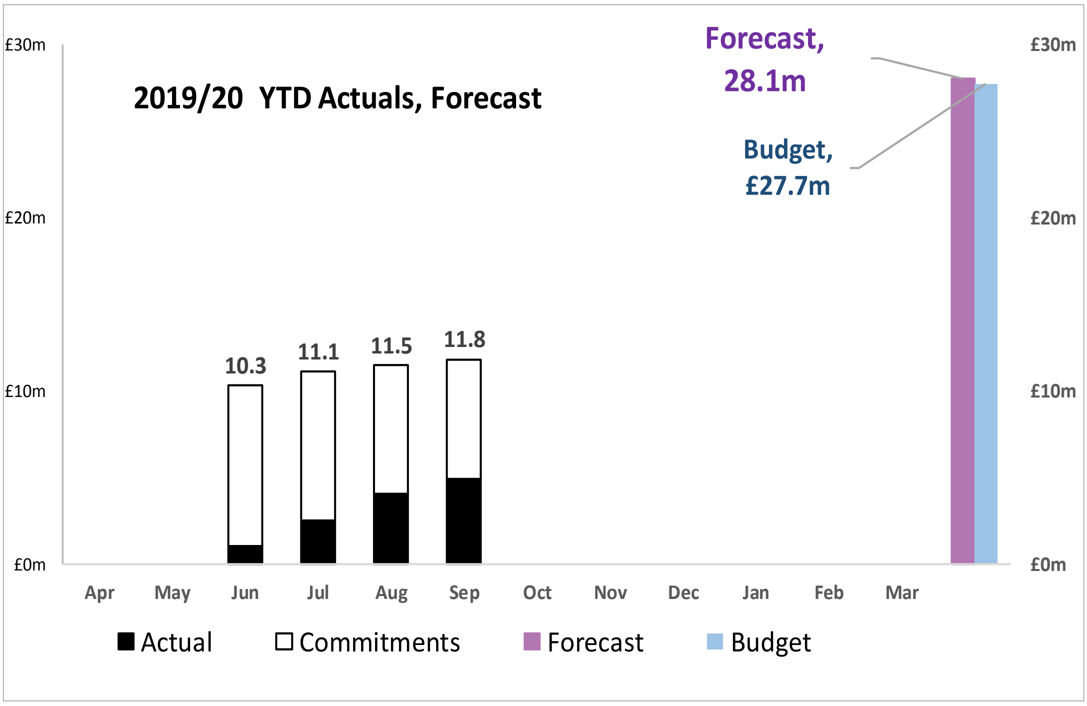
Portfolio	Original 19/20 Budget Feb 2019 Cabinet	Revised Programme 2019/2020	2019/2020 Outturn	2019/2020 Outturn Var	Total Cap Plan Outturn	Total Cap Plan Outturn Var
	£m	£m	£m	£m	£m	£m
Community	3.825	4.217	4.376	0.159	8.199	**0.235**
Environment	2.130	2.130	2.130	-	8.344	**-**
Housing	7.300	4.898	5.356	0.458	15.362	**-**
Econ. Devt and Regen.	25.245	8.850	8.761	(0.089)	37.999	**(0.167)**
Planning	11.266	5.919	5.740	(0.179)	54.696	**-**
Finance and Resources	0.308	0.308	0.308	-	1.232	**-**
Digital Devt. & Cust. Services	1.671	1.388	1.388	-	1.923	**-**
Grand Total	**51.745**	**27.710**	**28.059**	**0.349**	**127.755**	**0.068**

Funding:				
Borrowing		-	-	-
Grants & Contributions	(24.511)	(9.653)	(9.337)	(46.491)
Capital Receipts	(15.748)	(4.627)	(5.291)	(64.494)
Revenue Financing	(11.486)	(13.430)	(13.430)	(16.770)
Total	**(51.745)**	**(27.710)**	**(28.058)**	**(127.755)**

Please refer to **Appendix C1** for the detailed outturn by scheme and **Appendix C2** for a detailed overview of the Major Projects.

Please note that the reduction in the 2019/20 budget to £27.710m is largely due to the reprofiling adjustments as set out in the September 2019 Cabinet.

The graph below gives an overview of the year to date spend profile. The £11.8m YTD figure comprises actual spend of £4.9m and open commitments of £6.9m.



Given this leaves a further £16.3m to procure and spend in the next 6 months in order to realise the forecast project managers are being asked to ensure their forecasts are realistic and backed up by procurement and project plans.

Key Variances (relative to total project budget)

Please refer to Appendix C1 and C2 for the detailed variances by scheme.

In terms of the Capital Plan running through to 2022/23 the greatest degree of uncertainty relates to the Princes Risborough Relief Rd scheme. A further seperate report outlining the latest cost estimates, overall feasibility, key risks and next steps for this scheme is being presented to November Cabinet.

7. **Impact of Programme on MTFS**

The delivery of some capital schemes are linked to savings and income generation in the Medium Term Financial Plan. In particular, there are two major schemes in development which, once the projects are complete, are expected to generate and additional rental income of £1.3m, and which are not yet factored into the MTFS.

At this stage there are no material overall variances from the expected benefits realisation profile and this is kept under close and regular review.

8. Capital Receipts and Funding

The expected Capital receipts over the 4 period to 2022/23 are detailed in Appendix C3.

The profile has been reviewed and adjusted to reflect latest expectations of the value and timing of receipts. In 2019/20 receipts of £10.5m are currently expected. Although this is a reduction of £3.6m compared to the original plan, the majority of this comprises a reprofiling on one scheme to 2020/21 and an increase in the expected receipts for the remaining schemes.

Savings					
Portfolio Holder	**Budget Description**	**Description**	**£**	**RAG**	**Status**
Community	CCTV	Service review	(50,000)	Green	On track to achieve
	Various Services	Service efficiencies	(33,000)	Green	On track to achieve
Digital Development and Customer Service	FM & Processing	Service efficiencies	(31,000)	Green	On track to achieve
	HR	Software saving	(35,000)	Green	On track to achieve
	ICT Infrastructure	Capita contract reduction	(77,210)	Green	On track to achieve
Environment	Parking Operations	Reduced agency staff	(70,000)	Green	On track to achieve
		Service review	(250,000)	Red	Delayed implementation of new parking system
		Reduced operating fees	(90,000)	Green	On track to achieve
	Various Services	Service efficiencies	(35,000)	Green	On track to achieve
	Public conveniences	Business rate relief	(25,000)	Red	The bill is is still being debated in Parliament and is unlikely to be retrospective.
Finance and Resources	Various Services	Service efficiencies	(35,600)	Green	On track to achieve
Planning	Transformation programme	Fit for Competition efficiencies	(50,000)	Green	Service not raising issue currently
	Staffing	Vacancy management	(41,000)	Green	Service not raising issue currently
Strategy and Communications	Various Services	Miscellaneous efficiencies	(30,100)	Green	On track to achieve
			(852,910)		

New Income					
Portfolio Holder		**Description**	**£**	**RAG**	**Status**
Community	New Crematorium	WDC share of income	(239,000)	Green	Received
	Various Services	Miscellaneous	(10,000)	Green	
Environment	Various Services	New income	(33,000)	Green	On track to achieve
	Parking	Increased Parking tariffs	(900,000)	Amber	Qtr 1 shortfall of £400k
		New car park opening Sept	(70,000)	Green	On track to achieve
	Environmental Services	Air Quality grant	(25,000)	Green	On track to achieve
Housing	HMO	New licences	(50,000)	Amber	Pressure of £42k on total income target of £109k
	Temporary Housing	Additional units	(30,000)	Green	On track to achieve
	Homelessness	New grant	(61,000)	Green	On track to achieve
Planning	Transformation programme	Fit for Competition new income	(450,000)	Green	Service not raising issue currently
Economic Development and Regeneration	Estates	New Rental income	(572,000)	Green	On track to achieve
Strategy & Communication	Legal	New income	(4,000)	Green	On track to achieve
			(2,444,000)		

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FILE ON ACTION TAKEN UNDER DELEGATED AUTHORITY

SUPPLEMENTARY ITEMS (IF ANY)

URGENT ITEMS (IF ANY)

Notification for Press and Public

Notification of Items expected to be taken in exempt session, as required by access to information requirements.

The meeting will be asked to resolve that the Press and Public be excluded from the meeting during consideration of the following items as they contain exempt information as defined in Regulation 4(2)(b) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, more particularly as follows:-

Item 7 Revenue and Capital Budget Monitoring Report for Period 6/ Quarter 2 Ending 30 September 2019 – Appendices C1 to C3

Item 11 Princes Risborough Relief Road – Phase One

Item 12 Use of Section 106 Accrued Funds for Affordable Housing

Item 13 26 – 28 White Hart Street – Construction Contract

Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972)

[The need to maintain the exemption outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future tender process or negotiations]

Item 14 File on Action taken under Exempt Delegated Powers

Economic Development & Regeneration Sheet No: EDR/37/19 – EDR/44/19

Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972)

[The need to maintain the exemption outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future tender process or negotiations]

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

Agenda Item 11.

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

Agenda Item 12.

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FILE ON EXEMPT ACTIONS TAKEN UNDER DELEGATED AUTHORITY

EXEMPT SUPPLEMENTARY ITEMS (IF ANY)

EXEMPT URGENT ITEMS (IF ANY)