

# TONBRIDGE & MALLING BOROUGH COUNCIL



## EXECUTIVE SERVICES

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### Chief Executive

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**NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.**

Contact: Committee Services  
[committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk)

23 January 2017

To: MEMBERS OF THE CABINET  
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Cabinet to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 31st January, 2017 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

## A G E N D A

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The notes of meetings of Advisory Boards are attached, any recommendations identified by an arrow being for determination by the Cabinet. Notices relating to any decisions already taken by Cabinet Members under the arrangements for delegated decision making have previously been circulated.

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The minutes of meetings of Advisory Panels and Other Groups are attached, any recommendations being identified by an arrow.

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The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

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Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

## MEMBERSHIP

Councillor N J Heslop, (Leader) and (Economic Regeneration)  
Councillor M A Coffin, (Finance, Innovation and Property)  
Councillor Mrs M F Heslop, (Community Services)  
Councillor D Lettington, (Street Scene and Environment Services)  
Councillor H S Rogers, (Strategic Planning and Infrastructure)  
Councillor Miss S O Shrubsole, (Housing)

Members of the Council who are not members of the executive may attend meetings of the Cabinet. With the agreement of the Leader, any such Member may address the Cabinet on any item on the agenda but may not vote.

Apologies for absence

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Declarations of interest

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## TONBRIDGE AND MALLING BOROUGH COUNCIL

### CABINET

Wednesday, 12th October, 2016

**Present:** Cllr N J Heslop (Chairman), Cllr M A Coffin, Cllr Mrs M F Heslop, Cllr D Lettington, Cllr H S Rogers and Cllr Miss S O Shrubsole

Councillors Mrs J A Anderson, M A C Balfour, P F Bolt, D J Cure, P J Montague, M Parry-Waller, S C Perry, A K Sullivan and T C Walker were also present pursuant to Access to Information Rule No 22.

### PART 1 - PUBLIC

#### **CB 16/69 CHAIRMAN'S ANNOUNCEMENT**

The Chairman referred to the recent deaths of Councillor Jean Atkinson and Honorary Alderman Anne Moloney and invited Members to observe a minute's silence in their memory.

#### **CB 16/70 DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct.

#### **CB 16/71 MINUTES - 29 JUNE 2016**

**RESOLVED:** That the Minutes of the meeting of the Cabinet held on 29 June 2016 be approved as a correct record and signed by the Chairman.

#### **CB 16/72 MINUTES - 28 JULY 2016**

**RESOLVED:** That the Minutes of the extraordinary meeting of the Cabinet held on 28 July 2016 be approved as a correct record and signed by the Chairman.

#### **CB 16/73 MINUTES - 6 SEPTEMBER 2016**

**RESOLVED:** That the Minutes of the extraordinary meeting of the Cabinet held on 6 September 2016 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE COUNCIL****CB 16/74 CORPORATE STRATEGY**

Further to Decision No D160044CAB, the report of the Chief Executive indicated that a revised draft Corporate Strategy had been considered by the Overview and Scrutiny Committee at its meeting on 13 September 2016 and commended for adoption by the Council.

**RECOMMENDED:** That the draft Corporate Strategy set out at Annex 1 to the report be commended to the Council for formal adoption. ◀

**\*Referred to Council**

**CB 16/75 SPECIAL EXPENSES SCHEME POLICY ('FAIRER CHARGING') AND UPDATED FINANCIAL DATA**

Further to Minute CB 16/60 of the extraordinary meeting of the Cabinet on 28 July 2016, the report of the Management Team provided an update on progress with the "Fairer Charging" project. It was noted that the recommendations from that meeting would be submitted to the Council on 1 November. In the meantime a Special Expenses Policy, which had been reviewed and commended by the Overview and Scrutiny Committee at its meeting on 13 September, was presented for consideration.

**RECOMMENDED:** That the draft Special Expenses Policy set out at Annex 1 to the report be approved by the Council. ◀

**\*Referred to Council**

**CB 16/76 REVIEW OF THE COUNCIL'S LOCAL COUNCIL TAX REDUCTION SCHEME**

Further to Decision No D160038CAB, the report of the Director of Finance and Transformation provided detailed results arising from the recent council tax reduction scheme (CTRS) consultation process together with the findings of the second stage equality impact assessment (EQIA). Members were reminded of the two main objectives of the review relating firstly to the cost of the scheme in the context of reducing government grants and secondly to targeting support to those most in need. Reference was made to potential arrangements for an exceptional hardship policy and, following Members' agreement of the recommendations, the outcome of discussions by the Kent Finance Officers' group regarding contributions by the major precepting authorities towards the administrative costs of the CTRS.

A more detailed EQIA was circulated before the meeting setting out potential impacts of the various options within the consultation on people with protected characteristics and mitigating actions required in each case. These were taken into account during the careful consideration given to each option and the responses received in the consultation,

including those of the statutory consultee, Kent County Council. It was confirmed that the options aligning the scheme to Housing Benefit regulations also included additional protection for certain claimants with protected characteristics. These covered some of the mitigations within the EQIA and additional protection would be provided by the introduction of an exceptional hardship scheme in the revised CTRS.

The Cabinet recorded appreciation of the work of the Director of Finance and Transformation for her work in leading the Kent Finance Officers' group and, along with colleagues, in bringing forward with clarity the outcome of a very challenging review.

Members were advised that the full CTRS together with the exceptional hardship scheme would be presented to the Full Council on 1 November.

**RECOMMENDED:** That

- (1) the potential impacts on people with disabilities, carers, women and working age groups be noted together with the following measures to mitigate them:
  - (i) continuing to treat people with disabilities and carers more favourably by disregarding some incomes, thereby giving them a higher entitlement to council tax support;
  - (ii) continuing to make allowances for childcare costs in line with the national scheme;
  - (iii) a further review of the scheme within three years from 1 April 2017 to identify any longer term measures needed to mitigate any ongoing impacts;
- (2) having considered the above, the full consultation results (including the response from the statutory consultee, Kent County Council) and having had due regard to the matters under the Public Sector Equality Duty (as set out in the Equality Impact Assessment), the following options be included in the Council's Council Tax Reduction Scheme from 1 April 2017

Option 1a – reduction of the maximum level of support to 80%;

Option 2 – removal of the Family Premium for all new working age claims (to align with housing benefit rules);

Option 3 – reduction of the period a claim can be backdated to one month (to align with housing benefit rules);

Option 5 – reduction of the period a person can be absent from Great Britain to four weeks to align with housing benefit rules

which provide exceptions when receiving medical treatment or being posted overseas as a member of HM Forces or having fled home through fear of violence;

Option 7 – introduction of standard levels of non-dependant deductions of £0.00 and £10 based on the current rules for housing benefit claimants, maintaining the classifications for the £0.00 deduction rate to protect claimants with disabilities and/or care needs;

Option 11 – removal of Second Adult Reduction;

Option 12 – removal of the Work Related Activity Component in the calculation for new Employment and Support Allowance applicants to align with housing benefit rules proposed for April 2017. This would only be introduced if the change goes ahead in the housing benefit scheme;

Option 13 – limit on number of children taken into account on a claim to two to align with changes to housing benefit rules proposed for April 2017. This would only be introduced if the change goes ahead in the housing benefit scheme;

Option 14 – introduction of a targeted protection scheme based on Exceptional Hardship to mitigate the impact of the changes to the 2017/18 CTRS and assist claimants facing exceptional hardship.

**\*Referred to Council**

#### **CB 16/77 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW 2016/17**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during the period April to July 2016/17. It also included a mid-year review of the Annual Investment Strategy and risk parameters. Members were invited to endorse the action taken by officers in respect of treasury management activity to date, to retain the current risk parameters and note the review of the Council's long term cash balances.

The report had also been considered by the Audit Committee at its meeting on 5 September and the action commended for endorsement.

**RECOMMENDED:** That the following be commended to the Council: 

- (1) the action taken by officers in respect of treasury management activity for the period April to July 2016 be endorsed;
- (2) the existing parameters intended to limit the Council's exposure to investment risks be retained; and

- (3) the review of the Council's long term cash balances and the use of property funds for subsequent consideration by the Audit Committee in January 2017 be noted.

**\*Referred to Council**

#### **CB 16/78 REVIEW OF HOUSING ASSISTANCE POLICY**

Item CH 16/13 referred from Communities and Housing Advisory Board of 25 July 2016

The Cabinet received the recommendations of the Communities and Housing Advisory Board at its meeting of 25 July 2016 in relation to a review of the Housing Assistance Policy to ensure that it met corporate priorities and reflected current budgetary pressures.

**RECOMMENDED:** That

- (1) the proposed amendments to the Housing Assistance Policy and associated budget adjustments be approved;
- (2) the proposed amendments to the Disabled Facilities Grants Policy and associated budget adjustments be approved; and
- (3) a budgetary provision of up to £10,000 be set aside in each of the next three years, fully funded from the Housing Assistance Reserve, in order to modernise the Housing Service.

**\*Referred to Council**

#### **DECISIONS TAKEN IN ACCORDANCE WITH PARAGRAPH 4, PART 3 OF THE CONSTITUTION**

#### **CB 16/79 REVIEW OF MAYORALTY FUNCTION - RECOMMENDATIONS OF OVERVIEW AND SCRUTINY COMMITTEE**

Decision Notice D160079CAB

#### **CB 16/80 TECHNICAL CONSULTATION PAPER ON 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT**

Decision Notice D160080CAB

#### **CB 16/81 MEDIUM TERM FINANCIAL STRATEGY UPDATE AND BUSINESS RATES POOLING**

Decision Notice D160081CAB

**MATTERS SUBMITTED FOR INFORMATION****CB 16/82 MATTERS REFERRED FROM ADVISORY BOARDS**

The notes of the meetings of the following Advisory Boards were received, any recommendations contained therein being incorporated within the decisions of the Cabinet reproduced at the annex to these Minutes.

Street Scene and Environment Services Advisory Board of 18 July 2016  
Finance, Innovation and Property Advisory Board of 20 July 2016  
Communities and Housing Advisory Board of 25 July 2016  
Planning and Transportation Advisory Board of 26 July 2016  
Economic Regeneration Advisory Board of 7 September 2016  
Finance, Innovation and Property Advisory Board of 21 September 2016

**RESOLVED:** That the report be received and noted.

**CB 16/83 MATTERS REFERRED FROM ADVISORY PANELS AND OTHER GROUPS**

The Minutes of the meetings of the following Advisory Panels and other Groups were received, any recommendations contained therein being incorporated within the decisions of the Cabinet reproduced at the annex to these Minutes.

Parish Partnership Panel of 8 September 2016  
Tonbridge Forum of 12 September 2016  
Joint Transportation Board of 26 September 2016

**RESOLVED:** That the report be received and noted.

**CB 16/84 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 9.20 pm

# Agenda Item 4

The notes of meetings of Advisory Boards are attached, any recommendations identified by an arrow being for determination by the Cabinet. Notices relating to any decisions already taken by Cabinet Members under the arrangements for delegated decision making have previously been circulated.

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## TONBRIDGE AND MALLING BOROUGH COUNCIL

### STREET SCENE AND ENVIRONMENT SERVICES ADVISORY BOARD

Monday, 7th November, 2016

**Present:** Cllr M O Davis (Chairman), Cllr D Keeley (Vice-Chairman), Cllr Mrs J A Anderson, Cllr M A C Balfour, Cllr V M C Branson, Cllr Mrs S M Hall, Cllr S M Hammond, Cllr M R Rhodes and Cllr T B Shaw

Councillors O C Baldock, P F Bolt, N J Heslop, D Lettington, H S Rogers and R V Roud were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors D J Cure, Mrs T Dean and L J O'Toole

#### PART 1 - PUBLIC

##### **SSE 16/9 DECLARATIONS OF INTEREST**

There were no declarations of interest in accordance with the Code of Conduct.

##### **SSE 16/10 MINUTES**

**RESOLVED:** That the notes of the meeting of the Street Scene and Environment Services Advisory Board held on 18 July 2016 be approved as a correct record and signed by the Chairman.

#### MATTERS FOR RECOMMENDATION TO THE CABINET

##### **SSE 16/11 REVIEW OF FEES AND CHARGES**

The joint report of the Director of Street Scene, Leisure and Technical Services, the Director of Planning, Housing and Environmental Health and the Director of Finance and Transformation set out proposed fees and charges for the provision of services in respect of food certificates, contaminated land monitoring, private water supplies, pest control, stray dog redemption fees, household bulky refuse and fridge/freezer collections, "missed" refuse collections and the Council's car parks from April 2017.

In bringing forward the proposals for 2017/18, it was noted that consideration had been given to a range of factors including the Council's overall financial position, trading patterns, the current rate of inflation, competing facilities and customer demand. Particular reference was made to the comprehensive review of car parking charges undertaken at the beginning of 2016 and the conclusion that no

further changes be made but the position be reviewed again in 12 months' time.

**RECOMMENDED:** That Cabinet approve the scale of charges for mandatory condemned food certificates, exported food certificates, contaminated land monitoring, sampling private water supplies, stray dog redemption fees, household bulky refuse and fridge/freezer collection, "missed" refuse collection and car parking charges with effect from 1 April 2017, as detailed in the report to the Advisory Board.

**\*Referred to Cabinet**

### **SSE 16/12 SATURDAY HOUSEHOLD BULKY AND WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) SERVICE REVIEW**

The report of the Director of Street Scene, Leisure and Technical Services provided an update on the review of the Council's bulky refuse collection and WEEE recycling service undertaken in partnership with Veolia. Consideration was given to a number of recommendations for the continued provision of the services at no additional cost to the Council. A proposed new schedule was presented which would maintain an appropriate level of service in each of the areas currently served and provide sufficient funding for the WEEE service to be continued until the end of the refuse and street cleansing contract in February 2019.

**RECOMMENDED:** That

- (1) the revised schedule for the collection of bulky refuse and waste electrical and electronic equipment (WEEE) from locations across the Borough be approved;
- (2) the revised arrangements commence in February 2017 for a period of two years; and
- (3) the bulky refuse and WEEE service be reviewed further as part of the retender of the Council's Refuse and Street Cleansing Contract.

**\*Referred to Cabinet**

### **SSE 16/13 THE UNAUTHORISED DEPOSIT OF WASTE (FIXED PENALTIES) REGULATIONS 2016**

Decision Notice D160082MEM

The report of the Director of Street Scene, Leisure and Technical Services gave details of the Unauthorised Deposit of Waste (Fixed Penalties) Regulations 2016 which allowed fly tipping offences to be dealt with by means of a Fixed Penalty Notice (FPN) and aimed to

provide an efficient tool for tackling smaller scale and/or lower impact fly tipping incidents.

Details were given of the proposed penalty and the circumstances in which the FPN would be issued, together with a review of the current FPN process.

**RECOMMENDED:** That with immediate effect:

- (1) delegated authority be granted to the Director of Street Scene, Leisure and Technical Services under the Environmental Protection Act 1990, as amended by the Unauthorised Deposit of Waste (Fixed Penalties) Regulations 2016, to make appropriate arrangements for the issue of Fixed Penalty Notices for fly tips;
- (2) the penalty charge of £400 for unauthorised deposits of waste be supported with no early payment reduction and no appeal process;
- (3) the removal of early payment reductions for Duty of Care offences often associated with fly tipping be supported; and
- (4) the cessation of the appeal process for all offences where Fixed Penalty Notices are served be supported.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **SSE 16/14 WASTE AND STREET SCENE SERVICES UPDATE**

The report gave an update on a number of projects and initiatives within Waste and Street Scene services. Particular reference was made to the winning of the RSPCA Gold Award for Stray Dog Services for the fifth year running and it was agreed that a letter of appreciation be sent to the Dog Warden for her personal and professional commitment.

The Council's input to the Defra Project Group working on production of a National Litter Strategy was highlighted. The report also indicated progress on options for the relocation of a number of recycling sites and plans for rescheduling refuse and recycling collection rounds in some parts of the Borough.

#### **SSE 16/15 CONTAMINATED LAND**

Further to Decision No D160051MEM, the report provided a detailed overview of the way in which the Council's contaminated land function was delivered in line with both legislative requirements and statutory guidance. Attention was drawn to the Council's responsibilities under both the Contaminated Land Regime and the Planning Regime. Details of the series of sequential planning conditions adopted for dealing with

contaminated land were reproduced at Annex 2 to the report and the Scientific Officer dedicated to contaminated land issues (and shared with Gravesham Borough Council) was introduced to the Advisory Board. It was noted that the Council's approach had been verified as sound by counsel's opinion.

**SSE 16/16 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.25 pm

**TONBRIDGE AND MALLING BOROUGH COUNCIL**

**COMMUNITIES AND HOUSING ADVISORY BOARD**

**Monday, 14th November, 2016**

**Present:** Cllr P J Montague (Chairman), Cllr Mrs B A Brown (Vice-Chairman), Cllr Mrs J A Anderson, Cllr O C Baldock, Cllr S M Hammond, Cllr D Keeley, Cllr Mrs S L Luck, Cllr Mrs A S Oakley, Cllr M Parry-Waller and Cllr T B Shaw

Councillors D J Cure, Mrs M F Heslop, N J Heslop, D Lettington, S C Perry, H S Rogers, Miss S O Shrubsole and T C Walker were also present pursuant to Council Procedure Rule No 15.21.

Representative: Mr A Nicholl (Tonbridge Sports Association)

Apologies for absence were received from Councillors Mrs S M Barker, Mrs P A Bates, Mrs S Bell, V M C Branson and L J O'Toole

**PART 1 - PUBLIC**

**CH 16/18 DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct. However, in the interests of transparency, Councillor Mrs S L Luck indicated that she owned a non-licensable House in Multiple Occupation (HMO) within the Borough and Councillor T Walker advised that he taught swimming, for one hour per week, at Larkfield Leisure Centre.

**CH 16/19 MINUTES**

**RESOLVED:** That the notes of the meeting of the Communities and Housing Advisory Board held on 25 July 2016 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE CABINET**

**CH 16/20 LEISURE FACILITIES - LEISURE TRUST UPDATE**

Decision Notice D160083MEM

The report of the Director of Street Scene, Leisure and Technical Services reviewed the recent performance of the Tonbridge and Malling Leisure Trust and provided an update on the review of the existing Service Fee payable by the Council to the Trust until March 2018. The Trust's Chief Executive, Martin Guyton, presented a review of the last year and answered questions on a range of performance issues.

**RECOMMENDED:** That the outcome of negotiations with the Trust on the revised Service Fee and Business Plan for 2018-2023 be considered at a future meeting of the Communities and Housing Advisory Board.

**CH 16/21 HOUSES IN MULTIPLE OCCUPATION (HMO) AND CARAVAN SITE LICENSING**

The report of the Director of Planning, Housing and Environmental Health set out the proposed fees and charges in respect of the mandatory licensing scheme for Houses in Multiple Occupation (HMOs) and Caravan Sites for 2017/18.

**RECOMMENDED:** That the existing charges for the licensing of Houses in Multiple Occupation and Caravan Sites, as detailed in the report, remain unchanged and be agreed with effect from 1 April 2017.

**\*Referred to Cabinet**

**CH 16/22 REVIEW OF CEMETERY CHARGES 2017/18**

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation outlined the proposed charges for 2017/18 with regard to Tonbridge Cemetery.

**RECOMMENDED:** That

- (1) the proposed charges for Tonbridge Cemetery, as detailed at Annex 2 to the report, be agreed and implemented with effect from 1 April 2017; and
- (2) a review of the future capacity of grave space at the Cemetery be progressed and reported back to a future meeting of the Communities and Housing Advisory Board.

**\*Referred to Cabinet**

**CH 16/23 CHILDREN'S HOLIDAY ACTIVITIES PROGRAMME**

Decision Notice D160084MEM

The report of the Director of Street Scene, Leisure and Technical Services reviewed the outcome of the revised Holiday Activities Programme following the recommendation from the Overview and Scrutiny Committee to Cabinet on 11 February 2016 that the Council withdraw from direct provision and work in partnership with external providers for the future delivery of these activities.

**RECOMMENDED:** That

- (1) the positive financial and service delivery outcomes of the revised holiday activities programme for 2016 be noted; and

- (2) the Leisure Pass subsidy rate for activities provided in 2017 be retained at current levels, with a revised budget of £11,000 being reflected in the 2017/18 draft revenue estimates.

#### **CH 16/24 SAFEGUARDING TRAINING UPDATE**

Decision Notice D160085MEM

The report of the Chief Executive provided an update on Safeguarding Training and set out details of further enhanced training for appropriate staff.

**RECOMMENDED:** That

- (1) the additional training for key staff (those identified as Designated Officers) to complete all sections of the Core Learning within the Kent Safeguarding Children's Board (KSCB) "Safeguarding Training Tree" be endorsed; and
- (2) the additional training for key staff (those identified as Designated Officers) to complete further Adult Safeguarding Training be endorsed.

#### **CH 16/25 DEVOLUTION OF PUBLIC HEALTH (PREVENTATIVE SERVICES)**

Decision Notice D160086MEM

The report of the Director of Planning, Housing and Environmental Health set out proposed arrangements for an integrated approach towards public health (preventative services) across West Kent between Kent County Council and Tonbridge and Malling, Sevenoaks and Tunbridge Wells district councils. Members expressed support for the work and approach to date, highlighting the importance of health and wellbeing and the need to provide clear assessment and targeted advice and programmes. It was recognised that the proposed approach would align health work closely with district level services and provide better opportunity for closer working with GPs.

**RECOMMENDED:** That

- (1) the approach, principles and district council's role in the West Kent Public Health Preventative Services devolution model, as set out in the report, be endorsed;
- (2) a partnership agreement between Kent County Council, Tonbridge and Malling Borough Council, Tunbridge Wells Borough Council and Sevenoaks District Council be developed as a basis to work together to deliver the West Kent Public Health Preventative Services devolution model over the three years 2017/18 to 2019/20; and

- (3) the principle of the governance arrangements, as set out in the report, be endorsed and the approval of detailed matters (including a partnership agreement) be delegated to the Leader and the Cabinet Members for Finance, Innovation and Property and Community Services.

#### **CH 16/26 DOCUMENT IMAGING SYSTEM FOR HOUSING SERVICES**

Decision Notice D160087MEM

The report of the Director of Planning, Housing and Environmental Health sought approval to expand the existing Revenue and Benefits Document Imaging Processing (DIP) Capital Plan scheme to include the Housing Service.

**RECOMMENDED:** That the existing Revenue and Benefits DIP Capital Plan scheme be expanded to include the Housing Service and the expansion be funded by way of a virement from existing Capital Plan schemes, as set out at section 1.3 of the report.

#### **CH 16/27 ENERGY EFFICIENCY UPDATE**

Decision Notice D160088MEM

The report of the Director of Planning, Housing and Environmental Health sought endorsement of the Kent-wide Fuel Poverty Strategy and provided an update on the Energy Deal collective switching scheme initiative.

**RECOMMENDED:** That

- (1) the new Kent Wide Fuel Poverty Strategy be endorsed; and
- (2) the approach being taken to ensure that residents can continue to benefit from the Energy Deal Collective Switching Scheme initiative be endorsed.

#### **MATTERS SUBMITTED FOR INFORMATION**

#### **CH 16/28 TONBRIDGE AND MALLING LOCAL CHILDREN'S PARTNERSHIP GROUP**

The report of the Chief Executive provided an update on the work of the local Children's Partnership Group (LCPG). The Minutes of the meeting of the Group, held on 30 September 2016, were set out at Annex 1 to the report.

**CH 16/29 COMMUNITY SAFETY PARTNERSHIP UPDATE**

The report of the Director of Central Services and Monitoring Officer provided an update on recent activity within the Community Safety Partnership.

**CH 16/30 EMPTY HOMES UPDATE**

The report of the Director of Planning, Housing and Environmental Health provided an update on progress with Empty Homes work following the review by the Overview and Scrutiny Committee in January 2015.

**CH 16/31 HOUSING SERVICES UPDATE**

The report of the Director of Planning, Housing and Environmental Health provided an update on key issues across the Housing Service and highlighted performance over the period April to September 2016. He also drew particular attention to the growing difficulties in securing an ongoing supply of truly affordable homes and rising number of local households in temporary accommodation.

**CH 16/32 DISABLED FACILITIES GRANTS UPDATE**

The report of the Director of Planning, Housing and Environmental Health provided an update on Disabled Facilities grants and highlighted a number of work streams being progressed to promote greater integration of housing, health and social care service delivery.

**MATTERS FOR CONSIDERATION IN PRIVATE****CH 16/33 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 9.10 pm

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**TONBRIDGE AND MALLING BOROUGH COUNCIL**

**PLANNING AND TRANSPORTATION ADVISORY BOARD**

**Tuesday, 15th November, 2016**

**Present:** Cllr D A S Davis (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr M A C Balfour, Cllr P F Bolt, Cllr M O Davis, Cllr Mrs S M Hall, Cllr Mrs F A Kemp, Cllr R D Lancaster, Cllr M Parry-Waller, Cllr S C Perry, Cllr R V Roud and Cllr M Taylor

Councillors Mrs J A Anderson, O C Baldock, M A Coffin, N J Heslop, D Lettington and H S Rogers were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors Mrs S M Barker, V M C Branson, B T M Elks and A K Sullivan

**PE 16/20 DECLARATIONS OF INTEREST**

Councillor M Davis declared an Other Significant Interest in items on the agenda on the grounds of his status as a partner of Wards Solicitors. In accordance with the dispensation granted at Minute GP 16/19 (meeting of 20 October 2016), he remained in the meeting and addressed the Advisory Board but took no further part in the discussion or voting.

In the interests of transparency Councillor M Balfour indicated that he was the Cabinet Member for Environment and Transport at Kent County Council.

**PE 16/21 MINUTES**

**RESOLVED:** That the notes of the meeting of the Planning and Transportation Advisory Board held on 26 July 2016 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE CABINET**

**PE 16/22 LOCAL TRANSPORT PLAN FOR KENT - CONSULTATION**

Decision Notice D160089MEM

The report of the Director of Planning, Housing and Environmental Health sought endorsement of officer level comments returned to Kent County Council (KCC) in respect of the recent consultation on the fourth Local Transport Plan which closed on 30 October. An update was also provided on other relevant transportation items.

Reference was made to the nine strategic priorities within the Plan together with the additional district priorities for Tonbridge and Malling

which had been highlighted in the Growth and Infrastructure Framework. Attention was drawn to a number of further priorities which reflected early responses received in relation to the emerging Local Plan. During discussion it was requested that a letter be sent to KCC reinforcing the Borough Council's priorities and emphasising the need for air quality issues to be afforded greater priority in the Plan, for liaison between authorities on improvements to the A20 corridor, and advancement of the Tonbridge High Street traffic signal co-ordination project.

**RECOMMENDED:** That:

The comments in the questionnaire that are supportive of Local Transport Plan 4 and the identified priorities for Tonbridge and Malling, as set out at Annex 1 to the report, be endorsed and a further letter be sent to Kent County Council on the matters outlined above.

**MATTERS SUBMITTED FOR INFORMATION**

**PE 16/23 AIRPORTS UPDATE**

The report provided an update on the Government's recent decision to support a third runway at Heathrow together with an outline of the process that would now follow. Members were advised that the Government would bring forward a National Policy Statement (NPS) for consultation and, following its adoption, a Development Consent Order (DCO) could be made by the promoter of the scheme for Heathrow. It would be important to monitor the content of the NPS as some commentators considered that there might be scope for other airports including Gatwick to promote a DCO.

**PE 16/24 LOCAL PLAN UPDATE**

Further to Decision No D160061CAB, the report gave an update on the current Local Plan consultation exercise which began on 30 September and was due to close on 25 November 2016. It was noted that the public exhibitions had been well attended and to date around 300 responses had been received in various formats.

Reference was made to the emergence of a number of co-ordinated responses to some specific issues including extension of the Green Belt designation further eastwards than suggested in the Way Forward and objections to the proposed development strategy in respect of Lower Haysden in Tonbridge, north of Borough Green and in the vicinity of Hermitage Lane, Aylesford. It was reported that a petition had recently been received from the New Allington Action Group calling for no more development in the Hermitage Lane corridor and would be dealt with in accordance with the Council's Petitions Scheme.

Members were advised that on closure of the consultation all responses would be carefully considered and form part of a report back to the Advisory Board.

**MATTERS FOR CONSIDERATION IN PRIVATE**

**PE 16/25 EXCLUSION OF PRESS AND PUBLIC**

There were no matters considered in private.

The meeting ended at 9.05 pm

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## TONBRIDGE AND MALLING BOROUGH COUNCIL

### FINANCE, INNOVATION AND PROPERTY ADVISORY BOARD

Wednesday, 4th January, 2017

**Present:** Cllr S M King (Chairman), Cllr T C Walker (Vice-Chairman), Cllr R P Betts, Cllr T Bishop, Cllr J L Botten, Cllr T I B Cannon, Cllr D J Cure, Cllr M O Davis, Cllr R D Lancaster, Cllr Miss J L Sergison, Cllr A K Sullivan, Cllr F G Tombolis and Cllr B W Walker

Councillors Mrs J A Anderson, O C Baldock, P F Bolt, M A Coffin, N J Heslop, D Lettington, Mrs A S Oakley, S C Perry, H S Rogers and R V Roud were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors Mrs S Bell, Mrs B A Brown and S R J Jessel

#### PART 1 - PUBLIC

##### **FIP 17/1 DECLARATIONS OF INTEREST**

Councillor N Heslop declared an Other Significant Interest in the item on Review of Fees and Charges in respect of concessionary users of Tonbridge Castle Council Chamber on the grounds of membership of the Board of the Bridge Trust. He withdrew from the meeting during consideration of this matter.

In the interests of transparency, Councillors M Davis and R Betts advised that they were the Council's appointees to Tonbridge and Malling Leisure Trust, a number of whose facilities featured in the Capital Plan.

##### **FIP 17/2 MINUTES**

**RESOLVED:** That the notes of the meeting of the Finance, Innovation and Property Advisory Board held on 21 September 2016 be approved as a correct record and signed by the Chairman.

#### MATTERS FOR RECOMMENDATION TO THE CABINET

##### **FIP 17/3 REVENUE ESTIMATES 2017/18**

The report of the Director of Finance and Transformation referred to the responsibility of the Cabinet under the constitution for formulating initial proposals in respect of the budget. Reference was made to the role of the Advisory Board in assisting the Cabinet and Council in the preparation of the budget within the context of the Medium Term

Financial Strategy (MTFS) and the Council's priorities. An outline was given of the process for referring the Advisory Board's recommendations to the Overview and Scrutiny Committee prior to consideration by the Cabinet on 9 February and thereafter by the Council at its Budget meeting.

The report set out the framework for considering the estimates in terms of the MTFS together with a number of Service specific issues. The report indicated the factors to be taken into account when updating the MTFS and referred to the Savings and Transformation Strategy (STS) which provided a structure and focus for addressing the significant financial challenge facing the Council. It was noted that the MTFS would continue to be updated as more information became available and the targets and timescales within the STS would be revisited and realigned with the latest projected funding gap during the budget setting process.

The Director of Finance and Transformation introduced the provisional Local Government Finance Settlement including the Council's acceptance of the multi-year settlement to 2019/20 and drew attention to the key messages arising from the outcome of the consultation on New Homes Bonus funding. It was considered that a robust response to the settlement consultation should be submitted by the 13 January deadline in view of the changes to the New Homes Bonus scheme which would bring added funding pressure for district councils and increased risk to financial sustainability. The Director of Finance and Transformation presented the suggested response, circulated before the meeting, which was endorsed by Members.

**RECOMMENDED:** That

- (1) the proposed response to the provisional local government finance settlement 2017/18, as set out at Annex 1 to the report, be supported subject to the answers to appropriate questions being prefixed by the word "No" for additional emphasis, and the response be submitted by the consultation deadline;
- (2) the draft Revenue Estimates contained in the Booklet be endorsed for consideration by the Cabinet at its special meeting on 9 February 2017; and
- (3) the Savings and Transformation Strategy be updated to reflect the latest projected "funding gap" as part of the budget setting process.  
**\*Referred to Cabinet**

**FIP 17/4 CAPITAL PLAN REVIEW 2016/17**

Consideration was given to the report of the Director of Finance and Transformation which reviewed the current position of the existing Capital Plan (List A). It also recommended schemes for addition to

List C, some existing List C schemes for deletion or evaluation and schemes for inclusion on List B from those List C schemes previously selected for evaluation. Members were reminded that any aspirations in respect of capital schemes needed to be set within the context of the significant financial challenge facing the Council.

**RECOMMENDED:** That the following be endorsed for consideration by the Overview and Scrutiny Committee:

- (1) the Capital Plan (List A) position as shown in Annex 2 to the report;
- (2) the amendment of List C as detailed in paragraph 1.5.3 of the report;
- (3) the selection for evaluation of those List C schemes shown in paragraph 1.6.4 of the report including two for fast track evaluation;
- (4) the transfer of the schemes listed in paragraph 1.7.3 of the report from List C to List B; and
- (5) the draft Capital Strategy as set out at Annex 5 to the report be endorsed for adoption and publication on the Council's website.

**\*Referred to Cabinet**

#### **FIP 17/5 REVIEW OF FEES AND CHARGES 2017/18**

The report of the Management Team brought forward for consideration as part of the Budget setting process for 2017/18 proposals in respect of those fees and charges that were the responsibility of the Cabinet Member for Finance, Innovation and Property or not reported elsewhere.

It was noted that there would be a fundamental review of operations at Tonbridge Castle in the light of changes in the Gateway facility.

**RECOMMENDED:** That

- (1) in respect of the recovery of legal fees payable by third parties, the Council's fees continue to follow the Supreme Court guideline hourly rates as set out at paragraph 1.2.1 of the report;
- (2) the proposed scale of fees for local land charges searches and enquiries set out in the report be adopted with effect from 1 April 2017, noting that property search fees are to be subject to VAT as shown in the table at Annex 1 to the report from 1 January 2017 unless HMRC confirms that any element shown as Vatable should not be subject to VAT;

- (3) the current photocopying charges of 10p (inclusive of VAT) for each page of the same document or additional copies of the same page plus postage as appropriate be retained;
- (4) the proposed charges for Tonbridge Castle Chamber as set out in Annex 4 to the report be approved for implementation from 1 April 2017;
- (5) the proposed charges for weddings at Tonbridge Castle as outlined in paragraph 1.6.3 of the report be approved for implementation from 1 April 2018;
- (6) the fees schedule for street naming and numbering set out in section 1.8 of the report be adopted with effect from 1 April 2017; and
- (7) the amount of council tax and business rate Court costs recharged remain as set out at paragraph 1.9.2 of the report for the 2017/18 financial year.

**\*Referred to Cabinet**

#### **FIP 17/6 BUILDING REGULATION FEES**

Consideration was given to the joint report of the Director of Planning, Housing and Environmental Health and Director of Finance and Transformation which referred to the annual review of fees schedules and recommended amendments to the charging regime to cover more accurately the costs of the fee earning aspects of the Building Control Partnership service provided with Sevenoaks District Council. Members were advised of some changes in staffing of the service.

**RECOMMENDED:** That the revised Building Control Charges, as detailed in Annex 1 to the report, be approved and adopted from 1 April 2017.

**\*Referred to Cabinet**

#### **FIP 17/7 REVIEW OF PRE-APPLICATION PLANNING CHARGING REGIME**

The joint report of the Director of Finance and Transformation and Director of Planning, Housing and Environmental Health provided an update on the pre-application procedures for planning and reviewed the protocol and scale of charges introduced in 2016 in accordance with Decision Number D160018CAB.

**RECOMMENDED:** That

- (1) the updated protocol for providing Pre-Application and Other Technical Planning Advice, as set out at Annex 1 to the report, be adopted; and

- (2) the Pre-Application Charging Schedule for 2017/18, as set out at Annex 2 to the report, be adopted.

**\*Referred to Cabinet**

**FIP 17/8 APPLICATION FOR DISCRETIONARY RATE RELIEF**

Decision Notice D170001MEM

The report of the Director of Finance and Transformation gave details of a new application for discretionary rate relief which was considered in accordance with the previously agreed criteria for determining such applications.

**RECOMMENDED:** That the new application for discretionary relief be determined as follows:

Hillsong Church London, The River Centre, Medway Wharf Road, Tonbridge - no discretionary relief be awarded.

**MATTERS SUBMITTED FOR INFORMATION**

**FIP 17/9 REVENUES AND BENEFITS UPDATE REPORT**

The report gave details of recent developments in respect of council tax, business rates, council tax reduction and housing benefits. Reference was made to the announcement in the Chancellor's Autumn Statement that Rural Rate Relief would be doubled from 1 April 2017. The report also indicated the council tax base set for the financial year 2017/18.

**MATTERS FOR CONSIDERATION IN PRIVATE**

**FIP 17/10 EXCLUSION OF PRESS AND PUBLIC**

The Chairman moved, it was seconded and

**RESOLVED:** That as public discussion would disclose exempt information, the following matters be considered in private.

**PART 2 - PRIVATE**

**MATTERS FOR RECOMMENDATION TO THE CABINET**

**FIP 17/11 DEBTS FOR WRITE OFF**

(LGA 1972 Sch 12A Paragraph 2 – Information likely to reveal information about an individual)

Decision Notice D170002MEM

The report of the Director of Finance and Transformation sought approval of the writing-off of debts considered to be irrecoverable. Details were also given of debts under £1,000 which had been written-off in accordance with Financial Procedure Rule 17.2 together with cumulative totals of debts in the current and previous financial years and information on budgeted bad debt provision.

**RECOMMENDED:** That the 23 items shown in the schedule of amounts over £1,000, totalling £86,351.07 be written-off for the reasons stated within the schedule.

**FIP 17/12 RENEWAL OF CASH COLLECTION CONTRACT AND COUNCIL BANKING CONTRACT**

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Decision Notice D170003MEM

The report of the Director of Finance and Transformation provided an update on the outcome of the countywide tender exercise, carried out on behalf of 12 authorities in Kent, for provision of cash collection services. Due to the timescale for commencement of the new contract, it had been necessary for the result of the tender exercise to be accepted in advance of the meeting following consultation with the Leader, Cabinet Member for Finance, Innovation and Property and Chairman of the Overview and Scrutiny Committee.

Details were also given of action taken in accordance with Contracts Procedure Rules to extend the Council's current banking contract until 31 March 2018.

**RECOMMENDED:** That

- (1) the decision of the Leader, Cabinet Member for Finance, Innovation and Property and Chairman of the Overview and Scrutiny Committee to accept the result of the cash collection tendering exercise and the appointment of Contract Security Services Limited be endorsed; and
- (2) the contract extension in respect of the Council's Bankers be noted.

**FIP 17/13 PROPOSED DISPOSAL OF LAND ADJACENT TO FIELDING DRIVE, LARKFIELD**

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Decision Notice D170004MEM

The report of the Director of Central Services gave details of proposed terms and conditions in respect of the disposal of an area of amenity land adjacent to Fielding Drive following a request to purchase by an adjoining property owner.

**RECOMMENDED:** That disposal of the area of amenity land adjacent to Fielding Drive, Larkfield be approved on the basis of the conditions outlined in the report, subject to planning permission being obtained for a change of use from amenity to domestic garden.

**FIP 17/14 LICENCE AGREEMENT FOR USE OF LAND AS PERMISSIVE FOOTPATH ADJACENT TO BAILEY BRIDGE, AYLESFORD**

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Decision Notice D170005MEM

The report of the Director of Central Services gave details of a proposed licence agreement with Kent County Council for use of land owned by the Borough Council adjacent to the Bailey Bridge car park, Aylesford as a permissive footpath.

**RECOMMENDED:** That approval be given for a licence to Kent County Council for a permissive footpath as identified in the report.

The meeting ended at 9.07 pm

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# Agenda Item 5

The minutes of meetings of Advisory Panels and Other Groups are attached, any recommendations being identified by an arrow.

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## **TONBRIDGE AND MALLING BOROUGH COUNCIL**

### **PARISH PARTNERSHIP PANEL**

**Thursday, 17th November, 2016**

**Present:** Cllr N J Heslop (Chairman), Cllr M A Coffin (Vice-Chairman), Cllr Mrs J A Anderson, Cllr T I B Cannon, Cllr R W Dalton, Cllr S M Hammond, Cllr D Lettington, Cllr B J Luker, Cllr R V Roud, and Cllr T B Shaw.

Together with Birling, Borough Green, Burham, Hadlow, Platt, Plaxtol, Trottiscliffe, West Malling, Wouldham, Wrotham Parish Councils and County Councillor Mrs S Hohler

Councillors O C Baldock and H S Rogers were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors Mrs S M Barker, R P Betts, Hildenborough and Kings Hill Parish Council and County Councillor Mr M Balfour

### **PART 1 - PUBLIC**

#### **PPP 16/27 CHAIRMAN'S ANNOUNCEMENT**

The Chairman referred to the death of Honorary Alderman Anne Moloney who had sadly passed away on 11 October 2016. A minute's silence had been observed in her memory at the recent meeting of Full Council.

Miss Moloney was a former borough councillor, who had represented the ward of Snodland for 8 years; as well as a former Chairman and Vice-Chairman of the Town Council and an active and passionate member of the Parish Partnership Panel. The title of Honorary Alderman had been conferred in February 2016 in recognition of her commitment and contribution to local government and her constituents.

A memorial service in her honour would be held at 1130 am on Tuesday 22 November 2016 at All Saints Church, Snodland.

The Chairman concluded by saying that Anne would be greatly missed.

#### **PPP 16/28 MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 8 September 2016 be approved as a correct record and signed by the Chairman.

**PPP 16/29 UPDATE ON ACTION IDENTIFIED IN THE LAST MINUTES****PPP 16/21 - Local Sewer System**

An invitation had been extended to Southern Water to attend the Parish Partnership Panel to address concerns regarding the sewer system. Attendance had been provisionally confirmed for the meeting on 16 February 2016.

Borough Green Parish Council thanked the Chairman for making the necessary arrangements and welcomed the discussion with Southern Water.

**PPP 16/30 SPEEDWATCH SCHEME**

The Speedwatch Manager (Alan Watson) provided a presentation which set out details of the speedwatch initiative and how it operated within communities. The aim of the initiative was to increase awareness, through education, of excessive vehicle speeds on local roads, help residents make a significant contribution to local road safety and help generate valuable data for the community to inform highway measures.

Schemes were 'owned', funded and operated by local community groups, such as the parish council, acting as volunteers with support based in the Central Process Unit at Kent Police Force Headquarters in Maidstone.

Kent Police supported Community Speedwatch by delivering appropriate training, providing site risk assessments, sending advice letters and insuring volunteers against public liability risk and personal injury whilst on the roadside.

Operating at the roadside in 20, 30, and 40 miles per hour (mph) limits, Speedwatch practitioners monitored the speeds of passing vehicles using portable speed indication devices. They recorded and reported the speed and identified details of vehicles travelling at or above nationally-specified speed thresholds (25, 35, and 46mph respectively).

The registered keepers of vehicles seen repeatedly or excessively speeding anywhere in Kent in the previous 12 months were then sent a warning letter and advice by Kent Police.

Within Tonbridge and Malling there were currently sites being assessed in Addington, Coldharbour, East Malling, Hadlow, Kings Hill, Larkfield, Offham, Shipbourne, Wateringbury and West Malling. It was noted that Tonbridge and Malling was the second most productive Community Speedwatch in Kent. Wateringbury was the highest recorder in the Borough with a high number of excessive speeders noted. However, there had been a steady decline in activity in the Borough and the reason for this was not yet understood.

Mr Watson indicated that he would be happy to speak to any inactive groups to regenerate local interest.

Reference was made to the 50% subsidy being offered by Kent Highways towards equipment for new start up groups, or for groups where the equipment was faulty or shared. Further details were available by contacting the Speedwatch Co-ordinator on [CSW@kent.pnn.police.uk](mailto:CSW@kent.pnn.police.uk)

Finally, it was reported that Community Speedwatch would be going on-line shortly to offer a centralised and enhanced system. This included links to social media where it would be possible to name and shame individuals.

The Chairman referred to comments made by Waterringbury Parish Council at the last meeting of the Parish Partnership Panel regarding the lack of support and follow up by Kent Police, which they believed had led to the decline in activity, as volunteers no longer felt it was worthwhile without effective enforcement.

Mr Watson was confident that this was an improving position and better support could now be provided as more resources became available.

In response to a question about the speeding thresholds, the Panel was advised that these were decided by Kent Police and they allowed a level of 'tolerance for different manufacturers'. It was also commented that there were insufficient officers to offer earlier enforcement.

In addition, Members were advised that the speed detection equipment used was not Home Office approved so could not be used as evidence to support enforcement. However, Community Speedwatch was a valuable and effective tool in educating and raising awareness.

With regard to training of volunteers a target of end of December had been set to enrol all those interested and any outstanding requests would be followed up as soon as possible.

West Malling Parish Council indicated that the online training was very good as it was simple and easy to use and provided flexibility about how and when it was done.

The Chairman thanked Mr Watson for his informative presentation and hoped that more volunteers could come forward. It was also hoped that parishes were reassured that support was now available.

### **PPP 16/31 KENT POLICE SERVICES UPDATE**

Inspector Mark Ginsberg provided a verbal update on the achievements made in performance and the neighbourhood policing agenda.

It was reported that the position in the Borough remained good despite a 9.2% increase in crime. Tonbridge and Malling had the second lowest crime levels in Kent and remained one of the safest places in the County. Increased reporting of incidents, more accurate recording of crime and fewer resources were believed to have contributed to the percentage increase over the year. In addition, violent crime included harassment and social media contributed significantly to these figures.

Particular reference was made to resourcing levels with officer numbers remaining relatively stable and Kent Police continued to actively recruit. The number of Police Community Support Officers (PCSOs) was reducing and a new recruitment campaign would start shortly.

ANPR (automatic number plate recognition) had been installed throughout the Borough and was a useful and effective tool in providing security, as well as an excellent resource in tackling crime.

Recent police initiatives included:

- Op Lily: dealt with nuisance vehicles at a number of locations across the Borough. 4 warnings had been given to drivers with one vehicle removed as unsafe.
- Op Argonaut: tackling anti-social behaviour at various locations. Several dispersal orders had been granted and had proved successful in moving people to more suitable locations.

### **PPP 16/32 COMMUNITY SAFETY PARTNERSHIP UPDATE**

The report of the Director of Central Services provided an update on the work of the Community Safety Partnership (CSP), which was reviewed and noted by the Panel.

The Licensing and Community Safety Manager (A Garnett) reminded Members that the Community Safety Unit (CSU) worked closely with Kent Police and were co-located at the Council offices at Kings Hill. There were weekly meetings with other organisations, such as housing providers and the Probation Service, to discuss issues and formulate actions.

Particular reference was made to the measures being taken to tackle anti-social behaviour in West Malling. As well as trying to identify those causing the issues Kent Police had put in place some Dispersal Orders, which had been very effective. Residents were appreciative of the action taken and the CSU were grateful to Kent Police for executing these measures.

It was anticipated that the vacant post of Anti-social Behaviour Officer would be filled by December.

Operation Valetta, which had taken place on 20 July, was a joint initiative between Kent Police and Kent Fire and Rescue Services targeting drivers committing offences. During this operation a total of 75 cars were stopped in Cannon Lane, Tonbridge and London Road, Hildenborough. As well as enforcement action, where appropriate, restorative justice was offered.

Finally, Members were advised that an Independent Police Advisory Group (IPAG) had been established for Tonbridge and Malling. The Group were looking for members to represent sections of the community to attend. Further information was available from [ipag.sevenoaksdistrict@gmail.com](mailto:ipag.sevenoaksdistrict@gmail.com)

Kent Police and the Licensing and Community Safety Manager both participated in a brief question and answer session.

In response to a question from Burham Parish Council, it was confirmed that S59 granted powers under the Police Reform Act and applied to both driver and vehicles. This meant that vehicles being used anti-socially or driven without due care and attention and where there was a repeat occurrence within 12 months could be seized.

Members commented that Operation Valetta appeared to be an excellent initiative and should be continued or repeated on a regular basis. Inspector Ginsberg recognised the Operation's success and hoped that it could be repeated at different locations throughout the Borough but it was subject to having sufficient resource available. It was noted that PCSOs could monitor speed and pass on information to police.

Borough Green Parish Council referred to significant speeding problems on the A25 and the difficulties they had with Kent Police and/or other agencies taking any sensible actions. Inspector Ginsberg advised that PCSOs regularly monitored the situation and offered to clarify the latest position out of meeting.

Another member of Borough Green Parish Council referred to the two CCTV cameras purchased in a joint venture with Kent Police and asked about the location of one that had been moved. This would be progressed out of meeting.

In response to a question regarding the use of cannabis, it was confirmed that this remained illegal but it was difficult to get a magistrates warrant without proper corroboration of the offence. Corroboration included intelligence gathering and reporting by more than one person.

Finally, surprise was expressed at the low number of drivers stopped for using a mobile phone during Operation Valetta given the high profile it received in the media. Reference was also made to the recent use of

social media to obtain drugs. This information would be shared with Kent Police out of meeting.

The Chairman thanked both Kent Police and the Licensing and Community Safety Manager for their contribution and advised that in future both of these items would be combined on the agenda.

### **PPP 16/33 KENT COUNTY COUNCIL SERVICES UPDATE**

The Kent County Council Community Liaison Officer (Anne Charman) reported on a number of County initiatives and consultations. Further detail was set out in the Kent County Council Services update report attached to the agenda.

Particular reference was made to the closure of Snodland library for refurbishment work. It was expected to re-open on Wednesday 21 December 2016.

Current consultations included the A26 Cycle Route; KCC Draft Budget Proposals 2017/18 and comments were encouraged. All Kent County Council consultations could be viewed online at: <http://consultations.kent.gov.uk/consult.fi>

Applications for primary school places were now open and these should be submitted by 16 January 2017.

The Volunteer Support Warden Scheme had just completed a successful pilot and the intention was to offer all town and parish councils in Kent the opportunity to participate. Details would be shared in due course.

The Chairman referred to the recent refurbishment of Snodland Station ticket office, which was a joint venture with Network Rail and the County Council. This together with the work at Snodland Library demonstrated the commitment to economic regeneration in the town.

### **PPP 16/34 TONBRIDGE AND MALLING BOROUGH COUNCIL SERVICES UPDATE**

The Chairman provided an update on key points relevant to Tonbridge and Malling. The headline messages included:

#### **Christmas Waste Collection:**

This year there would be no suspension of the green lidded bin service over the Christmas holiday period. In weeks commencing 26 December and 2 January all refuse and recycling collections would take place just one day later than normal. These collection arrangements, together with handy hints on recycling at Christmas, would be communicated via bin

hangers which would be delivered to residents over a two week period starting 5 December, as well as on the website: [www.tmbc.gov.uk/waste](http://www.tmbc.gov.uk/waste)

### **Council Tax setting:**

The Director of Finance and Transformation had written to all parish councils on 2 November 2016 following the meeting of Full Council advising them of the decisions regarding s136 and Council Tax Reduction grants and the introduction of Special Expenses. In summary, the recommendations outlined at the last meeting of the Parish Partnership Panel, and set out in those Minutes, had been agreed.

Parish precept forms had also been enclosed and should be returned by 27 January 2017.

The tax base for 2017/18 would be prepared in early December and parish councils would be advised of details for their own parished areas as soon as possible thereafter. The Chairman assured Members that this information would be shared at the earliest opportunity as the Borough Council was mindful that parish councils had to set their own precepts.

Finally, further detail relating to the Special Expenses (Fairer Charging) consultation and decision was available on the website at:

<https://www.tmbc.gov.uk/services/council-and-democracy/consultations/public-consultation-fairer-charging-in-tonbridge-and-malling>

### **Council Tax Reduction Scheme:**

An update to the Borough Council's Council Tax Reduction Scheme for 2017/18 had also been agreed at Full Council on 1 November 2016, details of which were available on the website at:

<https://www.tmbc.gov.uk/services/advice-and-benefits/council-tax/council-tax-reduction-scheme/council-tax-reduction-scheme-20172018>

### **Business Rates – 2017 Revaluation:**

The Valuation Office Agency had now released the new valuations for non-domestic properties which would come into effect from April 2017. If parish councils wanted to check their own valuations, as there had been some changes, details were available on the Gov.uk website: <https://www.tax.service.gov.uk/view-my-valuation/search>

If there were any queries these should be directed to the Valuation Office.

**Local Plan – Update and Consultation:**

The Local Plan consultation ended at 1700 hours on Friday 25 November 2016.

**Retail Centres outside Tonbridge:**

Most of these were now completed with the most recent being in Watringbury, where a defibrillator was installed, and Plaxtol, where improvements were made to the access to the car parking area. Work continued to progress projects for West Malling and Snodland and both the Cabinet Member for Economic Regeneration and the Economic Regeneration Officer were working closely with both teams.

The Borough Council was also working with Action with Communities in Rural Kent to roll out a new business support programme for village/rural stores. The offer would specifically include one to one guidance and support from a specialist retail advisor on business planning, store layout, product sourcing, networking with other retailers and diversification.

Around 20 stores had been identified for support but general marketing would also be considered to promote the scheme. Further information was available from the Economic Regeneration Officer (Jeremy Whittaker).

**Community Lottery:**

There continued to be a good response to the launch of the Borough Council's online lottery, operating under the name of Hive, with 28 good causes now approved as members. These included a number of sporting clubs, schools and organisations providing mental health, disability and homelessness support services.

The next meeting of the Parish Partnership Panel was scheduled for Thursday 16 February 2017 and would focus on discussions with Southern Water.

The meeting ended at 9.00 pm

## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 APPOINTMENT OF EXTERNAL AUDITORS

To recommend to full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

#### 1.1 Introduction

1.1.1 The Local Audit and Accountability Act 2014 (the Act) introduced a new decentralised audit regime where councils could appoint their own external auditors and manage their own audit arrangements.

1.1.2 The Act brought to a close the Audit Commission and established transitional arrangements whereby Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association, is responsible for the appointment of external auditors and the setting of audit fees.

1.1.3 When the transitional arrangements come to an end on 31 March 2018 there are three broad options open to the Council which in summary are:

- Stand-alone appointment – to make a stand alone appointment the Council must set up, consult and take into account the advice of an independent auditor panel. The panel to consist of a majority of independent members (or wholly of independent members) and must be chaired by an independent member.
- Joint Independent Auditor Panel – join with other councils to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent members.
- Opt-in to a Sector Led Body (SLB) – the SLB to be appointed by the Secretary of State. The SLB to negotiate contracts and make the appointments on behalf of councils, removing the need to set up an independent auditor panel. PSAA has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015.

- 1.1.4 The Audit Committee have considered this issue on a number of occasions, most recently on 23 January 2017, where on each occasion, assuming the same conclusion is reached at the January meeting, the *Opt-in to a Sector Led Body* is seen as the preferred option.
- 1.1.5 Why the SLB is seen as the preferred option? It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or jointly. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement. To establish an auditor panel and conduct our own procurement will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.
- 1.1.6 The formal invitation to opt-in to the appointing person arrangements made by PSAA was received on 27 October 2017 with a closing date of 9 March 2017. The length of the appointing period is the five consecutive financial years commencing 1 April 2018. A copy of the PSAA Prospectus [**Annex 1**] and FAQs [**Annex 2**] are attached for information.

## **1.2 Legal Implications**

- 1.2.1 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in to a SLB must be made by full Council.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 A SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit; and would remove the costs of establishing and maintaining an auditor panel.

## **1.4 Risk Assessment**

- 1.4.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

## **1.5 Equality Impact Assessment**

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.6 Policy Considerations**

- 1.6.1 Procurement

## 1.7 Recommendations

- 1.7.1 Cabinet is invited to **recommend** to full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton  
Director of Finance and Transformation

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# Developing the option of a national scheme for local auditor appointments

[www.psa.co.uk](http://www.psa.co.uk)

“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,  
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It aims to be designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

# Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

The LGA is supporting PSAA in its application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

# PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA wishes to be selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.

“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,  
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,  
Police and Crime Commissioners  
Treasurers’ Society (PACCTS)

## The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body’s arrangements for securing value for money, dealing with electors’ enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

## PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

## PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years, subject, of course, to the terms of specification by DCLG.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,  
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,  
Fire Finance Network

## PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

# The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

# How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

#### **BOARD MEMBERS**

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

#### **CHIEF OFFICER**

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of Finance and Resources,  
Staffordshire County Council

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[www.psaa.co.uk](http://www.psaa.co.uk)

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### Appointing person: Frequently asked questions

Question	Response
<p>1. What is an appointing person?</p>	<p>Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of the accounts from 2018/19 on behalf of principal local government bodies that opt in, in accordance with the Regulations. Eligible bodies are principal local government bodies listed in schedule 2 of the Local Audit and Accountability Act 2014. This includes county councils, district councils, London Borough councils, unitary authorities, metropolitan councils, police bodies, fire and rescue authorities, joint authorities, combined authorities, national park authorities, conservation boards, PTEs, waste authorities, and the GLA and its functional bodies.</p> <p>The 'appointing person' is sometimes referred to as the sector-led body.</p> <p>PSAA is a company owned by the LGA's Improvement and Development Agency (IDeA) and was established to operate the transitional arrangements following closure of the Audit Commission.</p>
<p>2. When will invitations to opt in be issued?</p>	<p>The date by which principal authorities will need to opt into the appointing person arrangement is not yet finalised. The aim is to award contracts to audit firms by June 2017, giving six months to consult with authorities on appointments before the 31 December 2017 deadline. We anticipate that invitations to opt in will be issued before December 2016 at the latest.</p>

Question	Response
	<p>Authorities will have a minimum period of eight weeks to respond to the invitation.</p> <p>In order to maximise the potential economies of scale from agreeing large contracts with firms, and to manage any auditor independence issues, PSAA needs as much certainty as possible about the volume and location of work it is able to offer to firms. Our provisional timetable suggests that we will need to start preparing tender documentation early in 2017, so we will need to know by then which authorities want to be included.</p>
3. Who can accept the invitation to opt in?	In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt in at full council (authority meeting as a whole), except where the authority is a corporation sole (such as a police and crime commissioner), in which case the function must be exercised by the holder of the office.
4. Can we join after it has been set up or do we have to join at the beginning?	The Regulations require that once the invitations to opt in have been issued, there will be a minimum period of eight weeks for you to indicate acceptance of the invitation. One of the main benefits of a an appointing person approach is the ability to achieve economies of scale as a result of being able to offer larger volumes of work. The greater the number of participants we have signed up at the outset, the better the economies of scale we are likely to achieve. This will not prevent authorities from joining the sector-led arrangements in later years, but they will need to make their own arrangements to appoint an auditor in the interim. In order to be in the best position we would encourage as many authorities as possible to commit by accepting the invitation within the specified timeframe.

Question	Response
5. Will membership be free for existing members of the LGA?	The option to join the appointing person scheme will be open to all principal local government authorities listed under Schedule 2 of the Local Audit and Accountability Act 2014. There will not be a fee to join the sector-led arrangements. The audit fees that opted-in bodies will be charged will cover the costs to PSAA of appointing auditors and managing the arrangements. We believe that audit fees achieved through large contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by opting into the PSAA offer, authorities will avoid the costs of their own procurement and the requirement to set up an auditor panel with independent members.
6. How will we be able to influence the development of the appointing person scheme and associated contracts with audit firms?	We have not yet finalised the governance arrangements and we are considering the options, including how best to obtain stakeholder input. We are considering establishing a stakeholder engagement panel or advisory panel which can comment on our proposals. PSAA continues to work in partnership with the LGA in setting up the appointing person scheme and you can feed in comments and observations to PSAA by emailing <a href="mailto:generalenquiries@psaa.co.uk">generalenquiries@psaa.co.uk</a> and via the LGA and their Principal Advisors.
7. Will there be standard contract terms and conditions?	The audit contracts between PSAA and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice. We are aware that authorities would like to understand how performance and delivery will be monitored and managed. This is one of the issues that could be discussed with the stakeholder advisory panel (see Q6).
8. What will be the length of the contracts?	The optimal length of contract between PSAA and firms has not been decided. We would welcome views on what the sector

Question	Response
	considers the optimal length of audit contract. We anticipate that somewhere between three and five years would be appropriate.
9. In addition to the Code of Audit Practice requirements set out by the NAO, will the contract be flexible to enable authorities to include the audit of wholly owned companies and group accounts?	<p>Local authority group accounts are part of the accounts produced under the CIPFA SORP and are subject to audit in line with the NAO Code of Audit Practice. They will continue to be part of the statutory audit.</p> <p>Company audits are subject to the provisions of the Companies Act 2006 and are not covered by the Local Audit (Appointing Person) Regulations 2015. Local authority companies will be able to appoint the same audit firm as PSAA appoints to undertake the principal body audit, should they so wish.</p>
10. Will bodies that opt in be able to seek information from potential suppliers and undertake some form of evaluation to choose a supplier?	PSAA will run the tendering exercise, and will evaluate bids and award contracts. PSAA will consult authorities on individual auditor appointments. The appointment of an auditor independently of the body to be audited is an important feature of the appointing person arrangements and will continue to underpin strong corporate governance in the public sector.
11. Will the price be fixed or will there be a range of prices?	The fee for the audit of a body that opts in will reflect the size, audit risk and complexity of the work required. PSAA will establish a system for setting the fee which is fair to all opted-in authorities. As a not-for-profit organisation, PSAA will be able to return any surpluses to participating authorities after all costs have been met.
12. We have shared service arrangements with our neighbouring bodies and we are looking to ensure that we share the same auditor. Will the appointing person scheme allow for this?	PSAA will be able to make appointments to all principal local government bodies listed in Schedule 2 of the Local Audit and Accountability Act 2014 that are 'relevant authorities' and not excluded as a result of being smaller authorities, for example parish councils.

Question	Response
	<p>In setting up the new arrangements, one of our aims is to make auditor appointments that take account of joint working and shared service arrangements. Requests for the same auditor as other authorities will need to be balanced with auditor independence considerations. As we have set out in our prospectus, auditors must be independent of the bodies they audit. PSAA will have an obligation under the provisions of the Local Audit and Accountability Act 2014 and in compliance with the Ethical Standards issued by the Financial Reporting Council to ensure that every auditor appointment it makes passes this test. We will need information from opted-in authorities on potential independence considerations and joint working arrangements, and will also need information on independence issues from the audit firms. Risks to auditor independence include, for example, an audit firm having previously been engaged to advise on a major procurement which could, of course, later be subject to audit.</p>
<p>13. We have a joint committee which no longer has a statutory requirement to have an external auditor but has agreed in the interests of all parties to continue to engage one. Is it possible to use this process as an option to procure the external auditor for the joint committee?</p>	<p>The requirement for joint committees to produce statutory accounts ceased after production of the 2014/15 accounts and they are therefore not listed in Schedule 2. Joint committees that have opted to produce accounts voluntarily and obtain non-statutory assurance on them will need to make their own local arrangements.</p>
<p>14. How will the appointing person scheme ensure audit firms are not over-stretched and that the competition in the market place is increased?</p>	<p>The number of firms eligible to undertake local public audit will be regulated through the Financial Reporting Council and the recognised Supervisory Bodies (RSBs). Only appropriately accredited firms will be able to bid for appointments whether that is through PSAA or an auditor panel. The seven firms appointed by PSAA and the Audit Commission generally</p>

Question	Response
	<p>maintain a dedicated public sector practice with staff trained and experienced in public sector work.</p> <p>One of the advantages of the appointing person option is to make appointments that help to ensure that each successful firm has a sufficient quantum of work to make it possible for them to invest in public sector specific training, maintain a centre of excellence or hub that will mean:</p> <ul style="list-style-type: none"> <li>• firms have a regional presence;</li> <li>• greater continuity of staff input; and</li> <li>• a better understanding the local political, economic and social environment.</li> </ul>
15. Will the appointing person scheme contract with a number of different audit firms and how will they be allocated to authorities?	PSAA will organise the contracts so that there is a minimum number of firms appointed nationally. The minimum is probably four or five (depending on the number of bodies that opt in). This is required, not just to ensure competition and capacity, but because each firm is required to comply with the FRC's ethical standards. This means that an individual firm may not be appointable for 'independence' reasons, for example, because they have undertaken consultancy work at an audited body. PSAA will consult on appointments that allow each firm a balanced portfolio of work subject to independence considerations.
16. What will be the process to feed in opinions from customers of current auditors if there are issues?	PSAA will seek feedback on its auditors as part of its engagement with the sector. PSAA will continue to have a clear complaints process and will also undertake contract monitoring of the firms it appoints.
17. What is the timetable for set up and key decisions?	We expect the key points in the timetable to be broadly:

Question	Response
	<ul style="list-style-type: none"> <li>• establish an overall strategy for procurement - by 31 October 2016;</li> <li>• achieve 'sign-up' of scheme members - by early January 2017;</li> <li>• invite tenders from audit firms - by 31 March 2017;</li> <li>• award contracts - by 30 June 2017;</li> <li>• consult on and make final auditor appointments - by 31 December 2017; and</li> <li>• consult on, propose audit fees and publish fees - by 31 March 2018.</li> </ul>
18. What are the terms of reference of the appointing person?	PSAA is wholly owned by the IDeA (the IDeA is wholly owned by the LGA). PSAA will continue to operate as an independent company, although there will be changes to its governance arrangements and its founding documents to reflect the fact that it will be an appointing person rather than a transitional body.
19. Will the appointing person take on all audit panel roles and therefore mitigate the need for there to be one in each individual authority?	Opting into the appointing person scheme will remove the need to set up an auditor panel. This is set out in the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

Question	Response
<p>20. What will be the arrangements for overseeing the quality of audit work undertaken by the audit firms appointed by the appointing person?</p>	<p>PSAA will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.</p> <p>PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the NAO to help ensure that guidance to auditors is updated when necessary.</p>

## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Chief Executive and Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Council

### 1 RISK MANAGEMENT STRATEGY

**This report asks Members to review the updated Risk Management Strategy and to recommend it for endorsement by the Council.**

#### 1.1 Introduction

1.1.1 The Council has had a Risk Management Strategy in place for a number of years. The Council's Risk Management arrangements are designed to ensure a prudent approach is taken, with risks reduced to an acceptable level, thereby safeguarding the Council's assets, employees and customers. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.

1.1.2 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in ensuring risks are effectively identified, evaluated and controlled in a cost effective manner.

#### 1.2 Review of the Risk Management Strategy

1.2.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

1.2.2 The Risk Management Strategy has been fully reviewed and updated, together with the Risk Management Guidance. The Corporate Risk Register is being updated through the new process to align with the recently approved new Corporate Strategy. The main changes proposed to the risk management process relate to identified risks being subject to 'escalation' whereby risks falling into the 'red' zone will be considered by the relevant Service Management Team; none, some or all of which will then be judged to be of sufficient significance to be reported to Management Team and subsequently Members. Training for Audit Committee Members and Members as appropriate will be provided periodically. Briefing sessions will be provided to Service Management teams to implement the revised process with subsequent briefings provided ad hoc as required. A copy of

the Risk Management Strategy is attached at **[Annex 1]**. For information a copy of the Risk Management Guidance has also been attached at **[Annex 2]**.

- 1.2.3 The updated Risk Management Strategy was reported to the January meeting of the Audit Committee and due to timing a verbal update will be given on the outcome of its consideration of the Strategy.

### **1.3 Legal Implications**

- 1.3.1 There is a Health and Safety requirement for effective risk management to be in place and the strategy supports this requirement.
- 1.3.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

### **1.4 Financial and Value for Money Considerations**

- 1.4.1 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

### **1.5 Risk Assessment**

- 1.5.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

### **1.6 Equality Impact Assessment**

- 1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### **1.7 Recommendations**

- 1.7.1 Members are asked to **consider** and **endorse** the proposed change to the risk management process detailed at paragraph 1.2.2.
- 1.7.2 Members are also asked to **review** the Risk Management Strategy and subject to any amendment required **recommend** to Council it be adopted.

Background papers:

contact: Samantha Buckland

Nil

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT STRATEGY**

## **1. Introduction**

- 1.1. The risk management strategy of Tonbridge and Malling Borough Council (the Council) is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended to ensure that risks are reduced to an acceptable level or, where reasonable eliminated, thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community.
- 1.2. The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

## **2. Mandate and commitment**

- 2.1. This strategy is supported and endorsed by the Management Team and Members of the Audit Committee who will ensure that:
  - The risk management objectives are aligned with the objectives and strategies of the Council
  - The Council's culture and risk management strategy are aligned
  - The necessary resources are allocated to risk management
  - There is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making
  - The framework for managing risk continues to remain appropriate

## **3. Applicability**

- 3.1. This strategy applies to the whole of the Council's core functions. Where the Council enters into partnerships the principles of risk management established by this strategy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established and monitored through procurement processes and contract management arrangements.

## **4. Objectives**

- 4.1. The risk management objectives of the Council are to:
  - Embed risk management into the culture of the Council
  - Apply best practice to manage risk using a balanced, practical and effective approach
  - Manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively

# TONBRIDGE AND MALLING BOROUGH COUNCIL

## RISK MANAGEMENT STRATEGY

- Integrate the identification and management of risk into policy and operational decisions, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives
- Eliminate or reduce the impact, disruption and loss from current and emerging events
- Harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes
- Ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities
- Ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements
- Benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity
- Ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust, ensuring clear effective lines of communication and the management of relationships.

4.2. The Council shall delegate responsibility to an appropriate officer who shall maintain a programme that sets out the delivery of this strategy, with delivery being assured by the Management Team.

## 5. Roles and responsibilities

- 5.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. Managers and staff that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified, see table at 5.3 below.
- 5.2. Other officer groups' deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud and corruption etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.
- 5.3. In order to support Members and Officers with their responsibilities, risk management guidance is available.

<b>Group or Individual</b>	<b>Responsibilities</b>
Full Council	Council approval of the Risk Management Strategy will be witnessed by the signature of the Leader of the Council.
Audit Committee	The Chairman of the Audit Committee will take a lead role in promoting the application of sound risk management practices across the Council. Training will be provided periodically for all Audit Committee

## TONBRIDGE AND MALLING BOROUGH COUNCIL

### RISK MANAGEMENT STRATEGY

	<p>members.</p> <p>The Audit Committee will consider the Risk Management process as part of the assurance evidence in support of any Corporate Governance Statement.</p> <p>The Audit Committee will provide independent assurance of the adequacy of the risk management framework and will monitor the effective development and operation of risk management in the Council.</p>
Committees	<p>Responsibility for considering risk when making decisions on behalf of the Council.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
Advisory Boards	<p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
Chief Executive	<p>Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.</p> <p>Also responsible for counter-signing the Risk Strategy.</p>
Section 151 Officer	<p>Active involvement in all material business decisions to ensure immediate and longer term financial implications, opportunities and risks are fully considered.</p>
Management Team (MT)	<p>To ensure the Council manages risks effectively and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register.</p> <p>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p> <p>Delegate the development and delivery of appropriate training to support the implementation of this policy for Members and Officers.</p>
Service Management Teams (SMT)	<p>Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Management Team as appropriate.</p> <p>Briefing sessions will be provided on an as and when basis to senior management.</p>
Internal Audit	<p>Assesses the effectiveness of the risk management framework and the control environment in mitigating risk.</p> <p>Review and challenge risk management arrangements through its</p>

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT STRATEGY**

	audit and fraud prevention activities.
All elected Members and staff members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

**6. Review of this strategy**

- 6.1. It is the responsibility of the Audit Committee to: ‘On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.’ Internal Audit will support their role in assuring its effectiveness and adequacy.
- 6.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the strategy and framework at least annually. Any changes will be presented to the Audit Committee for approval before publication.

**7. Approval**

Signed: \_\_\_\_\_ Print Name: \_\_\_\_\_

Date: \_\_\_\_\_ Position: Leader of the Council

Signed: \_\_\_\_\_ Print Name: \_\_\_\_\_

Date: \_\_\_\_\_ Position: Chief Executive

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

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**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

## **1. Introduction**

- 1.1. Tonbridge and Malling Borough Council (the Council) has an approved Risk Management Strategy (the Strategy) and this guidance should be read in conjunction with this Strategy. The aim of this guidance is two-fold; to specify how the Council will deliver its objectives as outlined in the Strategy, and provide guidance on how to effectively manage risk.

## **2. Achieving strategy objectives**

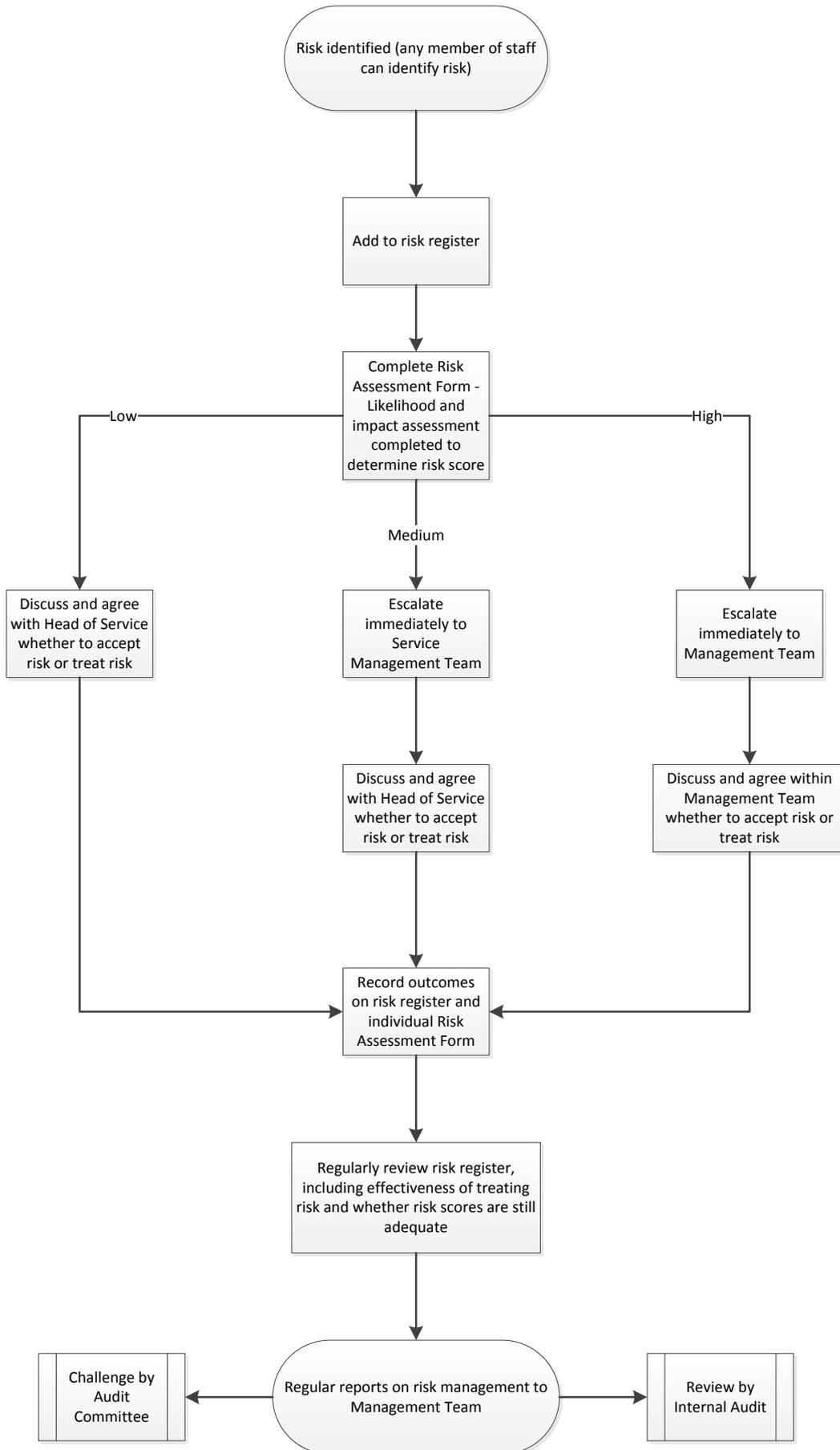
- 2.1. The Council shall achieve its objectives, as outlined in the Strategy, through:

- Integrating effective risk management practices into the Council's management, decision making and planning activities.
- Maintaining common links between business planning, performance and risk management.
- Maintaining the frequency and effectiveness of monitoring of key risks.
- Providing a mix of risk management training, awareness sessions and support for both Officers and Members of the Council.
- Ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the Council.
- Subjecting the Council's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
- Ensuring risk management arrangements are embedded within transformation activity.
- Providing continuous challenge and quality assurance to all elements of the risk management process.
- Focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed.
- Working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.
- Providing guidance on identifying, assessing, managing and reporting on risk, including escalation of risks.

## **3. Risk management at a glance**

- 3.1. The following process flow visually demonstrates the risk management process.

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**RISK MANAGEMENT GUIDANCE**



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## 4. Identifying risks

- 4.1. Risk is something that might happen, which if it materialises will affect us in some way or other. A risk is a combination of 'likelihood' and 'impact', that is; how likely the risk is to happen and if it did how much would it affect us. As soon as a risk is identified it should be recorded on the Risk Register, see Appendix A. This Register should be continually updated to demonstrate assessment, evaluation, treatment and ongoing review.
- 4.2. Before we can evaluate the level of risk associated with an activity we have to determine what is most likely to trigger the risk or initiate its occurrence and assess what the consequences may be if it did occur i.e. identify the risk event.
- 4.3. Risk assessment looks to determine the key triggers and causes and the likely consequences and impact. Once these are established we can use the assessment to gauge the likelihood of occurrence and impact of the consequences to determine the severity or level of risk.

## 5. Assessing risks

- 5.1. Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

- 5.2. The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

<b>Likelihood</b> ↕	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
<b>Impact</b> ↗			Negligible	Marginal	Significant	Critical

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
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- 5.3. Each risk identified and recorded may be broken down into its component parts using a Risk Assessment Form – see Appendix B.
- 5.4. The source/cause, risk event and consequences should be listed, together with any controls or actions and their owners. Such controls and actions are used to mitigate the risk level and should be described in a clear and specific manner to enable stakeholders to gain sufficient understanding of them.
- 5.5. Risk assessments should be used to assess the level of risk associated with the objective and inform the process for refreshing risk registers. In some cases, where the details of risks are clear, key risk information can be entered straight onto risk registers.
- 5.6. Key project and partnership risks should be included within this process as they will have their sources of origin in business objectives.

## **6. Evaluating risks**

- 6.1. From the information collated and recorded when assessing the risk it should be possible to estimate and distinguish how likely the risk is to happen – Almost inevitable, very likely, likely, very unlikely, almost impossible. Similarly, from the information collated and recorded it should be possible to distinguish the level of impact the risk would have if the risk occurred now – Negligible, Marginal, Significant or Critical.

For example:

- A risk with an “unlikely” likelihood (3) and “almost inevitable” impact (4) would equate to a “Medium” risk level with a score of 12 (3 x 4).
  - A risk that is judged to be “likely” (4) and have a “negligible” impact (1) would equate to a “Low” risk level with a score of 4 (4 x 1).
- 6.2. When determining the risk rating, bear in mind that it is not an exact science. Without significant historical data or mathematical prediction it is, for the most part, a subjective but important estimate. Appendix C provides a couple of guides to help you to estimate likelihood; one in the form of a cross reference table and the second a decision chart.
  - 6.3. For reference, the initial result of an evaluation is known as the ‘inherent risk’, which refers to the exposure arising from a specific risk *before* any action has been taken to manage it. Due to the fact that determining the inherent risk can seem a rather theoretical exercise, there is not a requirement to include this as part of the risk assessment process. The focus is instead on assessing the current level of risk, taking controls in place into account, and setting a realistic target level of risk that you would wish to manage the risk down to.

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
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## **7. Escalating risks**

- 7.1. It is not uncommon for risks to have knock-on effects for other activities across a risk perspective or in another risk perspective, for example a risk in one operational (perspective) area may be a source of risk to another; similarly a high level risk in a project perspective may need to be highlighted and considered at a strategic perspective.
- 7.2. It is essential that we understand risks and their potential to have knock-on effects. It is equally important that we set out clear rules for escalation of risks.
- 7.3. Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management Team before being reported to Management by the respective Service Director.
- 7.4. Similarly risks identified as "Medium Risk" should be escalated to the appropriate Service Management for advice and to ensure they are kept fully aware of the current risks being faced.
- 7.5. Risks determined as "Low Risk" should be managed within the service team.
- 7.6. Where high risks are identified in Project and Programme Risk Registers the Project / Programme Manager must check its impact on the relevant division or directorate risk registers.
- 7.7. The target residual rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.
- 7.8. There may be rare occasions where a risk is deemed to be well within risk appetite and therefore could be seen as over-controlled. In this instance a target level of risk could be set that is higher than the current level, as long as it remains within risk appetite.

## **8. Proximity of risk**

- 8.1. Some risks identified may pose an immediate risk whereas others may not be a risk for several months or even years. Establishing risk 'proximity' adds an additional dimension especially when planning and prioritising resources to deal with risk actions.
- 8.2. Proximity may be categorised as follows:
  - Immediate – Risk likely to occur / most severe within the next 6 months
  - Medium Term - Risk likely to occur / most severe between 6 to 12 months
  - Long Term - Risk likely to occur / most severe 12 months plus

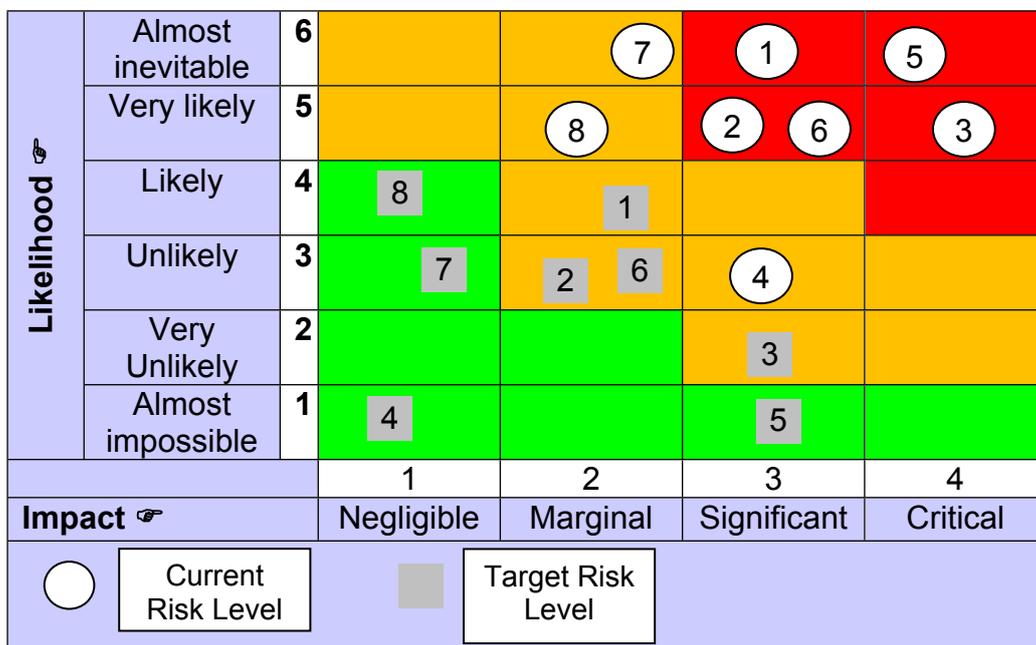
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**9. Summary risk profile**

9.1. A summary risk profile is a simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on an existing risk register.

9.2. It provides a powerful visual snapshot of the collective risk associated with the activity. The summary risk profile makes use of the chart in figure 1 above to plot each of the risks identified. The example below gives an example of a completed Summary Risk Profile.

9.3. Example - Completed Summary Risk Profile



9.4. In the example, the risk numbers (in white circles) are plotted to show their current risk levels for a series of 8 risks. It suggests that the activity is fairly high risk overall.

9.5. Again, in the example, the risk numbers (in grey squares) are plotted to show the target risk levels for the series of 8 risks. These show the effect that the risk controls and actions should have on the risks if they were successfully applied and completed.

9.6. Overall it demonstrates how an activity that carries a degree of high risk and potential failure could be made more acceptable. On a cautionary note, the effort and resources to be expended on managing the risk need to be re-factored into plans to ensure the activity in question remains a viable one.

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**RISK MANAGEMENT GUIDANCE**

## **10. Allocating risks and determining actions**

10.1. All risks, no matter how they are assessed, should be allocated an owner. The owner shall be responsible for managing the risk to ensure it is appropriately treated. The level of risk will determine who the owner should be:

- High Risk – Management Team
- Medium Risk – Service Management Team
- Low Risk – Head of Service

10.2. Once a risk has been identified, assessed and evaluated, it's important that actions are determined to treat the risk. The extent of any actions will be driven by a number of factors including the overall risk score, risk appetite and desired risk score. All actions should be documented on the Risk Assessment Form.

## **11. Monitoring Risks**

11.1. Risks should be continuously monitored, as unmanaged risks can prevent the Council from achieving its objectives. The extent of monitoring will be driven by the risk rating. For example a risk assessed as High would require more frequent monitoring than a risk assessed as Low.

11.2. As a minimum it is good practice to monitor risks formally on a quarterly basis and record sufficient evidence of this.

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**Appendix A - Risk Register**

Area \_\_\_\_\_

No	Risk Title	Consequences	Date identified	Likelihood Score	Impact score	Overall inherent risk score	Risk Assessment form completed?	Desired risk score	Mitigating actions to achieve desired risk score	Links to Corporate Objectives / Directorate Business Plans	Risk Owner	Review Date

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**Appendix B - Risk Assessment Form**

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<b>SECTION 1 – RISK</b>																																																												
<b>Risk Owner:</b>			<b>Service:</b>				<b>Directorate:</b>																																																					
<b>Risk Event:</b>			<b>Source/ cause:</b>				<b>Consequences:</b>																																																					
			<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td rowspan="6" style="background-color: #d9e1f2; writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Likelihood F</td> <td style="background-color: #d9e1f2;">Almost inevitable</td> <td style="background-color: #d9e1f2;"><b>6</b></td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> <td style="background-color: #ff0000;">18 High</td> <td style="background-color: #ff0000;">24 High</td> </tr> <tr> <td style="background-color: #d9e1f2;">Very likely</td> <td style="background-color: #d9e1f2;"><b>5</b></td> <td style="background-color: #ffc000;">5 Medium</td> <td style="background-color: #ffc000;">10 medium</td> <td style="background-color: #ff0000;">15 High</td> <td style="background-color: #ff0000;">20 High</td> </tr> <tr> <td style="background-color: #d9e1f2;">Likely</td> <td style="background-color: #d9e1f2;"><b>4</b></td> <td style="background-color: #00ff00;">4 Low</td> <td style="background-color: #ffc000;">8 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> <td style="background-color: #ff0000;">16 High</td> </tr> <tr> <td style="background-color: #d9e1f2;">Unlikely</td> <td style="background-color: #d9e1f2;"><b>3</b></td> <td style="background-color: #00ff00;">3 Low</td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">9 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> </tr> <tr> <td style="background-color: #d9e1f2;">Very Unlikely</td> <td style="background-color: #d9e1f2;"><b>2</b></td> <td style="background-color: #00ff00;">2 Low</td> <td style="background-color: #00ff00;">4 Low</td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">8 Medium</td> </tr> <tr> <td style="background-color: #d9e1f2;">Almost impossible</td> <td style="background-color: #d9e1f2;"><b>1</b></td> <td style="background-color: #00ff00;">1 Low</td> <td style="background-color: #00ff00;">2 Low</td> <td style="background-color: #00ff00;">3 Low</td> <td style="background-color: #00ff00;">4 Low</td> </tr> <tr> <td colspan="2" style="background-color: #d9e1f2;"></td> <td style="background-color: #d9e1f2;"></td> <td style="background-color: #d9e1f2;">1</td> <td style="background-color: #d9e1f2;">2</td> <td style="background-color: #d9e1f2;">3</td> <td style="background-color: #d9e1f2;">4</td> </tr> <tr> <td colspan="2" style="background-color: #d9e1f2;"><b>Impact</b> <input type="checkbox"/></td> <td style="background-color: #d9e1f2;"></td> <td style="background-color: #d9e1f2;">Negligible</td> <td style="background-color: #d9e1f2;">Marginal</td> <td style="background-color: #d9e1f2;">Significant</td> <td style="background-color: #d9e1f2;">Critical</td> </tr> </table>				Likelihood F	Almost inevitable	<b>6</b>	6 Medium	12 Medium	18 High	24 High	Very likely	<b>5</b>	5 Medium	10 medium	15 High	20 High	Likely	<b>4</b>	4 Low	8 Medium	12 Medium	16 High	Unlikely	<b>3</b>	3 Low	6 Medium	9 Medium	12 Medium	Very Unlikely	<b>2</b>	2 Low	4 Low	6 Medium	8 Medium	Almost impossible	<b>1</b>	1 Low	2 Low	3 Low	4 Low				1	2	3	4	<b>Impact</b> <input type="checkbox"/>			Negligible	Marginal	Significant	Critical	<b>Likelihood score:</b> <b>Impact score:</b> <b>Overall risk score:</b> <b>Accepted?*</b>  * If yes, provide rationale. * If no, go to Section 2.		
Likelihood F	Almost inevitable	<b>6</b>	6 Medium	12 Medium	18 High	24 High																																																						
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<b>Control/ Action Owner:</b>			<b>Service:</b>				<b>Directorate:</b>																																																					
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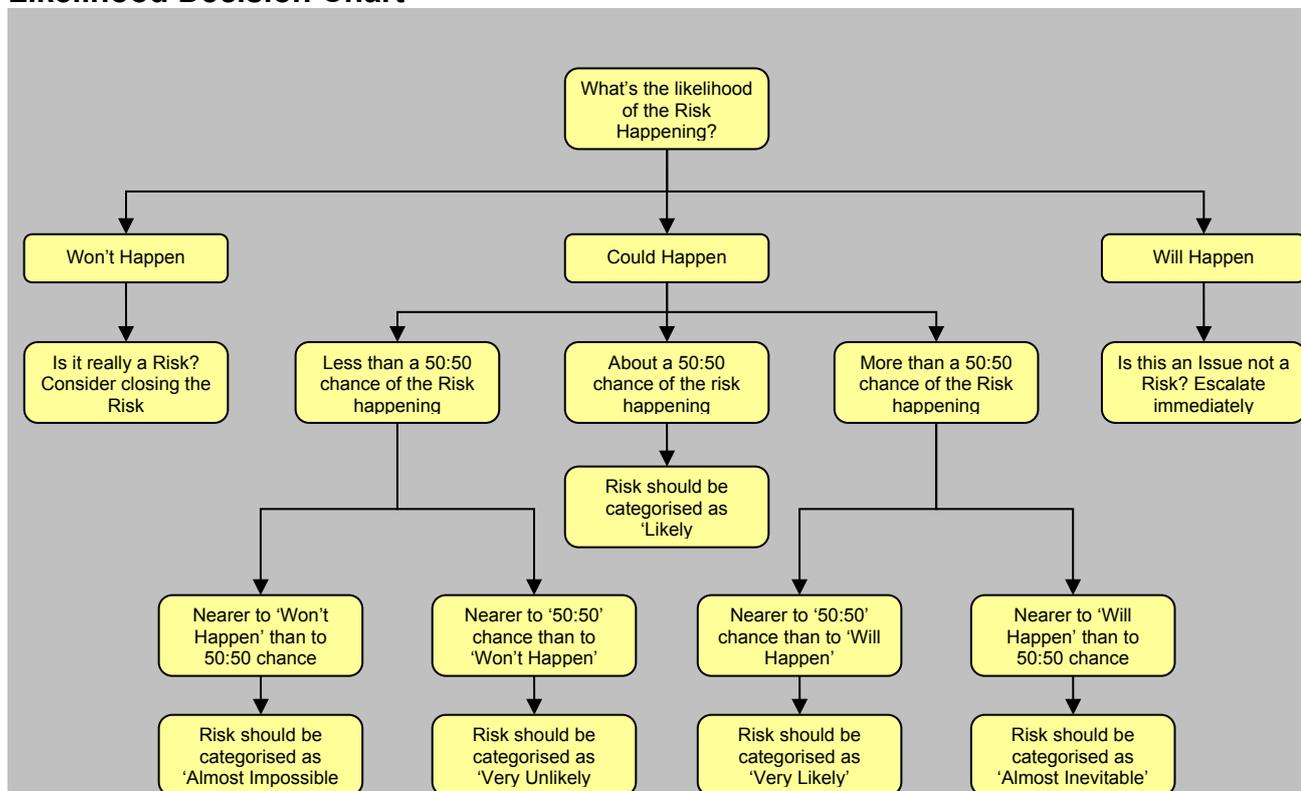
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**Appendix C - Determining Likelihood**

**Likelihood Cross Reference Table**

	Likelihood	Indicators
<b>Almost Inevitable</b>	<ul style="list-style-type: none"> <li>Almost certainly will occur</li> </ul>	<ul style="list-style-type: none"> <li>Regular occurrence</li> <li>Circumstances frequently encountered i.e. daily/weekly/monthly</li> <li>The risk is current &amp; is almost certain to happen within the next twelve months</li> </ul>
<b>Very Likely</b>	<ul style="list-style-type: none"> <li>More likely to occur than not</li> </ul>	<ul style="list-style-type: none"> <li>Likely to happen at some point within the next 1-2 years</li> <li>Circumstances occasionally encountered (once or twice a year)</li> </ul>
<b>Likely</b>	<ul style="list-style-type: none"> <li>Fairly likely to occur</li> </ul>	<ul style="list-style-type: none"> <li>Has happened in past</li> <li>Reasonable possibility it will happen within next 3 years</li> </ul>
<b>Very Unlikely</b>	<ul style="list-style-type: none"> <li>Unlikely to occur</li> </ul>	<ul style="list-style-type: none"> <li>May have happened in the past</li> <li>Unlikely to happen in 3+ years</li> </ul>
<b>Almost Impossible</b>	<ul style="list-style-type: none"> <li>Extremely unlikely or virtually impossible</li> </ul>	<ul style="list-style-type: none"> <li>Has happened rarely or never before</li> </ul>

**Likelihood Decision Chart**



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## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Director of Finance & Transformation

#### Part 1- Public

#### Matters for Recommendation to Council

#### **1 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2017/18**

**1.1 The report details investments undertaken and returns achieved in the first nine months of the current financial year. The use of property funds for long term investment is explored and their inclusion in the 2017/18 Treasury Management and Annual Investment Strategy is recommended. Members are invited to recommend adoption of the Strategy to Council.**

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

1.1.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

1.1.3 The Strategies are set out in a single document at **[Annex 4]** to this report.

1.1.4 The portfolio of the Audit Committee includes the review of treasury management activities. Accordingly, that Committee was asked to review the matters covered by this report and **[Annex 4]** on 23 January 2017. Due to timing issues it will be necessary to verbally report upon any recommendations and observations made by the Audit Committee.

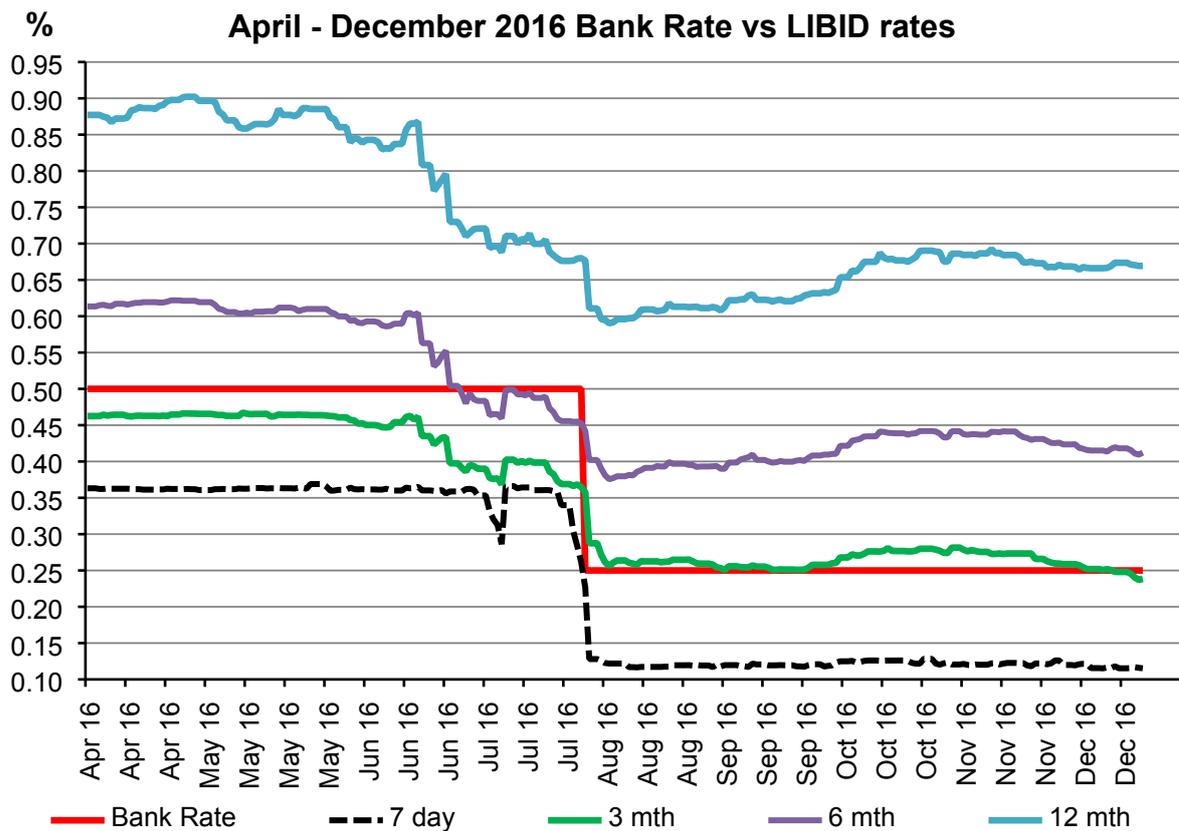
1.1.5 The Strategy is a complex technical document and is a specialist area of work, **I should be grateful if Members could raise any queries with the author of this report (Michael Withey ext. 6103) in advance of the meeting** as Michael will not be present on 31 January.

#### **1.2 Treasury Management Update**

1.2.1 Having satisfied security and liquidity requirements, the Council aims to optimise the yield on its investments. Since the 2008 financial crisis yields have been low reflecting the 0.5% Bank Rate introduced in March 2009. The Bank Rate having remained at 0.5% for seven years was reduced to 0.25% in August 2016. The

reduction by the Bank of England was accompanied by other initiatives to help bolster economic activity which included 'Term Funding'. The impact these measures have had on investment rates is demonstrated in the chart below.

- 1.2.2 Twelve month LIBID, which is indicative of the return one can expect from a one year deposit with a bank or building society, has fallen from circa 0.9% before August 2016 to only 0.65% now. This represents a reduction of some 27% and is mirrored in the returns available for shorter duration investments. Capita's current interest rate forecast anticipates Bank Rate remaining at 0.25% until June 2019 when it is expected to rise.



**Source: Capita**

- 1.2.3 Funds available for investment comprise two distinct elements, cash flow surpluses and core cash.
- 1.2.4 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precepting authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2016/17 cash flow surpluses have averaged £15.5m.
- 1.2.5 The Authority also has £23m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually

transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets. The core cash balance has risen since the start of the financial year and includes funds to meet business rate appeals which are expected to be resolved in 2017/18 and 2018/19.

- 1.2.6 A full list of investments held on 31 December 2016 is provided at **[Annex 1]** and a copy of our lending list of the same date is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest earned at that date.

	<b>Funds invested at 31 Dec 2016</b>	<b>Average duration to maturity</b>	<b>Weighted average rate of return</b>	<b>Interest earned to 31 Dec 2016</b>	<b>Gross annualised return</b>	<b>LIBID benchmark (average since 1 April)</b>
	<b>£m</b>	<b>Days</b>	<b>%</b>	<b>£</b>	<b>%</b>	<b>%</b>
<b>Cash flow</b>	16.3	15	0.55	74,850	0.64	0.23 (7 Day)
<b>Core cash</b>	23.0	110	0.66	102,950	0.73	0.34 (3 Month)
<b>Total</b>	39.3	71	0.61	177,800	0.69	0.29 (Average)

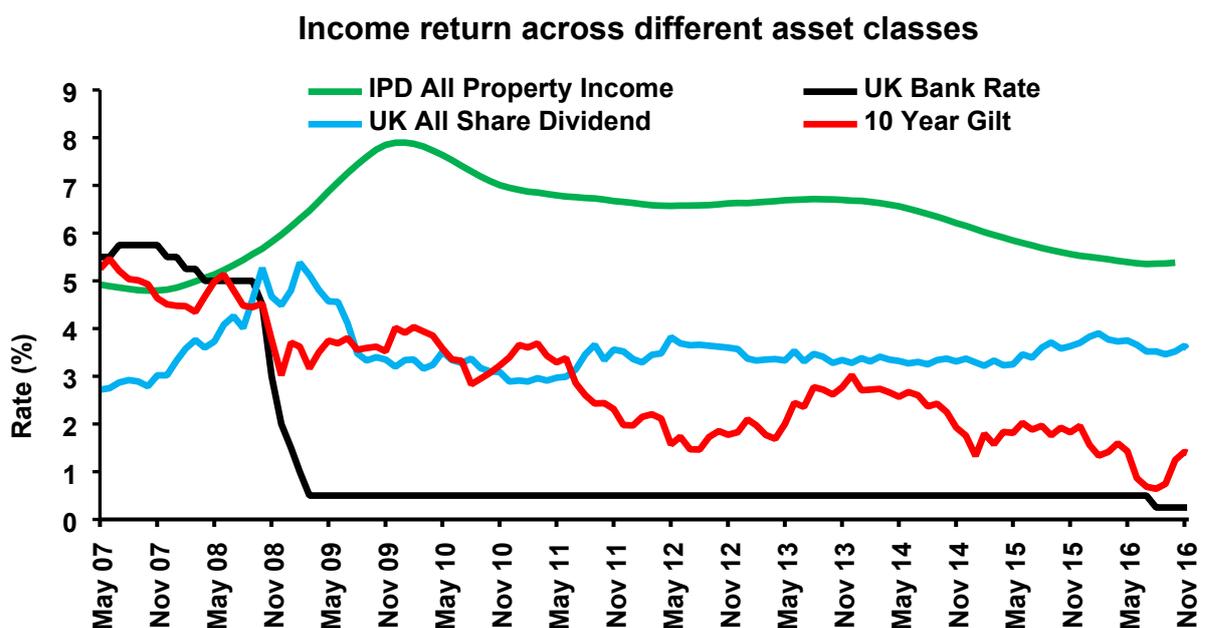
- 1.2.7 Interest earned of £177,800 is £22,900 better than the original estimate for the same period. The authority also outperformed the LIBID benchmark by 40 basis points. The additional income is attributed to higher than expected cash flow and core cash balances at the start of the financial year and the opportunity that this created to invest more funds in higher yielding term deposits. Every opportunity to invest in term deposits in advance of the June referendum was taken (£18m in term deposits at the end of June 2016 compared to £16m June 2015).
- 1.2.8 The pattern of income generation has changed significantly following the August Bank Rate cut and it is expected that the majority of £22,900 additional income will be eroded by the end of the financial year (31 March 2017). Existing term deposits will either have matured and be retained in deposit accounts / money market funds to meet spending needs or where reinvested in new term deposits, returns will be at the lower rates indicated in paragraph 1.2.2. The 2016/17 revised estimate assumes the same level of investment income as the original estimate at £206,000. A good result given the Bank Rate cut.
- 1.2.9 The Council takes advantage of Capita's benchmarking facility which enables performance to be gauged against Capita's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. At 30 September 2016, our return at 0.68% (purple diamond) was above the local authorities' average of 0.62% and relative to the Council's exposure to credit /

duration risk that return was at the upper end of Capita's predicted return (just below the upper boundary indicated by the green diagonal line). The Council's risk exposure was slightly above the local authorities' average. As Members will recall from previous treasury reports the result is typical of the enhanced performance achieved following the transfer of all core cash investments to in-house management in August 2014.

### 1.3 Treasury Management and Annual Investment Strategy for 2017/18

1.3.1 In response to actual and anticipated reductions in revenue support from Government, the Council is progressing a Savings and Transformation strategy. Part of that strategy includes identifying new income streams and enhancing existing ones where feasible. The Treasury Management report to Audit Committee in September explained that rather than a cut in Bank Rate our financial projections (presented to Council last February) had assumed the next move in Bank Rate would be an increase. The report also explained that whilst the August cut would have little impact on investment income relative to budget this financial year, the impact over the medium term was likely to be significant. A number of actions were identified to mitigate some of that impact: explore the risks and benefits associated with long term investment, review cash balances that might be available for such an investment and; review term deposit investment duration.

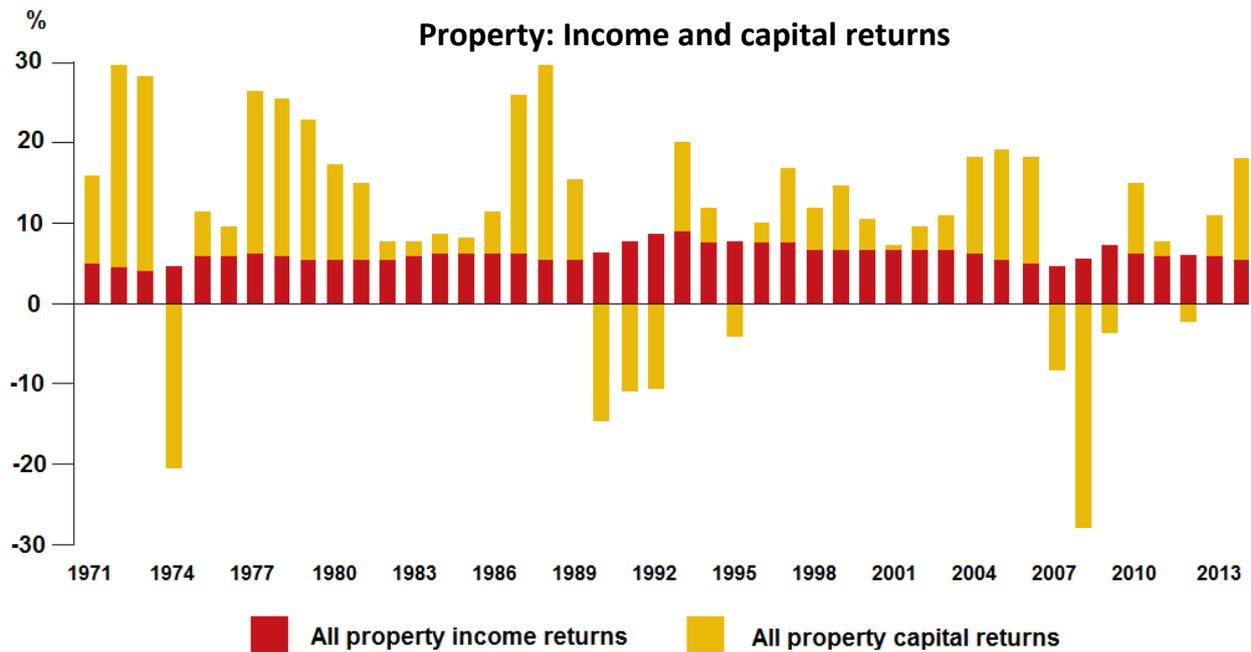
1.3.2 **Long term Investment.** Investment in equities, bonds or property is expected to produce an annual income stream and over time, capital appreciation. Whilst the income stream (dividends, interest or rents) will be received at regular intervals during the year any capital appreciation will only be realised when the investment is redeemed. Subject to an understanding and acceptance of the risks, reducing the Council's current revenue shortfall is best served by selecting the asset class that maximises income.



Source: Capita

1.3.3 In the ten years to November 2016 the annual income from property averaged 6.3% and dividends from equities averaged 3.5%. Interest from Gilts has shown greater variability (influenced by interest rate and inflation expectations) but in the last five years has averaged 1.9%. Purely from an income perspective property is an obvious choice.

1.3.4 Whilst the rental income from property is relatively stable, capital appreciation and depreciation exhibits a strong correlation to GDP. When the economy is in decline (recession) the capital value of property can fall significantly (-20% in 1974; -35% in 1990 to 1992 and; -40% in 2007 to 2009).



Source: MSCI, as included in 'Understanding UK Commercial Property Investments' published by the Investment Property Forum (IPF) 2015

1.3.5 Acquiring a property, whether directly or indirectly through participation in a fund, involves a significant outlay in taxes (mainly stamp duty), legal and other fees. Selling property also involves fees and takes time. Both sets of cost result in high entry and exit fees, circa 6% and 2% respectively, which means property investment is only viable if those costs can be spread over a number of years (minimum of five years). At some point during the investment a fall in capital value may arise from a downturn in the economy reducing the overall net gain from the investment if it were redeemed or delay redemption to avoid incurring a loss. A property investment is only appropriate if **one accepts and can tolerate the volatility in capital value; is able to invest over a lengthy period of time and; can be flexible about the timing of any redemption in the future.**

1.3.6 Ordinarily investment in property would be classified as capital expenditure. Essentially this means that any sums invested would need to feature in the authority's capital plan and redemption in the future would be deemed a capital receipt. Capital receipts can only be applied to repay borrowing (the Council is debt free) or fund new capital expenditure. However, investment in a number of property funds can be treated as revenue expenditure under the Local Authorities

(Capital Finance and Accounting)(Amendment)(England) Regulations 2010 where the investment scheme is an investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority investment schemes).

- 1.3.7 The Authority currently has a core cash balance of £23m (paragraph 1.2.5 above) which includes the general revenue reserve and capital reserve. The lion's share of these reserves is being consumed over the next few years to assist the Authority achieve a balanced budget. The Council's medium term financial strategy (MTFS) which is used to identify savings targets is constructed using a number of criteria. One of which is to maintain a minimum general revenue reserve balance of at least £2m throughout the ten year period of the MTFS. Through good financial management, the Authority generally delivers a small surplus against budget at year-end. Those surpluses are invariably used to create earmarked reserves to meet a specific purpose or applied to existing reserves to support expenditure more generally. The Council also receives capital funding on an ad-hoc basis by way of developer contributions. Whilst year-end surpluses / external funding can't be relied upon (hence we don't budget for them) they do represent an opportunity to use some or all of the minimum general revenue reserve balance for a property fund investment. The ten year period of the MTFS and its regular review, provides the opportunity to undertake a long-term investment and signal the timing of a partial or full redemption in the future. The impact of the 2017/18 Local Government Finance Settlement will need to be factored into the assessment of how much of the minimum general revenue reserve balance can be invested and will be determined as we progress through the current budget setting process.
- 1.3.8 There are numerous property funds available that have: a track record that precedes the 2008 financial crisis; a diverse property portfolio (mix of retail, office and industrial / warehouse premises); a portfolio in excess of £500m; a client base of over 50 investors and; where investment is not classified as capital expenditure. The detailed analysis required to identify the most appropriate fund will be time consuming and is likely to span several months to complete. Whilst this can be undertaken in-house there is merit in engaging our current treasury advisor to assist with the process. Capita offer a fund selection service covering fund investment strategies; performance analysis; portfolio composition; liquidity risk and; fee analysis. The research results in a short list of funds that meet our criteria and who can then be invited for interview prior to a final decision being made.
- 1.3.9 Capita have reviewed the text at paragraphs 1.3.2 to 1.3.5 above and comment: income from 'property is less volatile than shares and greater value than gilts and is an asset class that is suitable for local authorities to diversify into, if they do not already have a large property estate on balance sheet'. If Members support a property fund investment the 2017/18 estimates will need to be amended (at the revised estimate stage) to reflect the additional income that can be anticipated (circa £40,000 per annum per £1m invested) and a one-off addition to the external

fees budget (circa £7,500). The Annual Investment Strategy will also need to be amended to permit investment in a non-credit rated property fund and establish a cash limit for such investments (paragraph 1.3.15, bullet point 8).

- 1.3.10 Whilst investment would most likely take place early in the new financial year the timing would be influenced by market reaction to the triggering of Article 50 (expected before the end of March 2017) and other macro and global economic developments.
- 1.3.11 **Term deposit duration.** Our advisor's assessment of counterparty creditworthiness assigns financial institutions to a duration band. The bands for those institutions considered appropriate for local authority investment range from 100 days to five years. Institutions which are considered inappropriate for investment are assigned nil duration. The assessment incorporates a market view of risk using credit default swap data. A credit default swap (CDS) can be likened to insurance taken out by investors to guard against the risk of default. The aggregate value of CDS trades reached a peak at the height of the Eurozone sovereign debt crisis in December 2011. Since then, the European Central Bank has introduced measures to ease bank liquidity, established a mechanism to contain sovereign bond yields and made progress on a European Banking Union. The aggregate value of CDS trades has been on a downward trajectory since December 2011 and is now broadly in line with levels pre the 2008 financial crisis.
- 1.3.12 In response to interpretational issues around the use of CDS data by our treasury advisors, a more flexible approach to Capita's duration assessment was introduced in the 2014/15 Annual Investment Strategy. The strategy allowed up to three months to be added to Capita's suggested 'post CDS duration' for UK institutions (e.g. a nine month term deposit could be placed against a Capita suggested duration of six months).
- 1.3.13 The discretion has been used on numerous occasions over the last three years. Its use in the current financial year is detailed in **[Annex 1]** by comparing the figures in 'Capita's Suggested Post CDS Duration' column with those in the actual 'Investment Duration' column. The use of that discretion is also a contributory factor to the Council's above average performance revealed in the quarterly benchmarking data **[Annex 3]**. That data also measures the Council's exposure to risk (combination of duration and credit quality) which generally hovers around the local authorities average each quarter. There is scope to increase the Council's exposure to duration risk yet still remain close to our peer average.
- 1.3.14 Where the rate on offer by a UK bank is considered exceptional relative to other UK Banks and provided the market perception of risk attributed to the bank is below the average CDS for all other banks, the 2017/18 strategy (paragraph 1.3.15, bullet point 5) allows up to six months to be added to Capita's post CDS duration assessment. The combined duration (Capita's suggestion plus the six month discretion) must not exceed twelve months in total. Where the 'added' flexibility is applied, counterparty exposure will also be reduced from the standard

20% to 10%. These exceptions will ensure the added flexibility can only be applied to a small proportion of the investment portfolio.

1.3.15 **Risk parameters.** The strategy sets out the parameters that limit the Council's exposure to investment risks by requiring investments to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by ***bold italic*** text, the 2017/18 Annual Investment Strategy [**Annex 4**] adopts the same risk parameters as currently approved. In summary these are :

- Counterparties must be regulated by a Sovereign rated AA- or better as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.
- Exposure to individual counterparties / groups of related counterparty must not exceed 20% of funds (25% of funds for part state owned UK Banks).
- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration, the Council has adopted Capita's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 12 months, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). This broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (strong).
- The duration of an investment in a foreign bank must not exceed Capita's post CDS recommendation. For UK financial institutions Capita's duration recommendation can be enhanced by up to ***six*** months subject to the combined duration (Capita recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices will be modified to ensure that: where duration is being enhanced by more than three months the bank's CDS must be below the average for all other banks at the time of placing the investment; the discretion is only to be applied to take advantage of an exceptional offer and; counterparty exposure in respect of the additional enhancement (plus 6 months instead of the standard plus three months for a UK institution) will be limited to 10% of cash flow/core cash.
- Money Market funds should be rated Fitch AAmmf or equivalent and exposure limited to no more than 20% per fund.
- Enhanced Money Funds should be rated AAA and exposure limited to no more than 10% per fund and 20% to all such funds.
- ***Exposure to non-credit rated property funds is limited to no more than 40% of available cash balances (20% limit per fund). No limit applies***

***where invested funds are derived from new resources i.e. proceeds from selling existing property.***

- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 10 years and 2 years for all other types of investment other than property.

1.3.16 At the present time an appropriate level of diversification is achieved through access, both directly and via brokers, to an adequate number of high credit rated financial institutions. Our cash flow forecasting aims to ensure the Council has sufficient liquidity to meet payment obligations at all times. Excess liquidity is avoided by using term deposits and other instruments to generate additional yield when daily cash surpluses permit. Cash flow surpluses can and are transferred to core cash to enable longer duration investments to be undertaken than would otherwise be the case.

1.3.17 The 2017/18 Strategy [**Annex 4**] reflects the current economic environment, Capita's latest interest rate forecast and incorporates the risk parameters summarised in paragraph 1.3.15.

## **1.4 MiFID II**

1.4.1 The Financial Conduct Authority (FCA) consultation on proposals to implement the European Union's second Markets in Financial Instruments Directive (MiFID II) ended on 4 January. The directive impacts on the way local authorities access financial services provided by banks, advisors, brokers and fund managers.

1.4.2 Under the existing directive the Council enjoys 'professional client' status. Under MiFID II, all local authorities will be reclassified as 'retail clients' (the same as a private individual) but will be able to opt-up to professional status if they meet certain quantitative and qualitative criteria. The proposed quantitative threshold for opt-up is a financial instruments portfolio exceeding £15m. The limit, intended to exclude parish and town councils from the opt-up, will also exclude a significant number of district councils.

1.4.3 At the present time the value of the Council's portfolio is substantially higher than the proposed threshold. However, our projected use of both revenue and capital reserves is likely to see our balances dip below the threshold in a few years' time. A response to the FCA's consultation questions is provided at [**Annex 5**].

## **1.5 Money Market Fund Reform**

1.5.1 A press release, issued in November, announced the European Parliament, Commission and Council, after lengthy negotiation, had agreed regulatory changes to Money Market Funds (MMFs) operating in the European Union (i.e. those used by this Council). MMFs form a critical component in our daily cash

flow management. They provide the same day access to cash as a traditional bank deposit account; allow surplus cash to be placed in AAA credit rated product and; ensure our peak monthly cash balances are disbursed across a broad range of counterparties.

- 1.5.2 The regulatory changes include provision for a new class of LNAV (low volatility) fund to be created which will most likely be used by fund providers to replace the existing CNAV (constant net asset value) funds use by the Council. The new funds will be subject to redemption fees and or restrict redemptions at times of heightened market stress. It is expected that the LNAV funds will continue to be credit rated by the rating agencies. Fund providers will need to comply with the regulatory changes during the second half of 2018. Whilst change is inevitable it is unlikely to impact on our cash management operation during 2017/18. Members will be updated as fund providers developed their responses to the regulatory changes allowing us to evaluate the associated risks.

## **1.6 Legal Implications**

- 1.6.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.
- 1.6.2 This report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009 and subsequent updates.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 The Bank Rate having remained at a historic low of 0.5% for over 7 years was cut to 0.25% in August 2016. Capita, our treasury advisors anticipate the Bank Rate will remain at this level until June 2019.
- 1.7.2 At the end of December investment income for 2016/17 is £22,900 better than budget for the same period. However, the August Bank Rate cut, together with other measures introduced by the Bank of England, has had a significant downward impact on investment returns going forward. As a consequence, investment income for the 2016/17 financial year as a whole is expected to return to budget at £206,000.
- 1.7.3 Following the Bank Rate cut, income for 2017/18 and over the medium term will be significantly lower than anticipated in the financial projections presented to Council in February 2016. Investment income for 2017/18 is now forecast to be £126,000 compared to £296,000 (February 2016).
- 1.7.4 The enhanced income from a property fund investment will mitigate some of the impact a lower Bank Rate will have on investment income. Whilst the annual income stream from property exhibits stability, capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital

values may fall significantly. As a consequence the duration of a property based investment cannot be determined with certainty.

- 1.7.5 Investment performance is monitored against relevant benchmarks and compared to other local authorities using benchmarking data provided by Capita.

## 1.8 Risk Assessment

- 1.8.1 Capita are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 1.8.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.
- 1.8.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2017/18 Strategy have been minimised.

## 1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.10 Recommendations

- 1.10.1 Members are invited to **RECOMMEND** that Council:

- 1) note the treasury management position as at 31 December 2016;
- 2) endorse the use of property funds for long term investment;
- 3) subject to the caveats identified in paragraph 1.3.14 allow up to six months to be added to Capita's suggested duration for UK institutions, subject to overall duration not exceeding 12 months;
- 4) adopts the Treasury Management and Annual Investment Strategy for 2017/18 set out at **[Annex 4]**.

Background papers:

contact: Mike Withey

Capita Interest Rate Forecast (November 2016) and  
Economic Commentary

Sharon Shelton  
Director of Finance & Transformation

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## Investment Summary as at 31 December 2016

Counterparty	Sovereign	Fitch Credit rating		Capita Suggested Post CDS Duration Limit	Investment						Instrument type	Core Fund £	Cash Flow £
		Long Term	Short Term		Start Date	End Date	Duration	Amount Invested £	Return %	Proportion of total %			
Bank of Scotland	UK	A+	F1	6 months	25/04/2016	25/01/2017	9 months	1,000,000	0.90%	7.64%	Fixed deposit	1,000,000	
Bank of Scotland	UK	A+	F1	6 months	21/10/2016	21/07/2017	9 months	2,000,000	0.80%		Fixed deposit	2,000,000	
<b>Bank of Scotland Total</b>								<b>3,000,000</b>					
Barclays Bank	UK	A	F1	6 months	11/08/2016	11/05/2017	9 months	3,000,000	0.55%	10.19%	Fixed deposit	3,000,000	
Barclays Bank	UK	A	F1	6 months	26/09/2016	26/06/2017	9 months	1,000,000	0.58%		Fixed deposit	1,000,000	
<b>Barclays Bank Total</b>								<b>4,000,000</b>					
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	30/12/2016	03/01/2017	n/a	6,000,000	0.34%	15.28%	Call - MMF	2,000,000	4,000,000
<b>BNP Paribas MMF Total</b>								<b>6,000,000</b>					
Deutsche MMF	n/a	AAA	mmf	5 years	30/12/2016	03/01/2017	n/a	3,256,000	0.31%	8.29%	Call - MMF		3,256,000
<b>Deutsche MMF Total</b>								<b>3,256,000</b>					
Goldman Sachs Int'l Bank	UK	A	F1	6 months	01/06/2016	01/03/2017	9 months	2,000,000	0.87%	15.28%	Fixed deposit		2,000,000
Goldman Sachs Int'l Bank	UK	A	F1	6 months	09/09/2016	09/06/2017	9 months	3,000,000	0.68%		Fixed deposit	3,000,000	
Goldman Sachs Int'l Bank	UK	A	F1	6 months	20/12/2016	20/09/2017	9 months	1,000,000	0.76%		Fixed deposit	1,000,000	
<b>Goldman Sachs Int'l Bank Total</b>								<b>6,000,000</b>					
Lloyds Bank	UK	A+	F1	6 months	25/04/2016	25/01/2017	9 months	1,000,000	0.90%	7.64%	Fixed deposit	1,000,000	
Lloyds Bank	UK	A+	F1	6 months	13/07/2016	13/01/2017	6 months	250,000	0.80%		Fixed deposit		250,000
Lloyds Bank	UK	A+	F1	6 months	25/07/2016	25/01/2017	6 months	500,000	0.80%		Fixed deposit		500,000
Lloyds Bank	UK	A+	F1	6 months	02/08/2016	02/02/2017	6 months	250,000	0.80%		Fixed deposit		250,000
Lloyds Bank	UK	A+	F1	6 months	14/10/2016	14/07/2017	9 months	1,000,000	0.80%		Fixed deposit	1,000,000	
<b>Lloyds Bank Total</b>								<b>3,000,000</b>					
NatWest Bank Call Account	UK	BBB+	F2	1 year	30/12/2016	03/01/2017	n/a	10,000	0.01%	0.03%	Call		10,000
<b>National Westminster Bank Total</b>								<b>10,000</b>					
Nationwide Building Society	UK	A	F1	6 months	11/04/2016	11/01/2017	9 months	2,000,000	0.84%	5.09%	Fixed deposit		2,000,000
<b>Nationwide Building Society Total</b>								<b>2,000,000</b>					
Santander UK Plc	UK	A	F1	6 months	30/12/2016	03/01/2017	n/a	6,000,000	0.55%	15.28%	Call	3,000,000	3,000,000
<b>Santander UK Plc Total</b>								<b>6,000,000</b>					
Standard Chartered Bank	UK	A+	F1	100 days	27/10/2016	27/04/2017	6 months	2,000,000	0.64%	5.09%	Fixed deposit	2,000,000	
<b>Standard Chartered Bank Total</b>								<b>2,000,000</b>					
Toronto Dominion Bank	Canada	AA-	F1+	1 year	18/03/2016	17/03/2017	1 year	1,000,000	0.84%	10.19%	CD	1,000,000	
Toronto Dominion Bank	Canada	AA-	F1+	1 year	14/04/2016	13/04/2017	1 year	1,000,000	0.88%		CD	1,000,000	
Toronto Dominion Bank	Canada	AA-	F1+	1 year	12/05/2016	10/02/2017	9 months	1,000,000	0.80%		CD		1,000,000
Toronto Dominion Bank	Canada	AA-	F1+	1 year	26/08/2016	26/05/2017	9 months	1,000,000	0.54%		CD	1,000,000	
<b>Toronto Dominion Bank Total</b>								<b>4,000,000</b>					
<b>Total invested</b>								<b>39,266,000</b>		<b>100.00%</b>		<b>23,000,000</b>	<b>16,266,000</b>

Number of investments	22	Average investment value £		1,785,000	
Number of counter parties	11	Average counter party investment £		3,570,000	
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>
<b>RBS + National Westminster (UK Nationalised maximum 25%)</b>		-	10,000	10,000	0.03
<b>Bank of Scotland + Lloyds (maximum 20%)</b>		5,000,000	1,000,000	6,000,000	15.28

<b>Total non-specified investments should be less than 60% of Core Funds</b>	0.00%
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CD = Certificate of Deposit

n/c = no colour / no new investment

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## Tonbridge and Malling Borough Council Lending List

Checked against Capita Duration Matrix dated 30/12/16									
Minimum investment criteria is Capita Green (100 days) Duration Band (entry point broadly equates to Fitch A-, F1 unless UK nationalised / semi-nationalised).									
Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	Exposure Limits			Capita Duration [2]	
					Cash Flow	Core Fund	Combined	Credit Rating	Post CDS
Bank of Montreal	Canada	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Toronto Dominion Bank	Canada	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Deutsche Bank	Germany	AAA	A-	F1	£0m	£0m	£0m	100 days	n/c
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
ING Bank	Netherlands	AAA	A+	F1	£3m	£3m	£6m	6 months	6 months
Nordea Bank AB	Sweden	AAA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Svenska Handelsbanken AB	Sweden	AAA	AA	F1+	£3m	£3m	£6m	12 months	12 months
Bank of Scotland (Group limit with BOS and Lloyds of £6m)	UK	AA	A+	F1	£1m	£5m	£6m	6 months	6 months
Barclays Bank	UK	AA	A	F1	£2m	£4m	£6m	6 months	6 months
Goldman Sachs Int'l Bank	UK	AA	A	F1	£2m	£4m	£6m	6 months	6 months
HSBC Bank	UK	AA	AA-	F1+	£3m	£3m	£6m	12 months	12 months
Lloyds Bank (Group limit with BOS and Lloyds of £6m)	UK	AA	A+	F1	£1m	£5m	£6m	6 months	6 months
Santander UK	UK	AA	A	F1	£3m	£3m	£6m	6 months	6 months
Standard Chartered Bank	UK	AA	A+	F1	£3m	£3m	£6m	6 months	100 days
Coventry Building Society	UK	AA	A	F1	£3m	£3m	£6m	6 months	6 months
Nationwide Building Society	UK	AA	A	F1	£3m	£3m	£6m	6 months	6 months
National Westminster Bank [3] (Group limit with Nat West and RBS of £7.6m)	UK	AA	BBB+	F2	£3.8m	£3.8m	£7.6m	12 Months	12 Months
The Royal Bank of Scotland [3] (Group limit with Nat West and RBS of £7.6m)	UK	AA	BBB+	F2	£3.8m	£3.8m	£7.6m	12 Months	12 Months
UK Debt Management Office including Treasury Bills	UK	AA	N/A	N/A	No limit	No limit	No limit	N/A	N/A
UK Treasury (Sovereign Bonds-Gilts)	UK	AA	N/A	N/A	No limit	£7.5 / 15m	£7.5 / 15m	N/A	N/A
UK Local Authorities	UK	AA	N/A	N/A	£3m	£3m	£6m	N/A	N/A

[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires sovereigns to be rated at least AA-. Non-UK 20% sovereign limit equals combined limit quoted above (£6m).

[2] All deposits overnight unless otherwise approved in advance by the Director of Finance and Transformation AND Chief Financial Services Officer. If other than overnight, duration for non-UK entities must not exceed Capita's post CDS duration assessment. For UK entities, duration may be extended by up to three months based on credit ratings alone subject to a maximum combined duration of 12 months.

[3] UK nationalised / semi-nationalised.

Money Market Funds						
Minimum investment criteria one of AAA-mf, AAmmf or AAAm						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Blackrock	AAA-mf	-	AAAm	£4m	£2m	£6m
BNP Paribas	-	-	AAAm	£4m	£2m	£6m
Goldman Sachs	AAA-mf	AAmmf	AAAm	£4m	£2m	£6m
Deutsche Fund	AAA-mf	AAmmf	AAAm	£4m	£2m	£6m
Standard Life (Ignis)	-	AAmmf	AAAm	£4m	£2m	£6m
Morgan Stanley	AAA-mf	AAmmf	AAAm	£4m	£2m	£6m
Prime Rate	-	AAmmf	AAAm	£4m	£2m	£6m
Insight Liquidity Group limit for IL and ILP of £6m	-	AAmmf	AAAm	£4m	£2m	£6m

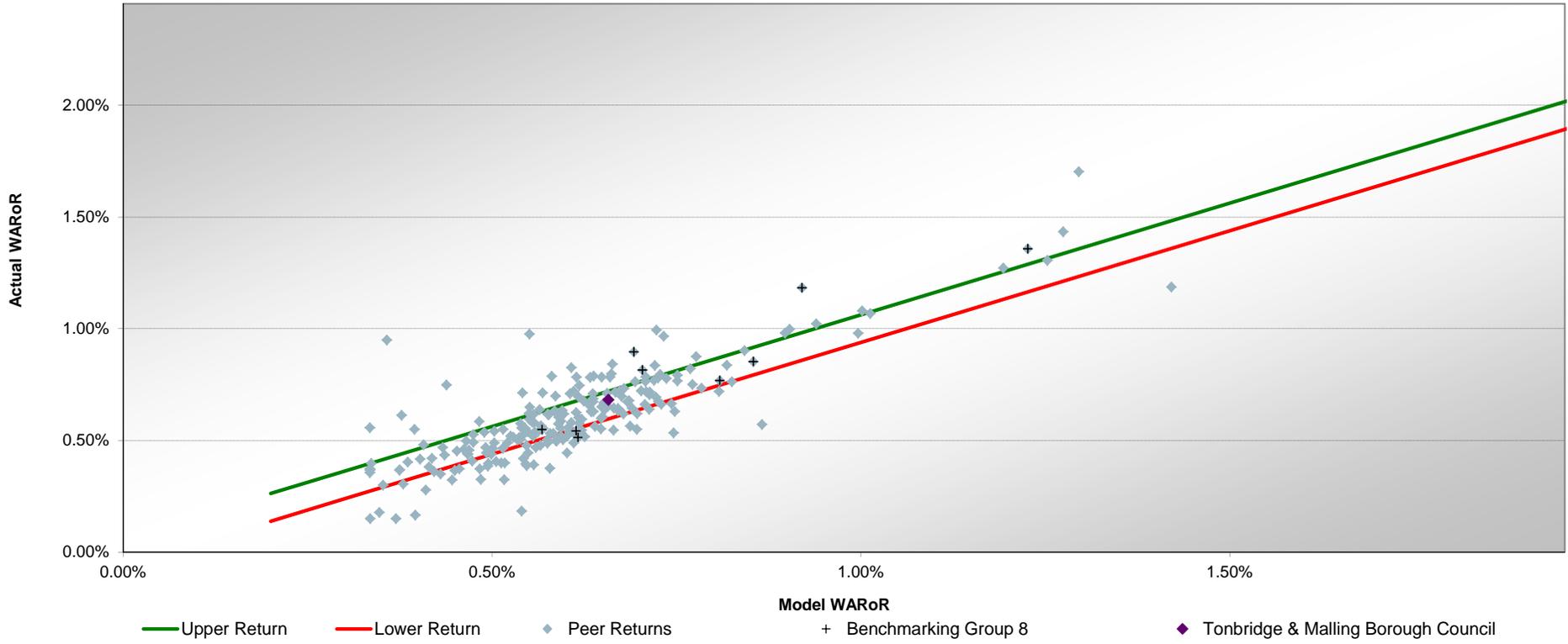
Enhanced Cash Funds						
Minimum investment criteria AAA						
Fund Name	Moody	Fitch	S&P	Exposure Limit		
				Cash Flow	Core Fund	Combined
Insight Liquidity Plus Group limit for IL and ILP of £6m	-	-	AAAf / S1	£1.5m	£1.5m	£3m

Approved by Director of Finance & Transformation  
3rd January 2017

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Tonbridge & Malling Borough Council

Population Returns against Model Returns



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	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
<b>Tonbridge &amp; Malling Borough Council</b>	0.68%	0.66%	0.02%	0.60%	0.72%	Inline

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## Treasury Management and Annual Investment Strategy 2017/18

### 1 Introduction

#### 1.1 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’.

#### 1.2 The strategy covers:

- Statutory and regulatory requirements
- Balanced budget requirement
- Prudential and treasury Indicators
- Borrowing requirement
- Current treasury position
- Prospects for interest rates
- Investment policy
- Creditworthiness policy
- Country, counterparty and group exposure limits
- Cash flow and core fund investment
- Long term investment
- Year end investment report
- Policy on use of external service providers.

### 2 Statutory and regulatory requirements

2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

2.2 The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy

which sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

- 2.3 The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009 (The Code of Practice).
- 2.4 The Code of Practice was adopted by this Council on 18 February 2010. In preparing this strategy due regard has also been given to the Code's subsequent revisions.
- 2.5 The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - Receipt by the full Council of an Annual Treasury Management Strategy, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report; and an Annual Report (stewardship report) covering activities during the previous year.
  - 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.
  - 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.
- 2.6 The scheme of delegation and role of the Section 151 officer that give effect to these requirements are set out at **[Appendix 1]**.

### **3 Balanced budget requirement**

- 3.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in

capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

#### **4 Prudential and treasury indicators**

- 4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 4.2 The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.
- 4.3 Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The 'Authorised Limit' is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.
- 4.4 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 30 September 2003 and the revised 2009 Code was adopted by the full Council on 18 February 2010. Subsequent Code amendments are also complied with.
- 4.5 Prudential and Treasury Indicators relevant to setting an integrated treasury management strategy are set out in **[Appendix 2]**.

#### **5 Borrowing requirement**

- 5.1 Other than for cash flow purposes and then within the limits set out at **[Appendix 2]** borrowing will not be necessary. All capital expenditure in 2017/18 will be funded from the Revenue Reserve for Capital Schemes, grants, developer contributions and capital receipts arising from the sale of assets.

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

## 6 Current treasury position

- 6.1 The Council is debt free and as such the overall treasury position at 31 December 2016 comprised only investments which totaled £39m generating an average return of 0.61%.

## 7 Prospects for interest rates

- 7.1 The Council has appointed Capita Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. **[Appendix 3]** draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. Capita's expectation for the Bank Rate for the financial year ends (March) is:

- 2016/ 2017 0.25%
- 2017/ 2018 0.25%
- 2018/ 2019 0.25%
- 2019/ 2020 0.75%

- 7.2 The Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut the Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early July. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if economic growth dips significantly. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Capita conclude that a rise in Bank Rate to 0.50% is unlikely before quarter 2 2019, after those negotiations have been completed, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to

emerge, then the pace and timing of increases in Bank Rate could be brought forward.

7.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

7.4 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the US rates over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure will be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

7.5 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

- 7.6 The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.
- 7.7 Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
  - Outcome of national polls (Dutch general election March 2017, French presidential election April/May 2017, French National Assembly election June 2017 and the German Federal election August/October 2017).
  - A resurgence of the Eurozone sovereign debt crisis and stresses arising from disagreement between EU countries on free movement of people, management of immigration and threats from terrorism.
  - Weak capitalisation of some European banks.
  - Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
  - UK economic growth and increases in inflation are weaker than currently anticipated.
  - Weak growth or recession in the UK's main trading partners - the EU and US.
- 7.8 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:
- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
  - A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
  - The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
  - A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts)

7.9 A more detailed view of the current economic background, provided by Capita, is contained in **[Appendix 4]**.

## **8 Investment policy**

8.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments (the Guidance) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities will be security first, liquidity second, and then yield.

8.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

8.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.

8.4 Other information sources used will include the financial press, share price and other information relating to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties.

8.5 Investment instruments identified for use are listed in **[Appendix 5]** under 'specified' and 'non-specified' investment categories. Counterparty limits are detailed in section 10 below.

## **9 Creditworthiness policy**

9.1 The creditworthiness service provided by Capita has been progressively enhanced over the last few years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings are supplemented using the following overlays:

- Credit watches and credit outlooks from credit rating agencies;

- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

9..2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to inform the duration of an investment and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

9.3 The selection of counterparties with a high level of creditworthiness is achieved by selecting institutions down to a minimum durational band within Capita’s weekly credit list of potential counterparties (worldwide). Subject to an appropriate sovereign and counterparty rating the Council uses counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (nationalised or part nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 Days

9.4 The Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. Moody’s tends to be more aggressive in giving low ratings than the other two agencies and adopting the CIPFA approach may leave the Council with too few banks on its approved lending list. The Capita creditworthiness service uses a wider array of information than just primary ratings and in combination with a risk weighted scoring system undue preponderance is not given to any one agency’s ratings.

9.5 All credit ratings are reviewed weekly and monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council’s minimum criteria its use for new investment is withdrawn immediately.

- In addition to the use of credit ratings the Council is advised of movements in Credit Default Swap data against the iTraxx benchmark and other market data on a daily basis. Extreme market movements may result in a scaling back of the duration assessment or removal from the Councils lending list altogether.

9.6 Sole reliance is not placed on the use of the Capita service. In addition the Council uses market information including information on any external support for banks to assist the decision making process.

## 10 Country, counterparty and group exposure limits

10.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- as determined by all three rating agencies - Fitch, Moody's and Standard and Poor's. The list of countries that qualify using this credit criteria as at the date of this report are shown in **[Appendix 6]**. The list will be amended in accordance with this policy should ratings change.

10.2 Avoidance of a concentration of investments in too few counterparties or countries is a key to effective diversification and in this regard the limits set out below are thought to achieve a prudent balance between risk and practicality and are applicable to cash flow and core fund investment.

Country, Counterparty and Group exposure	Maximum Proportion of Investment Portfolio
UK Sovereign (subject to a minimum rating of AA- )	100%
Each non-UK Sovereign rated AA- or better	20%
Group limit excluding UK nationalised / part nationalised banks	20%
Each counterparty rated Fitch A-, F1 (green excluding CDS using Capita's credit methodology) or better	20%
Each UK nationalised or part nationalised bank / group	25%
Each AAA multilateral / supranational bank	20%
Each AAA rated enhanced cash fund / government liquidity fund / gilt fund subject to maximum 20% exposure to all such funds	10%

Each money market fund rated Moody's AAAMf or Fitch AAAMmf, or Standard & Poor's AAAM	20%
Non-specified investments over 1 year duration	60%
<b>Each non-rated property fund used for long term investment subject to a maximum 40% exposure to all such funds (exposure calculated at the time of deposit)</b>	<b>20%</b>

10.3 Cash flow balances vary depending on the timing of receipts and payments during the month and from month to month. The investment limits identified in paragraph 10.2 will be based on an estimate of the expected average daily cash flow balance at the start of the financial year augmented by core cash balances.

## 11 Cash flow and core fund investment

11.1 Funds available for investment are split between cash flow and core cash. Cash flow funds are generated from the collection of council tax, business rates and other income streams. They are consumed during the financial year to meet payments to precepting authorities and government (NNDR contributions) and to meet service delivery costs (benefit payments, staff salaries and suppliers in general). The consumption of cash flow funds during the course of a financial year places a natural limit on the maximum duration of investments (up to one year). Core funds comprise monies set aside in the Council's revenue and capital reserves and are generally available to invest for durations in excess of one year.

11.2 **Cash flow investments.** The average daily cash flow balance throughout 2017/18 is expected to be £15m with a proportion available for longer than three months. Cash flow investments will be made with reference to cash flow requirements (liquidity) and the outlook for short-term interest rates i.e. rates for investments up to 12 months. Liquidity will be maintained by using bank deposit accounts and money markets funds. Where duration can be tolerated, additional yield will be generated by utilising term deposits with banks and building societies and enhanced cash funds. Cash balances available for more than 3 months may be transferred to the core fund portfolio if a better overall return for the Council can be achieved by doing so.

11.3 In compiling the Council's estimates for 2017/18 a return on cash flow investments of 0.35% has been assumed. This return is consistent

with that achieved on overnight deposits since the August 2016 cut in Bank Rate.

- 11.4 **Core fund investments.** Historically the Council's core funds have been managed by an external fund manager. All core funds were returned to the Council for in-house management during 2014/15. The core fund balance is diminishing as a proportion is consumed each year (approximately £2m per annum) to support the Council's revenue budget and capital expenditure plans. The average core fund balance during 2017/18 is expected to be £14m.
- 11.5 The Council will avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and are within the risk parameters set by the Council.
- 11.6 In compiling the Council's estimates for 2017/18 a return on core fund investments of 0.55% has been assumed. As above, this reflects the marked downshift in returns offered by banks and other institutions since August 2016. Subject to the credit quality and exposure limits outlined in paragraph 10.2, liquidity and yield will be achieved by a mix of investments using predominantly fixed term deposits and certificates of deposit. Notice accounts and enhanced cash funds will also be used if these offer favourable returns relative to term deposits.

## **12 Long term investment.**

- 12.1 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake long term investment in property through a collective investment scheme (fund). Investment in such schemes typically involves a minimum commitment of 5 years to recoup entry and exit fees. To mitigate the risk that capital values may fall due to changes in economic activity, investment duration cannot be determined with certainty at the time the investment commences. As a consequence any cash balances applied to such an investment must be available for the long term and there must be flexibility over the timing of redemption(s) in the future.
- 12.2 A detailed evaluation of the funds asset quality, market risk, leverage, redemption constraints, management and governance arrangements will be undertaken in advance of any investment taking place. Any sums invested will be reported at regular intervals with income received and changes in capital value identified separately.

**13 Year end investment report**

13.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

**14 Policy on the use of external service providers**

14.1 The Council uses Capita as its external treasury management advisors.

14.2 The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

14.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**January 2017**

**Appendices**

1. Treasury management scheme of delegation
2. Prudential and Treasury indicators
3. Interest rate forecasts
4. Economic background provided by Capita Asset Services
5. Specified and Non-specified Investments
6. Approved countries for investments

**Appendix 1 Treasury management scheme of delegation****Full Council**

- Budget approval.
- Approval of treasury management policy.
- Approval of the Annual Treasury Management Strategy and Annual Investment Strategy.
- Approval of amendments to the Council's adopted clauses, Treasury Management Policy and the Annual Treasury Management Strategy and Annual Investment Strategy.
- Approval of the treasury management outturn report.

**Cabinet**

- Budget consideration.
- Approval of Treasury Management Practices.
- Approval of the division of responsibilities.
- Approval of the selection of external service providers and agreeing terms of appointment.
- Acting on recommendations in connection with monitoring reports.

**Audit Committee**

- Reviewing the Annual Treasury Management Strategy and Annual Investment Strategy and making recommendations to Cabinet and Council.
- Receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet.
- Reviewing treasury management policy, practices and procedures and making recommendations to Cabinet and Council.

**Finance, Innovation and Property Advisory Board**

- Receiving budgetary control reports at regular intervals that include treasury management performance.

**The S151 (responsible) officer**

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

## Appendix 2 Prudential and Treasury Indicators

The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2017/18 report that is to be submitted to Cabinet on 9 February 2017.

The treasury management indicators are as set out in the table below:

TREASURY MANAGEMENT INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	Nil	5,000	5,000	5,000	5,000
other long term liabilities	Nil	Nil	Nil	Nil	Nil
TOTAL	Nil	5,000	5,000	5,000	5,000
Operational Boundary for external debt:-					
borrowing	Nil	2,000	2,000	2,000	2,000
other long term liabilities	Nil	Nil	Nil	Nil	Nil
TOTAL	Nil	2,000	2,000	2,000	2,000
Actual external debt	Nil	Nil	Nil	Nil	Nil
Upper limit for fixed interest rate exposure > 1 year at year end	Nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	13,468 (55.6%)	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal sums invested for over 364 days at year end	Nil (0%)	60% of core funds			

Maturity structure of fixed rate borrowing during 2016/17 - 2019/20	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

Appendix 3 Interest Rate Forecasts - January 2017

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
<b>Bank Rate View</b>	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
<b>Bank Rate</b>													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
<b>5yr PWLB Rate</b>													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
<b>10yr PWLB Rate</b>													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
<b>25yr PWLB Rate</b>													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
<b>50yr PWLB Rate</b>													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

**Appendix 4 Economic Background Provided by Capita Asset Services**

**UK. GDP** growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum** vote for Brexit in June 2016 delivered an immediate fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee**, (MPC), meeting of 4th **August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC** meeting of 3 **November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut

in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly **Inflation Report** was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the June referendum result. However, consumers have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England **GDP forecasts** in the November quarterly Inflation Report were as follows, (August forecasts in brackets): 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

**Capital Economics'** GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The **Chancellor** has said he will do 'whatever is needed' i.e. to promote growth; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, and ultimately boosting tax revenues in the longer term, will be a more urgent priority. The Governor of the Bank of England had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the

UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. Capital Economics are forecasting a peak of just under 3% in 2018. This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the date of the December 2016 MPC meeting). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upward path.

**Gilt yields**, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q,

confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

**Employment** had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. House prices have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

**USA.** The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Federal Reserve embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Federal Reserve also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the presidential election in November is expected to lead to a strengthening of US growth if pre-election promises of a major increase in expenditure on infrastructure are implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

In the first week since the US election, there was a shift in investor sentiment away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view

that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

**Eurozone (EZ).** In the Eurozone, the ECB commenced, in March 2015, a €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels.

**Asia.** Economic growth in China has been slowing down and this, in turn, has impacted economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a build-up in the level of credit compared to the size of GDP, plus there is a need to address over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in Japan has proven difficult to sustain despite successive rounds of monetary stimulus and fiscal action to promote consumer spending.

The government is also making limited progress on fundamental economic reform.

**Emerging countries.** There have been concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could impact on emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

### **Brexit timetable and process:**

- March 2017: UK Government notifies the European Council of its intention to leave under the Treaty on European Union Article 50.
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act. The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

## Appendix 5 Specified and Non-specified Investments

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified in the Annual Investment Strategy.

Subject to the duration limit suggested by Capita **(+6 months for UK Financial Institutions)** at the time each investment is placed.

Subject to a maximum of 60% of core funds, in aggregate, being held in non-specified investments at any one time.

Sterling denominated.

**Specified Investments** (maturities up to 1 year):

investment	Minimum Credit Criteria
UK Debt Management Agency Deposit Facility	UK Sovereign AA-
Term deposits - UK local authorities	UK Sovereign AA-
Term deposits - UK nationalised and part nationalised banks	UK Sovereign AA-
Term deposits - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1 or Green excluding CDS
Certificates of deposit - UK nationalised and part nationalised banks	UK Sovereign AA-
Certificates of deposit - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1, or Green excluding CDS
UK Treasury Bills	UK Sovereign AA-
UK Government Gilts	UK Sovereign AA-
Bonds issued by multi-lateral development banks	AAA
Sovereign bond issues (other than the UK govt)	AAA
Money Market Funds	At least one of : AAAmf, AAAmmf or AAAM
Enhanced Cash and Government Liquidity Funds	AAA

**Non-specified Investments** (maturities in excess of 1 year and any maturity if not included above):

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised and part nationalised banks	UK Sovereign AA-	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign AA-	2 years
Term deposits - UK nationalised and part nationalised banks	UK Sovereign AA-	2 years
Term deposits - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1(Green)	2 years
Certificates of deposit - UK nationalised and part nationalised banks	UK Sovereign AA-	2 years
Certificates of deposit - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised and part nationalised banks	UK Sovereign AA-	2 years
Commercial paper - banks and building societies	UK / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	5 years
Bonds issued by multilateral development banks	AAA	5 years
Sovereign bond issues (other than the UK Government)	AAA	5 years
UK Government Gilts	UK Sovereign AA-	25% 5 years
UK Government Gilts	UK Sovereign AA-	25% 10 years
<b>Property Funds</b>	<b>N/A</b>	<b>N/A</b>

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

## Appendix 6      Approved countries for investments

All counterparties in addition to meeting the minimum credit criteria specified in the Annual Investment Strategy must be regulated by a sovereign rated as a minimum AA- by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

This list will be reviewed and amended if appropriate on a weekly basis by the Director of Finance and Transformation.

As of 31 December 2016 sovereigns meeting the above requirement which also have banks operating in sterling markets with credit ratings of green or above on the Capita Asset Services' Credit Worthiness List were:

AAA	Australia Canada Denmark Germany Luxembourg Netherlands Norway Singapore Sweden Switzerland
AA+	Finland Hong Kong USA
AA	Abu Dhabi (UAE) France Qatar UK
AA-	Belgium

Response to the Financial Conduct Authority's consultation on the implementation of the EU Directive: Markets in Financial Instruments Directive (MiFid II)

*Q16: Do you agree with our approach to revise the quantitative thresholds as part of the opt-up criteria for local authorities by introducing a mandatory portfolio size requirement of £15m? If not, what do you believe is the appropriate minimum portfolio size requirement, and why?*

The Council's investment portfolio includes a mix of deposit accounts, notice accounts and term deposits with banks and building societies. These are arranged with an institution directly or via brokers. Diversification is enhanced through access to certificates of deposit, treasury bills, gilts, money market funds and enhanced cash funds.

As a *billing authority*, the Council's investment balances vary during the financial year and are at their lowest at financial year end. Whilst the Council's investment balances are currently substantially above the £15m quantitative threshold that situation is expected to change over time as the Council uses its reserves to manage reduced financial support from Government.

We feel the proposal will preclude a significant number of district and higher tier authorities from consideration as 'professional clients' and through it, impact on the security, diversity and yield of their investment portfolios. Either a lower portfolio requirement should be adopted (£10m) or our preferred solution: that local authorities be subject to the 'large undertakings' test applied to private sector organisations (€40m annual income, €20m of assets and €2m in reserves) and the proposed qualitative tests dispensed with.

*Q17: Do you agree with our approach to extend these proposals to non-MiFID scope business? If not, please give reasons why.*

Agree.

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**Item SSE 16/12 referred from Street Scene and Environment Services  
Advisory Board minutes of 7 November 2016**

**SSE 16/12 SATURDAY HOUSEHOLD BULKY AND WASTE ELECTRICAL AND  
ELECTRONIC EQUIPMENT (WEEE) SERVICE REVIEW**

The report of the Director of Street Scene, Leisure and Technical Services provided an update on the review of the Council's bulky refuse collection and WEEE recycling service undertaken in partnership with Veolia. Consideration was given to a number of recommendations for the continued provision of the services at no additional cost to the Council. A proposed new schedule was presented which would maintain an appropriate level of service in each of the areas currently served and provide sufficient funding for the WEEE service to be continued until the end of the refuse and street cleansing contract in February 2019.

**RECOMMENDED:** That

- (1) the revised schedule for the collection of bulky refuse and waste electrical and electronic equipment (WEEE) from locations across the Borough be approved;
  - (2) the revised arrangements commence in February 2017 for a period of two years; and
  - (3) the bulky refuse and WEEE service be reviewed further as part of the retender of the Council's Refuse and Street Cleansing Contract.
- \*Referred to Cabinet**

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**TONBRIDGE & MALLING BOROUGH COUNCIL**

**STREET SCENE and ENVIRONMENT SERVICES ADVISORY BOARD**

**07 November 2016**

**Report of the Director of Street Scene, Leisure and Technical Services**

**Part 1- Public**

**Matters for Recommendation to Cabinet – Council Decision**

**1 SATURDAY HOUSEHOLD BULKY & WASTE ELECTRICAL & ELECTRONIC EQUIPMENT (WEEE) SERVICE REVIEW**

**Summary**

**This report updates Members on the review of the Council's Bulky Refuse Collection and WEEE recycling service. The report makes recommendations for the continued provision of the services at no additional cost to the Council.**

**1.1 Background**

1.1.1 The Council currently provides a Saturday Household Bulky collection service at 63 sites across the borough over a four-week cycle each month. A refuse freighter attends each site for an hour so that residents can dispose of bulky and additional waste. The service has been in place for many years, is extremely popular with residents at the majority of locations, and is part-funded by Kent County Council (KCC) due to the lack of a Household Waste Recycling Centre (HWRC) within the borough.

1.1.2 There have always been certain types of waste that cannot be taken by the bulky collection service, such as builders' waste, liquids, fridges & tyres. In recent years this has been extended by changes in legislation to include WEEE items, such as TVs, PC monitors, ovens, small electrical items, etc. In 2012 the Council commenced a trial service whereby a second vehicle attended each of the 63 sites at the same time as the refuse freighter to collect WEEE items for recycling. This service is also provided by our waste collection contractor, Veolia, and has to date diverted 530 tonnes of additional waste from landfill.

**1.2 WEEE Collection Service**

1.2.1 The WEEE service has proved very popular with residents, and also assists Veolia by enabling many items excluded by legislation from the normal Saturday Bulky service to be collected. From a monthly average of 4.75 tonnes in 2012/13, we are now collecting an average of 15.29 tonnes per month of WEEE items, diverting them from landfill or incineration. The current cost to the Council of providing the WEEE service is £19,600 per annum. In 2015/16 we were

successful in securing external funding through the Department for Business Innovations & Skills of £25,700 to pay for the WEEE service. Together with a one-off contribution of £6,000 from KCC, this meant that the service could be fully funded to 30 September 2016. Having received some further financial support from Veolia, we have been able to extend the service until 31 December 2016. Unfortunately there are currently no further external funding opportunities available, either through KCC or from other sources.

1.2.2 A review of the existing Saturday Bulky and WEEE services has been undertaken which included a number of options:

- cease provision of the WEEE service completely;
- significantly reduce the number of locations visited by the Saturday Bulky service so that WEEE collections could continue at the remaining sites;
- revise the existing service schedule in order to achieve efficiencies and make savings which could then contribute to the continuation of the WEEE service;
- work with Veolia to identify efficiencies across the refuse, recycling & street cleansing contracts to help support the continued provision of the WEEE service.

1.2.3 Over the course of this summer, we have assessed usage at each collection location and reviewed the tonnage of bulky & WEEE waste collected; and the time spent at each site. It is worth noting that Veolia currently allow 30 minutes travel time between each site, regardless of the actual distance between locations, and an hour spent at every location, regardless of usage or tonnage collected. It was also identified that a number of locations could be grouped differently to maximise efficiency.

1.2.4 Having completed the review in partnership with Veolia, it is considered that a combination of both options 3 & 4 would achieve the aim of maintaining the WEEE service at the majority of the current Saturday Bulky locations.

1.2.5 Ceasing provision altogether would lead to significant dissatisfaction on the part of residents who use the service, especially in those areas where alternative options for disposal are limited. Residents can take their WEEE items to one of KCC's HWRCs, but as KCC currently have no plans for an HWRC within the borough, this option is not readily available to many of our residents.

1.2.6 A number of charities, such as the British Heart Foundation, will accept certain WEEE items for reuse and selling on, but the amount and types of equipment they can handle are limited. They also have limitations on the condition and age of the item, and there is no consistent approach to WEEE reuse across charities and other third sector organisations within Kent, and certainly cannot be considered a suitable alternative to the current WEEE service. However, when tendering for the

new contract, there may be opportunities to partnership with the third sector in order to deliver efficiencies and social value.

- 1.2.7 WEEE items taken to the Saturday Bulky vehicle cannot be accepted so there would be a risk of increased fly tipping or other illegal disposal of that waste. It is not considered desirable to significantly reduce the number of sites visited over the four-week cycle, as despite there being variations in usage, all of the locations are well used.
- 1.2.8 The proposed new schedule (**Annex 1**), maintains an appropriate level of service provision in each of the areas currently served. We have reduced the time spent at the lesser-used locations from 60 to 45 minutes. We have grouped the locations on each route to minimise time & fuel travelling between locations, thus reducing each driver's working day from 6 to 5 hours.
- 1.2.9 The new schedule reflects a continuation of both services at 60 of the 63 sites visited in the original four-week cycle. The three sites where there is a change are:
- Borough Green – Dene Lodge Week 2. This site is still visited in Weeks 1 & 3 of the proposed schedule. There are additional sites at the Blue Anchor, Platt, in Weeks 2 & 4.
  - Stansted/Fairseat – Village Hall Week 1. This site is still visited in Week 3.
  - Trottiscliffe – Ford Lane Week 3. There are two alternative sites at Ad-Pine on the A20 and Trottiscliffe Road opposite the golf course.
  - Local Members have been advised of the proposed re-scheduling and any comments received will be made available at the meeting.
- 1.2.10 Veolia have also identified a number of operational efficiencies which reduce their internal operating costs. They have agreed to reinvest those savings into the WEEE service provision as they see the operational benefit of diverting WEEE items away from the normal Saturday Bulky service and from potential fly tips.
- 1.2.11 A combination of the initiatives detailed above would provide sufficient funding for the WEEE service to be continued until the end of the current refuse and street cleansing contract in February 2019.
- 1.2.12 As sufficient time needs to be provided to advertise the proposed changes to the schedule, and because the current schedule has already been circulated to the public, it is intended that the new schedule be implemented from the first Saturday in February 2017.

### **1.3 Legal Implications**

- 1.3.1 The continued service for the separate collection of WEEE items for recycling will assist this Council in demonstrating compliance with current waste legislation.

## 1.4 Financial and Value for Money Considerations

1.4.1 The proposals brought in this report will maintain a service to the public at no additional cost to the Council.

## 1.5 Risk Assessment

1.5.1 None

## 1.6 Equality Impact Assessment

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.7 Recommendations

1.7.1 It is **RECOMMENDED** to Cabinet that:

- i) the revised schedule for the collection of bulky refuse and WEEE from locations across the Borough be approved.
- ii) the revised arrangements commence in February 2017 for a period of 2 years.
- iii) the bulky refuse and WEEE Service be reviewed further as part of the retender of the Council's Refuse & Street Cleansing Contract.

Background papers:

Nil

contact: David Campbell-  
Lenaghan  
Dennis Gardner

Robert Styles

Director of Street Scene, Leisure and Technical Services

	ROUTE 1	ROUTE 2	ROUTE 3	ROUTE 4	ROUTE 5
<b>WEEK 1</b>	<b>IGTHAM</b> FEN POND ROAD 08.00-09.00  <b>HILDENBOROUGH</b> RIDING PARK 09.15-10.15  <b>TONBRIDGE SOUTH,</b> LODGE OAK LANE 10.30-11.30	<b>WOULDHAM</b> KNOWLE ROAD 08.00-09.00  <b>BURHAM,</b> ROCHESTER ROAD 09.15-10.15  <b>ECCLES</b> BULL LANE 10.30-11.30	<b>EAST MALLING</b> TWISDEN ROAD 08.00-09.00  <b>RYARSH</b> ROUGHETTS ROAD 09.15-10.15  <b>ADDINGTON</b> A20 - AD-PINE 10.30-11.30	<b>WROTHAM</b> HIGH STREET 08.00-08.45  <b>BOROUGH GREEN</b> DENE LODGE 09.00-10.00  <b>TONBRIDGE NORTH</b> DENBEIGH DRIVE 10.30-11.30	<b>DITTON</b> KILN BARN ROAD 08.00-08.45  <b>AYLESFORD</b> TEAPOT LANE 09.00-10.00  <b>WATERINGBURY</b> FIELDS LANE 10.30-11.30
<b>WEEK 2</b>	<b>TONBRIDGE NORTH</b> LOWER CASTLE FIELD CAR PARK 08.00-09.00  <b>HADLOW</b> VILLAGE HALL 09.15-10.15  <b>TONBRIDGE NORTH,</b> LONGMEAD SPORTS GROUND 10.30-11.30	<b>BLUE BELL HILL</b> MAIDSTONE ROAD 08.00-08.45  <b>OFFHAM</b> VILLAGE HALL 09.15-10.15  <b>KINGS HILL</b> CRISPIN WAY 10.30-11.30	<b>LEYBOURNE</b> LITTLE MARKET ROW 08.00-09.00  <b>MEREWORTH</b> BEAUFIGHTER ROAD 09.15-10.15  <b>EAST PECKHAM</b> PIPPIN ROAD 10.30-11.30	<b>SNODLAND</b> SALTINGS ROAD 08.00-09.00  <b>ST MARY'S PLATT</b> BLUE ANCHOR 09.30-10.15  <b>WEST PECKHAM</b> VILLAGE HALL 10.30-11.30	<b>WALDESLADE</b> LOWER ROBIN HOOD LANE 08.00-08.45  <b>ROYAL BRITISH LEGION VILLAGE</b> ADMIRAL MOORE DRIVE 09.15-10.15  <b>EAST MALLING</b> NEW ROAD 10.30-11.30
<b>WEEK 3</b>	<b>MEREWORTH/WEST PECKHAM,</b> THE STREET 8.00a.m. - 9.00a.m.  <b>GOLDEN GREEN</b> VICTORIA ROAD 9.15a.m. - 10.15a.m.  <b>TONBRIDGE SOUTH,</b> SCOTT ROAD 10.30a.m. - 11.30a.m.	<b>SNODLAND</b> ST BENEDICTS ROAD 08.00-09.00  <b>LARKFIELD</b> NEW HYTHE LANE 09.15-10.15  <b>OFFHAM</b> VILLAGE HALL 10.30-11.30	<b>DITTON</b> KILN BARN ROAD 08.00-09.00  <b>LARKFIELD</b> WILLOW ROAD 09.15-10.15  <b>ADDINGTON</b> TROTTSCLIFFE ROAD 10.30-11.30	<b>ECCLES</b> BULL LANE 08.00-08.45  <b>RYARSH</b> ROUGHETTS ROAD 09.15-10.15  <b>WROTHAM</b> WEST STREET 10.30-11.30	<b>BOROUGH GREEN</b> DENE LODGE 08.00-09.00  <b>WEST MALLING</b> VILLAGE HALL 09.15-10.15  <b>WATERINGBURY</b> FIELDS LANE 10.30-11.30
<b>WEEK 4</b>	<b>SHIPBOURNE/PLAXTOL,</b> UPPER GREEN ROAD 08.00-09.00  <b>TONBRIDGE NORTH,</b> HIGHAM LANE 09.15-10.15  <b>HILDENBOROUGH,</b> FARM LANE 10.30-11.30	<b>SNODLAND</b> SALTINGS ROAD 08.00-09.00  <b>LEYBOURNE</b> LITTLE MARKET ROW 09.15-10.15  <b>ST MARY'S PLATT</b> BLUE ANCHOR 10.30-11.30	<b>STANSTED/FAIRSEAT</b> MALHOUSE ROAD 08.00-08.45  <b>BIRLING</b> VILLAGE HALL 09.15-10.15  <b>EAST MALLING</b> HOWARD ROAD 10.30-11.30	<b>EAST PECKHAM</b> PIPPIN ROAD 08.00-09.00  <b>HADLOW</b> VILLAGE HALL 09.15-10.15  <b>TONBRIDGE SOUTH</b> ALDERS MEADOW 10.30-11.30	<b>WEST MALLING</b> VILLAGE HALL 08.00-09.00  <b>MEREWORTH</b> BEAUFIGHTER ROAD 09.15-10.15  <b>KINGS HILL</b> CRISPIN WAY 10.30-11.30

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Management Team

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 OPEN CHURCHYARDS

**A report setting out the outcome of discussions with the Rural Deans, and recommending that: firstly, no budgetary provision should be made in respect of discretionary financial contributions towards the maintenance costs of open churchyards; and secondly that the results of a study regarding burial capacity commissioned in partnership with the Rural Deans should be brought back to Cabinet in due course.**

#### 1.1 Background

- 1.1.1 Members will recall the series of reports which culminated, at the Full Council meeting on 1 November 2016, in the introduction of a Special Expenses Scheme and simultaneous withdrawal of the s136 Financial Arrangements with Parish Councils (FAPC) Scheme with effect from 1 April 2017.
- 1.1.2 During discussion of those reports, and highlighted through the consultation with both the public and parish councils, an issue emerged regarding the funding of open churchyards which was 'wrapped up' in the FAPC grants. It was confirmed that, in the past, the Borough Council had chosen to financially support the maintenance of open churchyards on a discretionary basis. The reasoning behind this decision, we believe, was to help to keep churchyards as open as long as possible so that the burial capacity across the borough was maximised; at the same time easing the pressure on the capacity at Tonbridge Cemetery.
- 1.1.3 As Members are aware, an open churchyard is the responsibility of the church but once closed, an application can be made, within a certain timescale, to transfer responsibility for maintenance to the local council.
- 1.1.4 Cabinet were cognisant that the recommendation to cease the FAPC grant scheme and introduce a Special Expenses scheme could mean that local churches were faced with financial challenges in respect of this function; particularly in the event that parish councils were unable/chose not to provide funding instead.

- 1.1.5 Thus, at its meeting on 28 July in respect of the open churchyard issue, Cabinet recommended at **CB 16/60 (4)** that:

*“information be sought from the church authorities on the capacity status of open churchyards throughout the Borough to enable further consideration of whether grants (under section 214 of the Local Government Act 1972) should continue to be offered to support their maintenance in furtherance of the previous policy in this regard.”*

## **1.2 Progress**

- 1.2.1 Further research on open churchyards has been undertaken and, in late November, Management Team met with the Rural Deanery, in line with the Cabinet’s recommendation above.
- 1.2.2 It is worth commenting at the outset that, through the Management Team’s bi-annual meetings with the Rural Deans, the clergy are aware of the significant financial challenges facing the Council. Therefore, they fully appreciate that Members need to make difficult choices about funding priorities and this issue was not a complete surprise.
- 1.2.3 Clearly, in an ideal world, the clergy would wish to see the Council continuing to support open churchyards, but we believe they understand why this might not be possible moving forward. Liaison with other Kent district councils confirmed that the vast majority do not provide any funding towards open churchyards.
- 1.2.4 The Rural Deans confirmed to us that a churchyard can only be closed by Order of the Privy Council if it is full - i.e. there is no further usable land where graves could reasonably be made. (There are some other exceptional circumstances but these would be rare).
- 1.2.5 Thus, a churchyard cannot be closed simply on the grounds of lack of, or reduced, funding. As the Rural Deans advised, in many areas volunteer services or other innovative methods have to be employed to maintain the churchyards in good order.
- 1.2.6 What the Rural Deans were currently unable to advise is how soon the open churchyards in our borough are likely to reach capacity and be eligible for closure. They did, however, helpfully commit to progressing some work to assess the capacity in their churchyards.
- 1.2.7 This work by the Rural Deans will be undertaken in parallel with an assessment of capacity in our own cemetery (Tonbridge Cemetery) by the Director of Street Scene, Technical Services & Leisure which shortly due to commence. To complete the picture, the Director is also liaising with the parish councils within our borough that provide a local cemetery to understand the capacity there also.

1.2.8 An overall understanding of capacity within the borough will help us to formulate a view about future need, particularly in view of the anticipated growth in population. It is however, worth noting that, in law, no one body presently has statutory responsibility to provide burial grounds. It is presently a matter for discretion by local authorities, private companies and religious organisations; although it is possible that this position will change in due course with more responsibility falling on local authorities.

### **1.3 Summary**

- 1.3.1 With the assistance of the Rural Deans, a capacity assessment is now underway which will help to inform potential needs in terms of burial places for the future.
- 1.3.2 Whether, or not, the Borough Council should provide some financial support towards the cost of maintenance of open churchyards now needs to be addressed. As Cabinet are aware, through the Parish Partnership Panel, many parish councils are waiting to hear how the Borough Council is to proceed prior to them making any commitments about funding to their local parochial church councils beyond 2017/18.
- 1.3.3 It is worth reiterating that, all the time that capacity remains and a churchyard is open, it is the legal responsibility of the parochial church council to maintain the grounds, walls and fences in decent order. Whilst we, and parish councils, have discretion to make contributions to assist with those costs (as we have done in the past via the old FAPC scheme) there is no requirement to do so.
- 1.3.4 A 'closure' application for a churchyard can only be granted if the churchyard is full (other than in some very exceptional circumstances). Financial considerations are not part of the decision making process.
- 1.3.5 As Members are fully aware, there are many competing demands on the Council's limited financial resources. At the time of writing, based on current projections, we need to find savings of circa £1.6m through our Savings & Transformation Strategy. Inevitably, this is going to put pressure on the levels of (statutory) service we deliver directly; and may require some harsh decisions about which discretionary services we can continue to provide.
- 1.3.6 This, together with some questions about equalities set out in paragraph 1.7 below, leads us to conclude, regrettably, that the Borough Council cannot afford to financially contribute towards an 'arms-length' function which is legally the responsibility of another party. Cabinet are asked to consider through this report whether they concur with this view.
- 1.3.7 The work being conducted by the Rural Deans in respect of capacity will help us to assess the potential 'risks' of costs falling to the Borough Council in due course as and when churchyards become full and applications are made for closure. This is currently an 'unknown quantity'.

## **1.4 Legal Implications**

- 1.4.1 If the Council wished to continue supporting open churchyards with discretionary funding it would need to do so under s137 (3)(a) of the Local Government Act 1972.
- 1.4.2 In previous reports to Cabinet in respect of 'Fairer Charging', it had been suggested that s214(6) of the Local Government Act 1972 could be used. However, on further investigation, this is not appropriate because the power to give funding to burial authorities in s214(6) only applies if the churchyard in question is open for burial by all of the inhabitants of the Council donating the funding. For TMBC this would be the inhabitants of the entire borough and this is at odds with the common law position which only requires a parish to accept burials from persons resident at the time of their death within that parish.
- 1.4.3 If closure of a churchyard is granted by Order of the Privy Council, under s.215(3) of the Local Government Act 1972, a request to take on the maintenance of a closed churchyard may be served on a parish council (or a district council if there is no parish council). Where notice is served on a parish council, within three months of that notice, written notice can be given by the parish council of their intention to pass on the responsibility to the district council. If such notice is served within the timescales provided, responsibility cannot be refused.

## **1.5 Financial and Value for Money Considerations**

- 1.5.1 Full Council has already made a decision to cease FAPC grants from April 2017 and therefore draft budgets and the updated Medium Term Financial Strategy (MTFS) have been prepared accordingly. The FAPC grants did include an element for open churchyards; approximately £35k per annum.
- 1.5.2 If Cabinet decides that funding should be provided towards supporting the costs of open churchyards, this would now constitute growth and a budget would need to be assigned.

## **1.6 Risk Assessment**

- 1.6.1 If a churchyard is closed in due course, there is a risk that the maintenance responsibility could transfer to the Borough Council. The Council is already responsible for the maintenance of two closed churchyards in Tonbridge for which costs are included in our Revenue Budget.
- 1.6.2 It is currently unclear as to the likely timescales for closure of churchyards within the borough based on them reaching their capacity. The work by the Rural Deans will assist us in assessing the potential risks, and alongside our own review of the Cemetery, this may also help us in managing and formulating future solutions.

## **1.7 Equality Impact Assessment**

- 1.7.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.
- 1.7.2 Therefore, as part of this decision making process, Members need to consider the equalities angle of proving funding directly to parochial church councils. What special reasons would we have for supporting one faith group by way of financial contribution over and above others?
- 1.7.3 The recommendation is not to provide funding for open churchyards. Therefore the decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.8 Policy Considerations**

- 1.8.1 Equalities/Diversity
- 1.8.2 Community

## **1.9 Recommendations**

- 1.9.1 Taking into account all the issues that have been discussed and researched during the investigation of this matter, Cabinet is recommended to:
- 1) Confirm that no future budgetary provision should be made in respect of discretionary financial contributions towards the maintenance costs of open churchyards;
  - 2) Note that a 'capacity study' of burial spaces within the borough of Tonbridge & Malling has commenced in partnership with the Rural Deans;
  - 3) Request that Management Team present a report on the results of that study to a future meeting ; and
  - 4) Thank the Rural Deans for their understanding and assistance in progressing this project.

Background papers:

contact: Sharon Shelton

Nil

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance & Transformation

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Chief Executive

#### Part 1- Public

#### Executive Non Key Decisions

#### **1 OVERVIEW AND SCRUTINY REVIEW – CHRISTMAS LIGHTING AND HANGING BASKET DISPLAYS**

**To seek endorsement of the recommendations of the Overview and Scrutiny Committee regarding the above review.**

#### **1.1 The Review**

1.1.1 A review of the future funding of Christmas lighting displays and hanging basket provision in Tonbridge has recently been undertaken by the Overview and Scrutiny Committee. The following recommendations have been agreed by the Panel established to undertake the review and will be reported to the meeting of the Overview and Scrutiny Committee on 24 January 2017. If there are any changes agreed to the initial recommendations, a supplementary report will be made to the Cabinet.

#### **1.2 The Recommendations**

1.2.1 The review panel agreed the following recommendations:

- (a) No change is made to the current arrangements for Christmas lighting grant support in the parished areas but these should be reviewed again when necessary.
- (b) Alternative funding options for Tonbridge Christmas lights and hanging baskets should be explored for 2017/18. If these options are found not to be viable, as a last resort, then Full Council be recommended to review the listed functions within the Council's adopted Special Expenses Scheme with a view to including the functions within the scheme from 2018/19.
- (c) A range of potential funding options should be explored including seeking direct support from local traders and achieving additional income generation from new events, markets, advertising and street trading concessions. This funding should be additional to any existing income already being generated, or being planned for, in the town centre.
- (d) The target income figure for 2017/18 should be set at £17,000, 50% of the annual costs of both Christmas lights and hanging baskets.

(e) A review of the progress being achieved with the above initiatives should be undertaken in the 3<sup>rd</sup> quarter of 2017/18.

**1.3 Legal Implications**

1.3.1 None

**1.4 Financial and Value for Money Considerations**

1.4.1 As addressed as part of the review.

**1.5 Risk Assessment**

1.5.1 n/a

**1.6 Equality Impact Assessment**

1.6.1 Decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

**1.7 Recommendations**

1.7.1 That, subject to any further amendments from the Overview and Scrutiny Committee, the above recommendations **BE ENDORSED**.

Background papers:

contact: Mark Raymond

Nil

Julie Beilby  
Chief Executive

## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Director of Central Services and Monitoring Officer

#### Part 1- Public

#### Executive Non Key Decisions

### 1 HIVE LOTTO –COMMERCIALISATION OF BRAND

#### 1.1 Introduction

1.1.1 On 2 September 2016 the Council launched an online lottery for Tonbridge and Malling under the name of Hive Lotto to provide discretionary support to voluntary and community groups.

1.1.2 This report sets out a proposal for further growth of Hive Lotto, through the acceptance of other local authorities into the existing lottery.

#### 1.2 Structure of lottery

1.2.1 For the assistance of Members, the structure of the lottery is set out below.

- Ticket price - £1 per week, Participants are able to sign up online or via mobile
- Draw frequency – once per week (Saturday) with a bonus draw held once per month. The weekly jackpot prize is £25,000. If a player wins the monthly bonus draw prize of £25,000 then the good cause they support will also win £25,000
- Players can choose to buy a ticket to support a specific good cause (50% to the ticket price to the chosen good cause and 18% to central fund administered by Council) or purchase directly without specifying a good cause (68% of ticket price to central fund)
- Good causes can apply to join the lottery via the website. The process has been designed to be as simple as possible. All such applicants will need to be approved by the Council before they are provided with their own branded page within the site. The cause keeps 50% of all ticket sales generated through their page, and paid their income on a monthly basis. Any monies due under the central fund will be paid to the Borough Council.

### 1.3 **Update on progress**

1.3.1 In the 3 months since launch, we have approved and added over 30 new Members to the Hive Lotto website. A list of current members is attached at **Annex 1**.

1.3.2 We have reviewed our criteria previously approved by Cabinet on 29 June 2016 to ensure that as many good causes as possible are able to join the lottery. With this aim in mind we propose to make some minor changes to the criteria so as to be clear that charities registered with the Charity Commission may be approved without meeting any additional entry requirements. The Charity Commission is responsible for ensuring that trustees of registered charities meet their legal requirements so it is unnecessary for the Borough Council to duplicate or impose additional requirements to those of the Commission before acceptance into the lottery as a good cause.

1.3.3 The amended criteria are set out at **Annex 2**.

### 1.4 **Growth of Hive Lotto**

1.4.1 We are aware that other local authorities are now actively looking to launch their own lotteries. In the 4 months since the launch of Hive Lotto a further 3 licences have been granted to local authorities, with 7 more applications pending. Whilst the number of local authority lotteries will no doubt continue to rise, we are in something of a unique position with 'Hive Lotto', in that its branding does not tie it to any specific geographical location. This provides a key point of difference from the other local authority lotteries that are currently active.

1.4.2 In light of the emerging market for local authority lotteries, and in response to a number of queries from other local authorities, further discussions have taken place with Capen (our external lottery manager) with a view to exploring the potential to commercialise the lottery so that other local authorities may operate under the 'Hive' brand. We believe that this will be attractive to other authorities, with a number of authorities expressing interest in the potential to share a platform for the purposes of fundraising for local good causes.

1.4.3 It is proposed that other local authorities would be invited to join Hive Lotto on payment of an initial fee and thereafter an annual maintenance fee. Such authorities would then be provided with their own Hive Lotto 'local' website, featuring the good causes within their area. These causes would also be searchable on every other Hive Lotto site, meaning that people would be able to support local causes wherever they live. As with the existing good causes within Hive Lotto, any new good causes would also receive 50p from every £1 ticket purchased by one of their supporters.

1.4.4 It is proposed that Tonbridge and Malling Borough Council would continue to be the licensed operator for Hive Lotto, thus relieving joining authorities of the costs of applying for their own licence and joining the Lotteries Council. The Borough

Council would therefore remain responsible for approval of any new good causes wishing to join Hive Lotto, together with regulatory compliance with the terms of the operating licence and the Licensing Conditions and Codes of Practice issued under the Gambling Act 2005.

- 1.4.5 The proposed terms for other local authorities to join Hive Lotto are set out at **Annex 3**. For reasons of commercial confidentiality, Annex 3 is restricted.

## 1.5 Legal Implications

- 1.5.1 In accordance with s137(3) of the Local Government Act 1972, a local authority may incur expenditure of contributions to the funds of any charitable body in furtherance of their work in the United Kingdom.
- 1.5.2 We are not aware of any express or implied geographic restriction on where good causes may operate in order to receive funds through a lottery operated by a local authority whether under the Gambling Act 2005 or other legislation. There is therefore no statutory restriction which limits contributions by the Borough Council to charities operating within our administrative boundaries.
- 1.5.3 If Members are minded to support the proposal to expand Hive Lotto as set out in this report then further discussions will take place with the Gambling Commission to ensure that they are kept informed as to progress.
- 1.5.4 Members are advised that the name 'Hive Lotto' and the 'Hive' logo have both been registered as trademarks of Tonbridge & Malling Borough Council.

## 1.6 Financial and Value for Money Considerations

- 1.6.1 The proposed terms for other local authorities to join Hive Lotto are set out at **Annex 3**.
- 1.6.2 The lottery website has been designed so as to allow for secondary revenue income opportunities from advertising.

## 1.7 Risk Assessment

- 1.7.1 The lottery allows voluntary and community groups to raise funds for their causes. It enables such groups to reduce/ eliminate the overheads associated with running a traditional lottery whilst at the same time receiving a guaranteed share of receipts from supporters who play the online lottery.
- 1.7.2 The financial risk to the Borough Council is limited to the licence fees payable to the Gambling Commission (currently £244 pa) & the Lotteries Council (currently £350 pa) plus the ongoing staffing costs of administering the lottery. The fee payable to the Lotteries Council will remain the same regardless of whether any other authorities join Hive Lotto. The annual fee payable to the Gambling Commission would only increase (to £325 pa) in the event that the annual proceeds of the lottery exceeded £500,000.

1.7.3 The prize fund is insured, with the premiums payable by the External Lottery Manager. There is therefore no financial risk to the Borough Council in the event that a player is successful in winning the jackpot or any other of the prizes on offer.

1.7.4 The Borough Council would remain the licensed operator for the lottery, with responsibility for approving new good causes and for regulatory compliance with the terms of the operating licence and the Licensing Conditions/ Codes of Practice.

## 1.8 **Equality Impact Assessment**

1.8.1 The lottery delivers benefits to voluntary and community groups. As such, the scheme provides a positive contribution to promoting equality.

## 1.9 **Recommendation**

1.9.1 It is **RECOMMENDED** that

- (1) The amended criteria at **Annex 2** be approved for acceptance of good causes into the lottery;
- (2) The Director of Central Services be authorised to negotiate and agree detailed terms with interested local authorities to join Hive Lotto;
- (3) The Director of Central Services be authorised to complete all necessary legal documentation to give effect to the recommendation set out at 2 above.

Background papers:

Nil

contact: Adrian Stanfield/  
Anthony Garnett

Adrian Stanfield  
Director of Central Services and Monitoring Officer

**CURRENT MEMBERS OF HIVE LOTTO**

Dame Kelly Holmes Trust	Home Start SW Kent
The Fox Project	Tonbridge Lions
The Bridge Trust	Tonbridge Philharmonic
Kent Friendz	Royal British Legion Industries (RBLI)
Tonbridge Angels FC	Tonbridge Bowling Club
Mereworth Village Hall	Stocks Green School Association
Tonbridge Baseball Club	Nourish Community Foodbank
Age Concern Malling	Friends of Horsmondon Primary School
Mereworth Pre-School	Friends of Lunsford Primary School
West Kent YMCA	Imago
Spadework	West Kent Mind
Tonbridge Grammar School	Oast Theatre
3H Fund	Medway Valley Countryside Partnership
Addington Rec	West Kent Cruse
Compaid	Polymyalgia Rheumatica & Giant Cell Arteritis UK

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We want to enable as many good causes as possible to participate in our lottery. Set out below are a set of criteria that will be used in deciding whether or not to allow organisations/ groups to join Hive Lotto.

There is no application fee for organisations/ groups to join Hive Lotto.

### **Criteria for joining Hive Lotto:**

Your organisation/ group must be one of the following specified organisations, or alternatively must meet all of the general criteria set out below:

#### Specified Organisations

- a) • A charity registered with the Charity Commission for England & Wales
- b) A Parish or Town Council
- c) Educational Establishment/ Parent- Teacher Association (or equivalent)
- d) A “uniform” organisation (e.g Scouts, Brownies)

#### General Criteria

- Provide local community activities or services which are of benefit to residents of your area
- Have a formal constitution or set of rules
- Have a bank account requiring at least 2 unrelated signatories
- Operate with no undue restrictions on membership

And be one of the following:

- A constituted group with a volunteer management committee with a minimum of three unrelated members that meets on a regular basis (at least 3-4 times per year)
- a registered Community Interest Company (CIC), (such organisations must provide copies of their Community Interest Statement, details of the Asset Lock included in their Memorandum and Articles of Association, and a copy of their latest annual community interest report with its application to join the lottery).



### **We will not permit applications that:**

- promote activities/groups promoting a particular religious or political point-of-view or belief
- are from individuals
- are from organisations which aim to distribute a profit

- are from organisations with no established management committee/board of trustees (unless a CIC)
- are incomplete

Applications not meeting the above criteria may be accepted at the discretion of the Director of Central Services.

The council reserves the right to

- (a) reject any application;
- (b) terminate the participation of any organisation with a minimum of 7 days' notice for any reason, unless fraudulent or illegal activity is suspected where termination will be immediate.

## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Director of Central Services and Monitoring Officer

#### Part 1- Public

#### Executive Non Key Decisions

### 1 PUBLIC SPACES PROTECTION ORDER

**To provide a report giving details of the proposed Public Spaces Protection Orders (PSPOs) for the borough, including details of the borough wide restrictions, as well as restrictions for particular geographical areas.**

#### 1.1 Background to Public Spaces Protection Orders (PSPO)

- 1.1.1 The Anti-social Behaviour, Crime and Policing Act 2014 places new duties on the Council to tackle Anti-social Behaviour (ASB), working co-operatively with the Police, social landlords and other agencies. The Act puts victims at the heart of the response to ASB and is intended to give professionals the flexibility they need to deal with any given situation.
- 1.1.2 Public Spaces Protection Orders (PSPOs) are one of a number of new tools contained within the Act and are intended to deal with a particular nuisance or problem in a particular area that is detrimental to the local community's quality of life, by imposing conditions on the use of that area which apply to everyone. They are designed to ensure the law-abiding majority can use and enjoy public spaces, safe from anti-social behaviour.
- 1.1.3 Councils will be responsible for making the new PSPO. District Councils will take the lead in England with county councils undertaking the role only where there is no district council. The new power is not available to parish councils or town councils.
- 1.1.4 The PSPOs will be replacing dog control orders, designated public place orders (also known as Alcohol Control Zones) and gating orders.

#### 1.2 The requirements of a PSPO

- 1.2.1 The council can make a PSPO on any public space in its own area. The definition of public space is wide and includes any place to which the public or any section of the public has access, on payment or otherwise, as of right or by virtue of express or implied permission, for example a shopping centre.

- 1.2.2 Before making a PSPO the council must consult with the local police. This is an opportunity for the police and council to share information about the area and the problems being caused as well as to discuss the practicalities of enforcement. In addition the owner or occupier of the land should be consulted as well as community representatives as appropriate.
- 1.2.3 The test for a PSPO is designed to be broad and focus on the impact anti-social behaviour is having on victims and communities. A PSPO can be made by the council if they are satisfied on reasonable grounds that the activities carried out, or likely to be carried out, in a public space:
- have had, or are likely to have, a detrimental effect on the quality of life of those in the locality;
  - is, or is likely to be, persistent or continuing in nature;
  - is, or is likely to be unreasonable; and
  - justifies the restrictions imposed.
- 1.2.4 A single PSPO can include multiple restrictions and requirements in one order. It can prohibit certain activities, such as the drinking of alcohol, as well as placing requirements on individuals carrying out certain activities, for instance making sure that people walking their dogs keep them on a lead.
- 1.2.5 The maximum duration of a PSPO is three years but they can last for shorter periods where appropriate. At any point before expiry the council can extend a PSPO by up to three years if they consider that it is necessary to prevent the original behaviour from occurring or reoccurring. If a new issue arises in an area where a PSPO is in force the council can vary the terms of the order at any time. This can change the size of the restricted area or the specific requirements or restrictions. As well as varying the PSPO, a council can also seek to discharge it at any time.

### **1.3 Enforcement process and penalties**

- 1.3.1 It is an offence for a person, without reasonable excuse, to:
- do anything that the person is prohibited from doing by a PSPO
  - fail to comply with a requirement to which the person is subject under a PSPO.
- 1.3.2 If a person fails to adhere to the PSPO they may be issued with a Fixed Penalty Notice (FPN). Where the FPN is not paid within the required timescale, court proceedings may be initiated.

## 1.4 The proposed PSPO for Tonbridge & Malling

- 1.4.1 After consultation with Borough Council offices and Police officers we have decided to proceed with a PSPO containing multiple restrictions **[see Annex 1]**. Some of the restrictions are borough wide (e.g. deterring dog fouling, dogs on leads by direction) and some are specific to geographical locations depending on particular issues (for example to prevent the use of unauthorised BBQs within Leybourne Lakes Country Park). We believe that each of the proposed restrictions passes the PSPO 'Test' and that they will all help to prevent ASB in the borough.
- 1.4.2 Officers have used evidence and professional judgement to develop this proposed PSPO and have considered all issues/areas against the stated test process. There are some areas that were considered and then rejected as they did not pass the test process and have procedures already in place which can tackle the anti-social behaviour. In particular, officers discussed the possibility of including fishing around the Town Lock area within the PSPO. It was noted that ASB has been associated with people who also fish in this area, and it was also noted that fishing is prohibited in this area. The sole activity of fishing could not be described as having a detrimental effect on the quality of life of people in the area, and it was also noted that the associated behaviours (such as drinking and camping) would be controlled under the proposed PSPO.
- 1.4.3 Officers also discussed whether or not to include 'No unauthorised camping' within the PSPO. The Council already has powers under the Criminal Justice and Public Order Act 1994 ("CJPOA") to deal with unauthorised encampments, involving the service of a notice, which has a duration of 3 months. Breach of such notice is an offence. It was felt, however, that the CJPOA process was too lengthy, time consuming and potentially costly to the authority to deal with very temporary encampments which may still have a significant detrimental effect in areas such as the Country Parks. We have therefore included 'No unauthorised camping' within the proposals for Leybourne Lakes, Tonbridge Moorings, Haysden Country Park, Tonbridge Racecourse Sports Ground and Tonbridge Castle and Tonbridge Farm Sports Ground.
- 1.4.4 This restriction is not intended to be used for homeless individuals and anyone who is found to be homeless will be offered the appropriate help and advice.
- 1.4.5 We will be looking to set the Fixed Penalty Notices (FPNs) at £80, reduced to £50 if paid within 10 days. This follows the Borough Council's Enforcement Policy, which the PSPO will also adhere to. Under 18's will be dealt with in accordance with the Borough Council's Enforcement Policy.
- 1.4.6 Fixed Penalty Notices will be issued by authorised Borough Council staff. We anticipate that there will be a high expectation from the public in regards to enforcing the PSPO and this is something that we will need to manage. It may be that we need to seek alternative ways of enforcing any breaches and we may

therefore explore the potential for other partners (such as Parish Councils) to gather evidence or give witness statements if they see anyone breaching any of the restrictions within the PSPO. This is something that we would look to take forward outside of this consultation.

- 1.4.7 We have also liaised with the Police regarding the PSPO and following these discussions it has been agreed that they will not issue Fixed Penalty Notices but will provide evidence as required. A protocol will be developed with Kent Police to take this forward.
- 1.4.8 It is not possible, or appropriate, to include every area within the borough with an anti-social behaviour issue (or perceived issue). The majority of ASB can be dealt with through other measures without the need for a Public Spaces Protection Order. However, if through the consultation process a request for a restriction is provided then this will be considered (assuming the test has been met) and discussed at the appropriate Council meeting.

## **1.5 Consultation process**

- 1.5.1 The consultation period will start from 1 February 2017 and will end on 15 March 2017. We will be consulting with all Parish Councils, the Police and Crime Commissioner, partners within the Community Safety Partnership and community groups as relevant. Copies of the PSPO consultation will be available in a variety of locations as well as online.
- 1.5.2 The responses to the consultation will be reported to Cabinet on the 21 March 2017, and then Full Council on the 11 April 2017.
- 1.5.3 Once agreed, a copy of the Order will be published in accordance with regulations made by the Secretary of State.
- 1.5.4 A copy of the response questionnaire is shown at **Annex 2**.

## **1.6 Legal Implications**

- 1.6.1 As the PSPO is a legal requirement of the new ASB legislation we will be receiving legal guidance to ensure that we meet the criteria. Once the final PSPO measures are agreed the PSPO will need to be published in accordance with the regulations made by the Secretary of State.
- 1.6.2 Currently TMBC enforce against dog fouling using the Dog (Fouling of Land) Act 1996. It was repealed by Clean Neighbourhoods and Environment Act 2005 section 65, and replaced by similar legislation in the same act, namely Dog Control Orders (DCOs). However, as TMBC did not adopt a DCO for fouling across the whole borough, we were still able to enforce under the Dog (FoL) Act. The introduction of the PSPO for dog fouling borough-wide will supersede this legislation and enforcement for such offences will then only be possible using the PSPO. This means that every three years, the PSPO will have to be amended to

ensure that dog fouling offences can still be enforced against. If the PSPO is not renewed, no legislation would exist to deal with fouling unless new legislation is introduced.

## **1.7 Financial and Value for Money Considerations**

1.7.1 There is no significant cost associated with the establishment of the Public Spaces Protection Order within the borough.

## **1.8 Risk Assessment**

1.8.1 All appropriate risk assessments will be undertaken as required.

## **1.9 Equality Impact Assessment**

1.9.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people.

## **1.10 Policy Considerations**

1.10.1 Crime & Disorder Reduction

## **1.11 Recommendations**

1.11.1 That the proposed Public Spaces Protection Order, as presented at **Annex 1**, be circulated for consultation.

The Central Services Director confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

Anti-social Behaviour, Crime and Policing Act 2014  
Guidance for the Anti-social Behaviour, Crime and Policing Act 2014

contact: Anthony Garnett  
Licencing and Community  
Safety Manager

Adrian Stanfield  
Director of Central Services and Monitoring Officer

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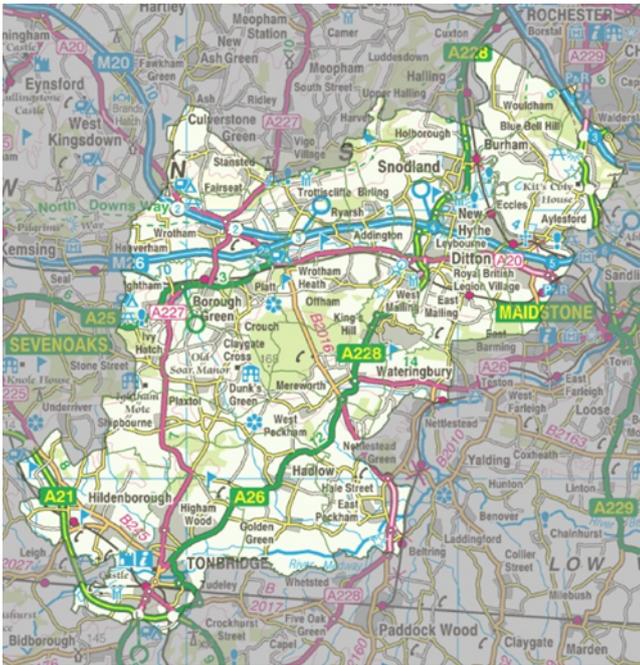
## Tonbridge & Malling Borough Council

### Proposal for Public Spaces Protection Orders in the Borough



Visit: [www.tmbc.gov.uk](http://www.tmbc.gov.uk)

## Introduction



The borough of Tonbridge and Malling lies in the heart of Kent and is an area of variety and historical interest. The borough is largely rural with few large settlements; Tonbridge in the south being the largest and home to around 35,000 residents. The remainder of the borough is dotted with villages and smaller towns.

Industry and commerce are concentrated around Tonbridge, Aylesford, Ditton, Larkfield and Snodland. Mineral extraction has been carried out in the area for many years. Paper and packaging mills, distribution, general and light industry and many small businesses make up the industrial scene. The borough is a popular area for office location and high tech development, particularly at the Kings Hill business and residential community.

## Public Spaces Protection Orders

The Anti-Social Behaviour, Police and Crime Act 2014 places new duties on the Council to tackle Anti-Social Behaviour (ASB), working co-operatively with the police, social landlords and other agencies. The Government make it clear that their reforms are designed to put victims at the heart of the response to ASB and give professionals the flexibility they need to deal with any given situation.

Public Spaces Protection Orders (PSPO's) are intended to control and restrict anti-social behaviour or potential anti-social behaviour in public spaces. They can help by giving local councils and police additional powers to tackle anti-social behaviour in specific locations. The definition of a public space is wide and includes any place to which the public or any section of the public has access too.

District/Borough Councils are responsible for making the new PSPO's and to take enforcement against any breaches, although the Police are also able to enforce these Orders and it is also possible for the Council to delegate enforcement powers to others.

Tonbridge & Malling is considering introducing Public Spaces Protection Orders to cover the open spaces within the Borough and specific locations (Leybourne Lakes Country Park; Tonbridge Memorial Gardens; Tonbridge Moorings; Haysden Country Park; Tonbridge Racecourse Sportsground and Tonbridge Castle; Tonbridge Farm Sportsground and Tonbridge Cemetery). Those Orders in specific locations are to deal with anti-social behaviour that is particular to these areas and any breaches of the Orders will lead to Fixed Penalty Notices if the behaviour does not cease when asked to do so. The PSPO will be in place for a three year period and will be reviewed at the end of this time.

The activities identified within the PSPO have been carried out in public places within the Council's area and have a detrimental effect on the quality of life of those in the locality. The Council is satisfied that that the prohibitions imposed by the PSPO are reasonable to impose in order to prevent the detrimental effect of these activities from continuing, occurring or recurring, or to reduce that detrimental effect or to reduce the risk of its continuance, occurrence or recurrence.

There will be Fixed Penalty Notices (FPNs) of £80 (or £50 if paid within 10 days) to be issued for any breaches of the PSPOs. These will be issued by an authorised person and will follow the Enforcement Policy set by Tonbridge & Malling Borough Council.

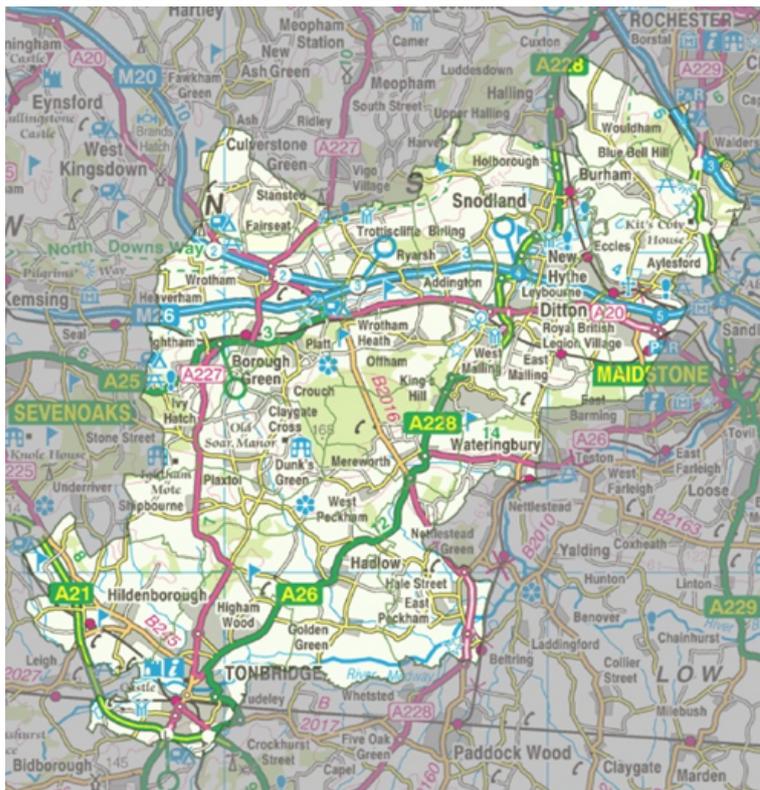
## **Consultation;**

This booklet gives you details of the Proposal. We will be consulting the public and other groups about our proposals and there will be both paper copies of a questionnaire as well as an on-line survey to allow feedback to be provided. The on-line survey will be available on [www.tmbc.gov.uk](http://www.tmbc.gov.uk).

The details below show the timeline for consultation with the public and other groups.

Cabinet	31 January 2017
Consultation period	1 February 2017 until 15 March 2017
Cabinet	21 March 2017
Full Council	11 April 2017

Responses should be sent to PSPO Consultation via [csp@tmbc.gov.uk](mailto:csp@tmbc.gov.uk) or sent to PSPO Consultation, Tonbridge & Malling Borough Council, Gibson Building, Gibson Drive, Kings Hill, West Malling ME19 4LZ.

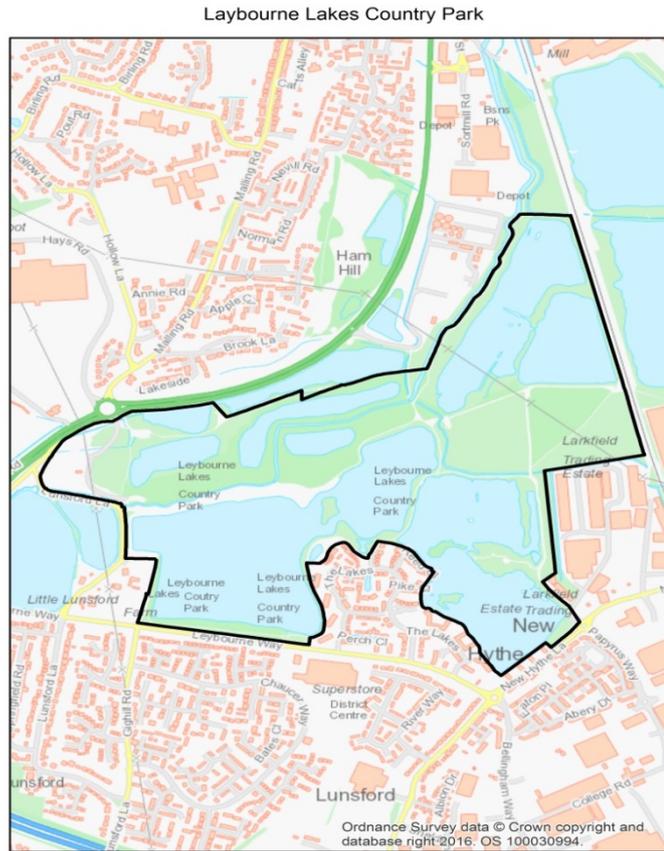


The whole Borough area where the council is considering introducing a Public Spaces Protection Order for the issues mentions below.

These proposed Public Spaces Protection Order measures replace the current Dog Control Orders (DCO's) and Alcohol Control Zones.

<p><b>Measure 1</b></p>	<p><b>Deterring Dog Fouling</b>                  Dog Fouling is a widespread and well known problem with the Borough. Dog faeces are a known carrier of the roundworm toxicara that can cause blindness. The Council has a duty under the Litter (Animal Droppings) Order 1991 to endeavour to keep public open spaces clear of dog faeces.</p> <p><b>Proposal</b>                  A Fixed Penalty Notice will be issued to the person responsible for the dog(s) who allows dog fouling by not removing dog faeces from any public place.</p>
<p><b>Measure 2</b></p>	<p><b>Exclusion of dogs from Borough Council owned and maintained children's play areas</b>                  A number of complaints have been received about dogs being loose and causing distress to young children. The exclusion of dogs from borough council owned and maintained children's play areas will prevent any distress and alarm to children.</p> <p><b>Proposal</b>                  A Fixed Penalty Notice will be issued for any person allowing a dog, or dogs, into a Borough's owned and maintained children play areas to enable children to enjoy the facilities unimpeded from dogs.</p>

Proposed - Public Spaces Protection Order	Orders covering all of the public spaces within Tonbridge & Malling.
<b>Measure 3</b>	<p><b>Dogs on leads by direction</b>  In order to stop a loose dog causing a nuisance, annoyance or disturbance to other people or to wildlife, dogs must be kept on a lead if the owner is instructed to do so by an authorised person.</p> <p><b>Proposal</b>  A Fixed Penalty Notice will be issued to anyone who does not put their dog on a lead when instructed to do so by an authorised person.</p>
<b>Measure 4</b>	<p><b>Maximum number of dogs</b>  This measure restricts the total number of dogs that one person can take onto a public place to six dogs to ensure that they have full control of these dogs and do not allow them to cause alarm or distress to other people.</p> <p><b>Proposal</b>  A Fixed Penalty Notice will be issued to anyone who takes more than six dogs at one time onto a public place.</p>
<b>Measure 5</b>	<p><b>Introduction of a controlled alcohol zone</b>  There have been many incidents across the Borough where there has been anti-social behaviour linked to alcohol.</p> <p>This measure will not mean it is an offence to drink alcohol in a public place; however, it will be an offence to fail to comply with a request by an authorised officer to cease drinking or surrender alcohol. This will not apply to any premises, or its curtilage, which is licenced for the supply of alcohol.</p> <p><b>Proposal</b>  A Fixed Penalty Notice will be issued for any person who continues to drink alcohol in a public place when asked to cease or surrender that alcohol.</p>
<b>Measure 6</b>	<p><b>Deterring public urination / defecation</b>  There are complaints about people urinating/defecating in public which is unpleasant and unhygienic for others. It makes people feel unsafe and can cause feelings of distress.</p> <p><b>Proposal</b>  To make it an offence to urinate or defecate in public (excluding public toilets). A Fixed Penalty Notice will be issued to anyone seen urinating or defecating in a public place (excluding public toilets).</p>



The map above shows the area where the council is considering introducing a Public Spaces Protection Order for Leybourne Lakes Country Park

**Measure 1**

**No unauthorised BBQs**

TMBC has received a number of complaints from the public that these are left on the ground and also are placed in bins causing them to burn out which the public then complain about. BBQs cause damage to the Country side, burning dry fields, hot coals placed in bins have been causing much damage to the bins and can result in unpleasant smoke drifting for some distance.

**Proposal**

No unauthorised BBQs within Leybourne Lakes Country Park. A Fixed Penalty Notice will be issued to anyone seen using an unauthorised BBQ.

**Measure 2**

**No unauthorised Swimming, bathing or boating.**

TMBC has received numerous complaints from the public about anti-social behaviour involving people swimming in the lakes in this area. Unauthorised swimming can have a detrimental effect on wildlife and interfere with authorised swimming activities.

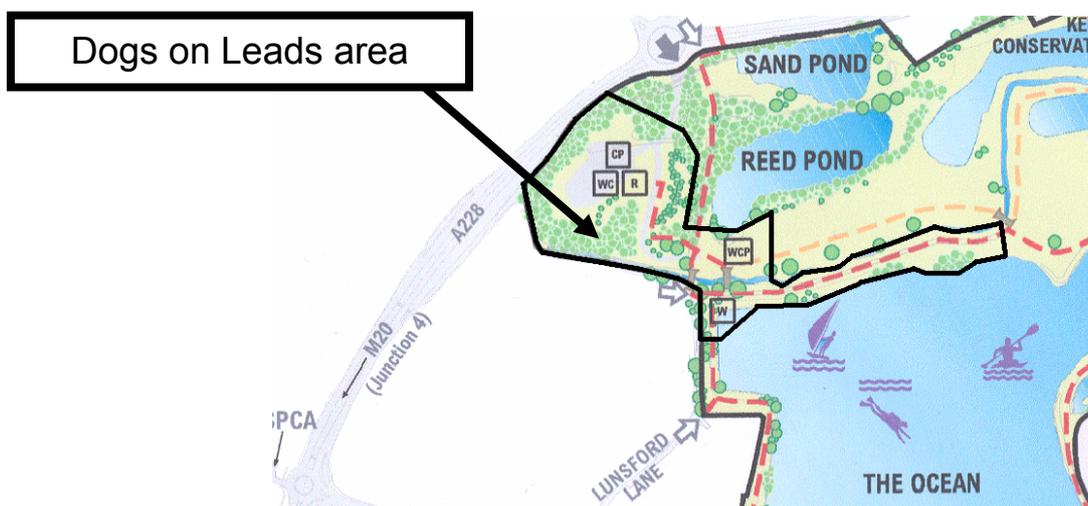
**Proposal**

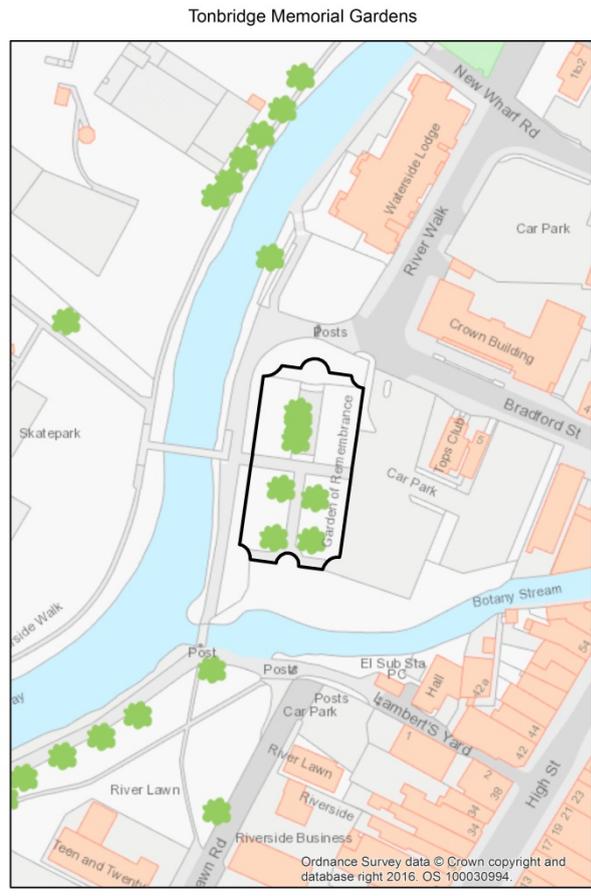
No unauthorised swimming within Leybourne Lakes Country Park. A Fixed Penalty Notice will be issued to anyone seen using the lake who has not been authorised.

Proposed - Public Spaces Protection Order		Leybourne Lakes Country Park
<b>Measure 3</b>	<p><b>Keeping dogs on a lead</b></p> <p>The car park and access road for the Watersports has high volumes of vehicular traffic. Additionally on numerous occasions it has been reported that food has been taken from children and elderly people by uncontrolled dogs. This measure is to prevent distress to park users.</p> <p><b>Proposal</b></p> <p>To keep dogs on a lead within the signed area (see map for details). A Fixed Penalty Notice will be issued to anyone not keeping their dog on a lead in these areas.</p>	
<b>Measure 4</b>	<p><b>No unauthorised camping</b></p> <p>The Borough Council is satisfied that unauthorised camping in a public place is being carried out within this area or it is likely that this activity will be carried out and this is having, or it is likely to have, a detrimental effect on the quality of life of those in the locality. People camping in this area have been known to set fires; leave rubbish and cause alarm or distress to others.</p> <p><b>Proposal</b></p> <p>A Fixed Penalty Notice will be issued to anyone who, when asked to remove an unauthorised encampment, does not do so.</p>	

Map showing dogs on leads designated area within Leybourne Lakes Country Park

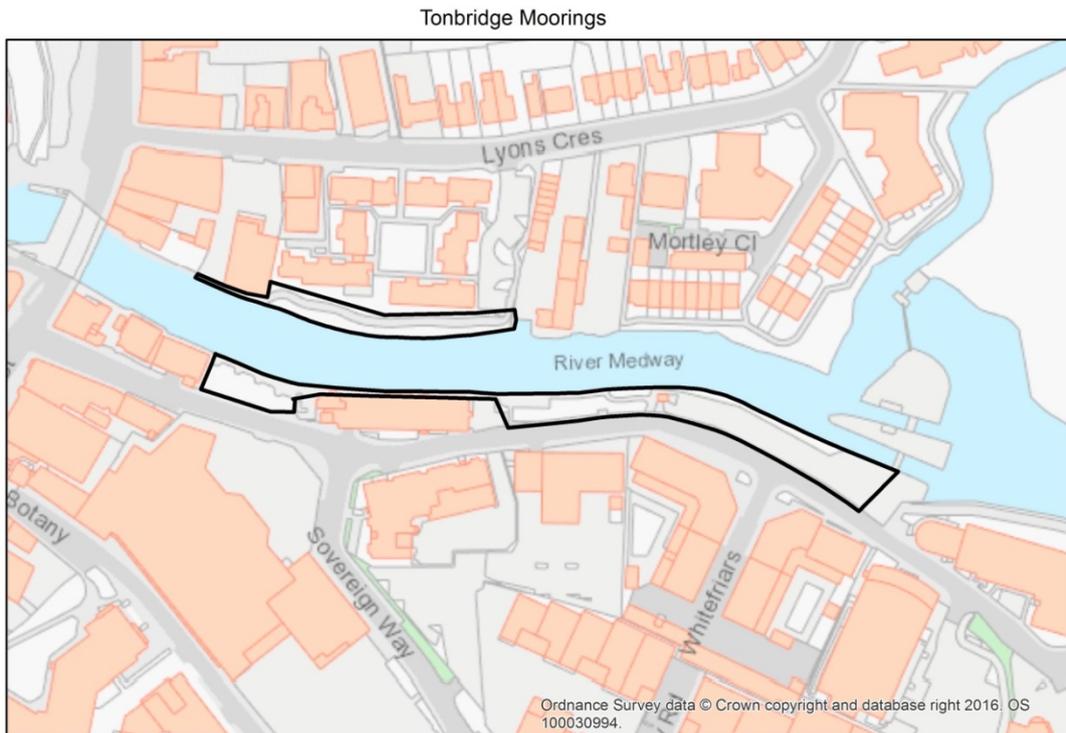
The area marked below is designated a 'Dogs on Leads' area. Please ensure your dog is on a lead at all times when in this area of the Park





The map above is the area where the council is considering introducing a Public Spaces Protection Order for Tonbridge Memorial Gardens

<p><b>Measure 1</b></p>	<p><b>No-wheeled-sports activities</b></p> <p>There have been numerous complaints to this Authority have come in regarding damage to this area adversely affecting peoples enjoyment of the memorial garden.</p> <p>Wheeled sports activities take place within the memorial garden; physical damage has been caused to the site which is detrimental to this very sensitive site where people come for peace and reflection.</p> <p><b>Proposal</b></p> <p>No-wheeled-sports activities to take place within the Tonbridge Memorial Gardens. Including, but not limited to, skateboards, BMX, in-line skating and scooters. A Fixed Penalty Notice will be issued to anyone not ceasing these activities when instructed to do so.</p>
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The map above is the area where the council is considering introducing a Public Spaces Protection Order for Tonbridge Moorings

<p><b>Measure 1</b></p>	<p><b>No unauthorised Mooring</b></p> <p>The Council has received a number of complaints from the public from people mooring boats without a licence, disposing of waste on the sides of the river, leaving generators running through the night and swimming in the river.</p> <p>Unauthorised mooring impedes authorised users using spaces which can lead to conflict and anti-social behaviour.</p> <p><b>Proposal</b></p> <p>No unauthorised Mooring within the Tonbridge Moorings area. A Fixed Penalty Notice will be issued to anyone breaching this Order.</p>
<p><b>Measure 2</b></p>	<p><b>No unauthorised camping</b></p> <p>The Borough Council is satisfied that unauthorised camping in a public place is being carried out within this area or it is likely that this activity will be carried out and this is having, or it is likely to have, a detrimental effect on the quality of life of those in the locality. People camping in this area have been known to set fires; leave rubbish and cause alarm or distress to others.</p> <p><b>Proposal</b></p> <p>A Fixed Penalty Notice will be issued to anyone who, when asked to remove an unauthorised encampment, does not do so.</p>

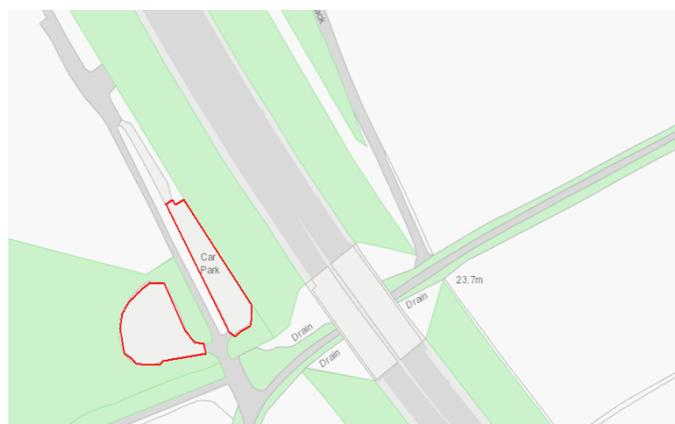


Proposed - Public Spaces Protection Order	Haysden Country Park
<p><b>Measure 3</b></p>	<p><b>Keeping dogs on a lead</b></p> <p>On numerous occasions it has been reported that food is stolen from children and the elderly by uncontrolled dogs. This measure is to ensure the safety of all users and prevent distress to anyone.</p> <p><b>Proposal</b></p> <p>To keep dogs on a lead within the designated areas in the car parks and at the catering unit at Haysden Country Park (see maps below). A Fixed Penalty Notice will be issued to anyone seen not following this Order.</p>
<p><b>Measure 4</b></p>	<p><b>No unauthorised camping</b></p> <p>The Borough Council is satisfied that unauthorised camping in a public place is being carried out within this area or it is likely that this activity will be carried out and this is having, or it is likely to have, a detrimental effect on the quality of life of those in the locality. People camping in this area have been known to set fires; leave rubbish and cause alarm or distress to others.</p> <p><b>Proposal</b></p> <p>A Fixed Penalty Notice will be issued to anyone who, when asked to remove an unauthorised encampment, does not do so.</p>

Map showing dogs on lead area within main car park and catering area



Map showing dogs on lead area within Lower Haysden Lane Car Park



Map showing dogs on lead area within Audley Rise Car Park



Tonbridge Racecourse Sports Ground



Tonbridge Castle



The map above is the area where the council is considering introducing a Public Spaces Protection Order for Tonbridge Racecourse Sports Ground and Tonbridge Castle

**Measure 1**

**No unauthorised BBQs**

TMBC has received a number of complaints from the public that these are left on the ground and also are placed in bins causing them to burn out which the public then complain about. BBQs cause damage to the Country side, burning dry fields, hot coals placed in bins have been causing much damage to the bins and can result in unpleasant smoke drifting for some distance.

**Proposal**

No unauthorised BBQs within Tonbridge Racecourse Sports ground and Tonbridge Castle. A Fixed Penalty Notice will be issued to anyone seen with an unauthorised BBQ.

**Measure 2**

**Keeping dogs on leads**

The area around Tonbridge Castle is very popular and uncontrolled dogs can cause alarm and distress to those people using this area. By keeping dogs on a lead in this area it will prevent anyone from feeling distressed by an uncontrolled dog.

**Proposal**

To keep dogs on a lead within the Castle grounds (see map below). A Fixed Penalty Notice will be issued to anyone who is seen not following this Order.

Measure 3

**No unauthorised camping**

The Borough Council is satisfied that unauthorised camping in a public place is being carried out within this area or it is likely that this activity will be carried out and this is having, or it is likely to have, a detrimental effect on the quality of life of those in the locality. People camping in this area have been known to set fires; leave rubbish and cause alarm or distress to others.

**Proposal**

A Fixed Penalty Notice will be issued to anyone who, when asked to remove an unauthorised encampment, does not do so.

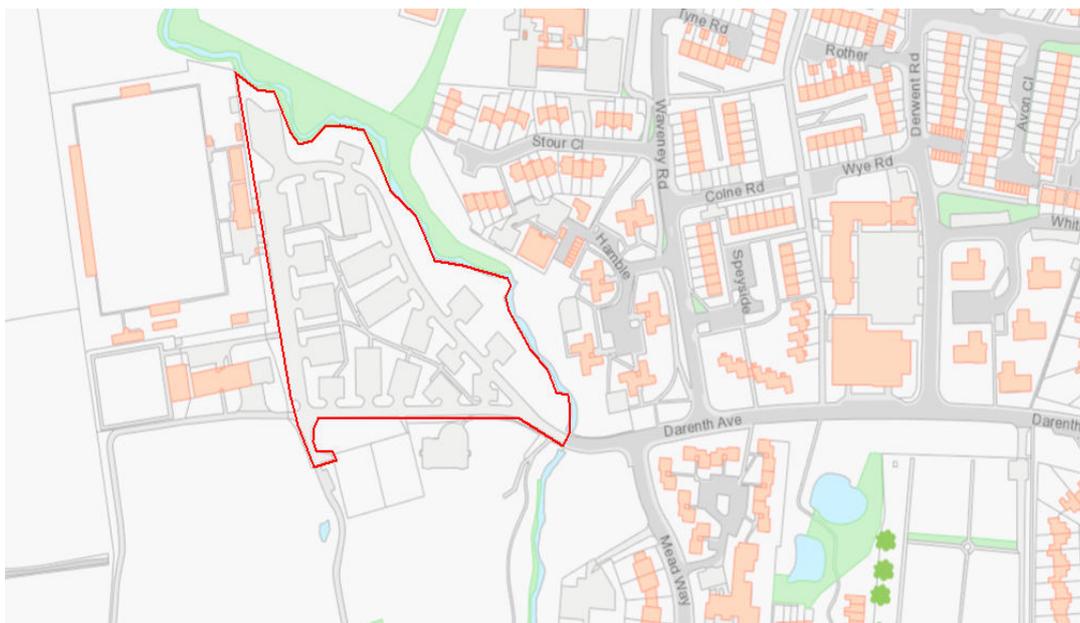
Map showing dogs on lead area within Tonbridge Castle grounds



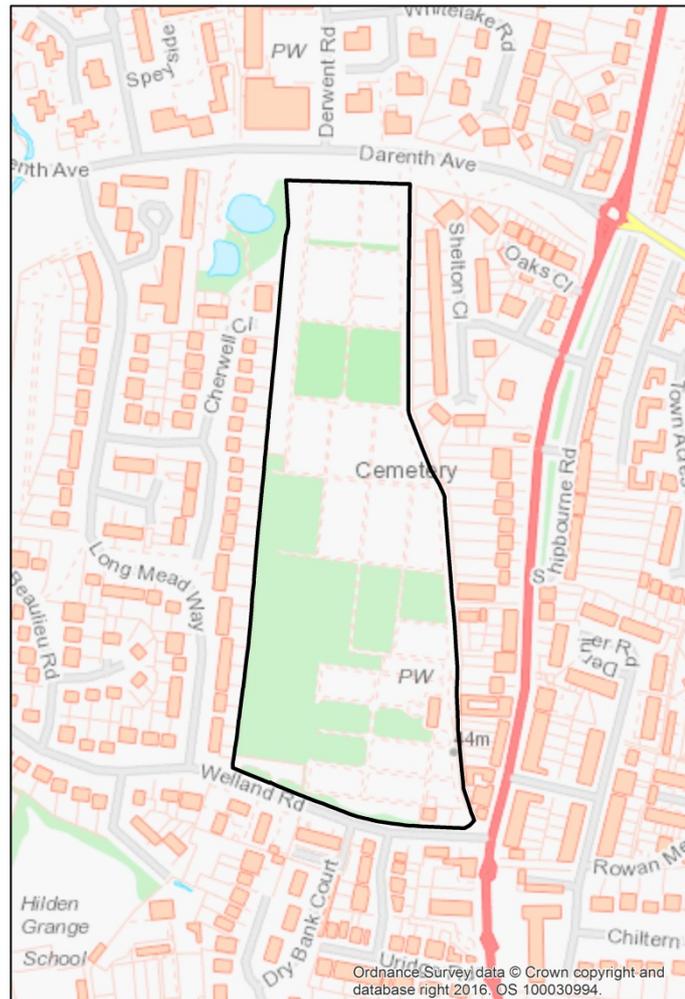


Proposed - Public Spaces Protection Order	Tonbridge Farm Sports Ground
	<p><b>Proposal</b> To keep dogs on a lead within the car park of Tonbridge Farm Sports ground (see map below). A Fixed Penalty Notice will be issued to anyone who is seen not following this Order.</p>
<p><b>Measure 3</b></p>	<p><b>No unauthorised camping</b> The Borough Council is satisfied that unauthorised camping in a public place is being carried out within this area or it is likely that this activity will be carried out and this is having, or it is likely to have, a detrimental effect on the quality of life of those in the locality. People camping in this area have been known to set fires; leave rubbish and cause alarm or distress to others.</p> <p><b>Proposal</b> A Fixed Penalty Notice will be issued to anyone who, when asked to remove an unauthorised encampment, does not do so.</p>

Map showing dogs on lead area within Tonbridge Farm Sports Ground



Tonbridge Cemetery



The shaded area of the map above is the area where the council is considering introducing a Public Spaces Protection Order

**Measure 1**

**Keeping dogs on leads**

Tonbridge Cemetery is a place of mourning and reflection and dogs that are not controlled can cause alarm and distress to those using the cemetery.

**Proposal**

To keep dogs on a lead within Tonbridge Cemetery. A Fixed Penalty Notice will be issued to anyone who is seen not following this Order.

## Tonbridge & Malling Borough Council

### Proposal for Public Spaces Protection Orders in the Borough

#### QUESTIONNAIRE



Visit: [www.tmbc.gov.uk](http://www.tmbc.gov.uk)

## Public Space Protection Order in Tonbridge & Malling

The Anti-Social Behaviour, Crime and Policing Act 2014 introduced a range of new powers designed to address anti-social behaviour. Tonbridge & Malling Borough Council is considering introducing Public Space Protection Orders (PSPO) to cover the open spaces within the borough and at specific locations (Leybourne Lakes Country Park; Tonbridge Memorial Gardens; Tonbridge Moorings; Haysden Country Park; Tonbridge Racecourse Sports Ground and Tonbridge Castle; Tonbridge Farm Sports Ground; and Tonbridge Cemetery). This will allow the Council to introduce a range of measures to address anti-social behaviour issues and help improve public spaces in this area.

We would like to hear your views, so please complete this questionnaire by XXX 2017 and return to PSPO Consultation, Tonbridge & Malling Borough Council, Gibson Building, Gibson Drive, Kings Hill, West Malling ME19 4LZ.

There is more background information about this consultation and an online survey on [www.tmbc.gov.uk](http://www.tmbc.gov.uk)

If you have any further questions please email [csp@tmbc.gov.uk](mailto:csp@tmbc.gov.uk) or telephone 01732 876151.

### How to complete this questionnaire

- Please use a black or blue pen
- Please read each question carefully and cross a box to indicate your answer for example  X
- If you make a mistake, just shade in the box and put a cross in the one you want
- Some questions may ask you to write in a box. Please try to keep your answer within the space provided.
- If there are any questions you do not wish to answer, please feel free to leave them blank
- Once you have completed the questionnaire; please return it by Tuesday 31 January 2017.

Annex 2

1. Are you responding as a ...? Please cross all that apply.

Local resident who lives in Tonbridge & Malling. Please add your postcode here:

Person who works in Tonbridge & Malling

Local business owner/manager

Visitor to Tonbridge & Malling

Local Town or Parish Councillor

Representative of a local community or voluntary group (please state the name of the group and postcode below)

Other (please state below)

2. Do you agree with the proposal to introduce a borough wide Public Spaces Protection Order (PSPO) to deter dog fouling?

Yes

No

Don't know

Please give any further comments below:

Annex 2

3. Do you agree with the proposal to introduce a borough wide PSPO to exclude dogs from Borough Council owned and maintained children's play areas?

- Yes
- No
- Don't know

Please give any further comments below:

4. Do you agree with the proposal to introduce a borough wide PSPO to ensure dogs are on a lead by direction?

- Yes
- No
- Don't know

Please give any further comments below:

5. Do you agree with the proposed PSPO to restrict the number of dogs that one person can take onto a public place to six dogs to ensure that they have full control of these dogs?

- Yes
- No
- Don't know

Annex 2

Please give any further comments below:

6. Do you agree with the proposal to introduce a borough wide PSPO for a controlled alcohol zone?

- Yes
- No
- Don't know

Please give any further comments below:

7. Do you agree with the proposal to introduce a borough wide PSPO to deter public urination/defecation?

- Yes
- No
- Don't know

Please give any further comments below:

Annex 2

8. Do you agree with the proposed PSPO for Leybourne Lakes Country Park?

Yes

No

Don't know

9. Is there anything else that you would like to see included in the PSPO for Leybourne Lakes Country Park?

10. Do you agree with the proposed PSPO for Tonbridge Memorial Gardens?

Yes

No

Don't know

11. Is there anything else that you would like to see included in the PSPO for Tonbridge Memorial Gardens?

12. Do you agree with the proposed PSPO for Tonbridge Moorings?

Yes

No

Don't know

Annex 2

13. Is there anything else that you would like to see included in the PSPO for Tonbridge Moorings?

14. Do you agree with the proposed PSPO for Haysden Country Park?

Yes

No

Don't know

15. Is there anything else that you would like to see included in the PSPO for Haysden Country Park?

16. Do you agree with the proposed PSPO for Tonbridge Racecourse Sports Ground and Tonbridge Castle?

Yes

No

Don't know

17. Is there anything else that you would like to see included in the PSPO for Tonbridge Racecourse Sports Ground and Tonbridge Castle?

Annex 2

19. Do you agree with the proposed PSPO for Tonbridge Farm Sports Ground?

- Yes
- No
- Don't know

20. Is there anything else that you would like to see included in the PSPO for Tonbridge Farm Sports Ground?

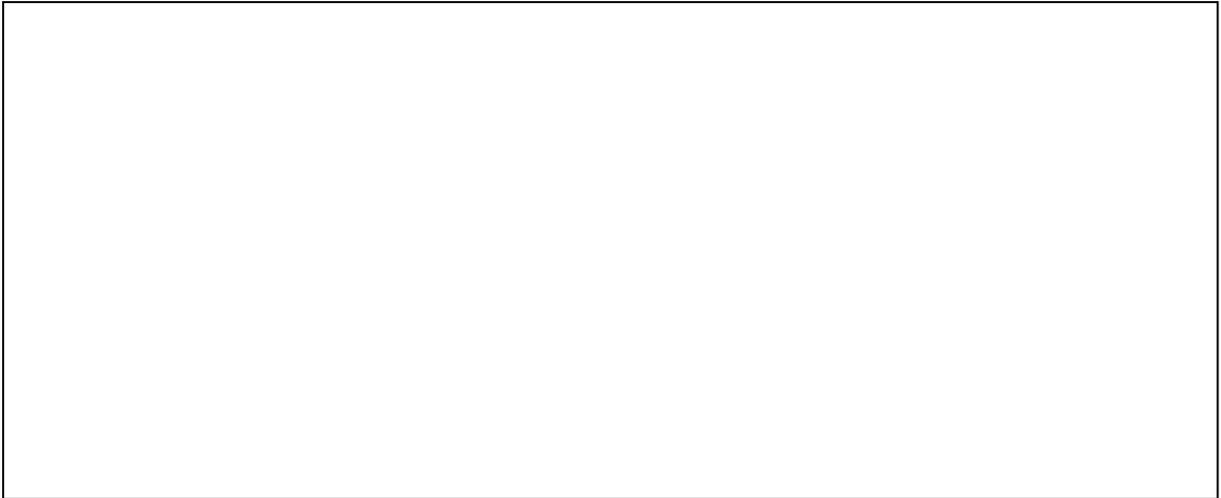
21. Do you agree with the proposal PSPO for Tonbridge Cemetery?

- Yes
- No
- Don't know

22. Is there anything else that you would like to see included in the PSPO for Tonbridge Cemetery?

Annex 2

23. Is there anything else that you would like to see included within the proposed Public Spaces Protection Order?



Thank you for completing the survey. Please return it to the following address by 15 March 2017 or email [csp@tmbc.gov.uk](mailto:csp@tmbc.gov.uk)

PSPO Consultation  
Tonbridge & Malling Borough Council,  
Gibson Building, Gibson Drive  
Kings Hill  
West Malling  
Kent ME19 4LZ

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### CABINET

31 January 2017

#### Report of the Director of Central Services

#### Part 1- Public

#### Matters for Information

#### **1 TONBRIDGE POOL ROOF REPAIRS : WAIVER UNDER CONTRACT PROCEDURE RULE 13**

##### **1.1 Introduction**

1.1.1 Report advising Members of a waiver under Contract Procedure Rule 13 that, following commencement of roof repairs at Tonbridge Swimming Pool, developed unexpected costs exceeding a £100,000 limit. In these circumstances Contract Procedure Rules require a report on the waiver to the next appropriate meeting of the Executive (Cabinet).

##### **1.2 Roof Repairs Undertaken**

1.2.1 The works on the roof commenced at the end of September last year and arose from an established scheme to replace, under guarantee, the delaminating clay roof tiles at Tonbridge Swimming Pool. The tile manufacturer (Sandtoft) had undertaken to replace all of the clay roof tiles (with more robust concrete equivalents) on the building at their cost using one of their approved contractors, Strandor Roofing. The repairs for the first (of three annual) phases affected the north-western side of the main pool hall roof.

1.2.2 A survey of the roof in the Spring of 2016 by an expert consultant also identified problems with brittle/split roofing felt, 'slumping' rockwool insulation and poor ventilation of the roof in general, exacerbated by the humid atmosphere of the swimming pool environment.

1.2.3 Whilst the access scaffold was in place and the roof tiles stripped off, it was always the intention to address these other issues which are not covered by the Sandtoft roof tile guarantee and would need to be financed by the Council. A sum of £60,000 was included in the Buildings Repairs Reserve Expenditure Plan (BRREP) for the purpose. The anticipated cost of these works was subsequently estimated at c £25,000 by Strandor Roofing for the first phase on the north-western section of roof.

1.2.4 Undertaking these additional improvement works using the contractor Strandor Roofing (already commissioned by Sandtoft and due on site to replace the tiles)

without putting the pricing to open competition, required a waiver under Contract Procedure Rule 13. This waiver was approved by the Chief Executive, Monitoring Officer and Director of Finance and Transformation. An additional benefit of having these supplementary works done by the approved contractor to the recommended improved specification is that Sandtoft will guarantee the roof repairs for a period of fifteen years as well as the tiles themselves for thirty years.

- 1.2.5 On commencement of the works (which involved stripping the tiles, felt, battens and insulation) severe rot was found in several areas of the wooden rafters, semi structural decking and main 'Glulam' beams. The area of the roof affected by the rot was directly below the high level windows. The rot found in the decking was of particular concern as this affected the ability of the roofers to work on the outside of the building whilst the pool remained occupied inside.
- 1.2.6 Repairs to the decking required the staged removal and replacement of large sheets of decking material. To safely undertake this work at high level, a scaffold was required inside to prevent life threatening falls and to give access for timber repairs to the main Glulam beams. This resulted in the necessary draining of the main pool and closure of this section of the facility for several weeks.
- 1.2.7 Additional costs in relation to the roof repairs accrued for:
- Replacement rafters
  - Decking replacement (including new improved Vapour Control Layer and using a more robust resin reinforced water resistant decking product)
  - Board protection inside the pool prior to the scaffolding erection
  - Internal 'bird cage' scaffold to full height of pool hall on the north-western side as part of health and safety protection for roofers replacing the decking at high level.
  - Access to the roof windows via a high level extension to the external scaffold already in place to enable safe removal of 'skirt' trim and allow modified flashing design between the high level windows and tiled roof
  - Site fencing and welfare facility costs associated with the extended contract period.
- 1.2.8 The additional works procured with Strandor Roofing have pricing transparency, with the company providing full cost breakdowns between labour and materials and detailed material prices. The various additional works (procured under the waiver as the project progressed and the need for further urgent structural repairs were discovered) now have a confirmed final total of £121,293.14. The Council's Management Team, Leader of The Council and Cabinet Members for Finance and Communities were fully briefed as the repairs progressed.

1.2.9 The roofing consultant has assessed the probable cause of the rot discovered once the roof had been opened up. He focused his investigation on the apparent drainage of the window/glazing box sections into the area immediately behind the roof lead flashing, created in the original design for roof ventilation. The incorporation of Sandtoft's own vent system into the roof tiling below the windows has facilitated the implementation of a revised flashing detail which will eliminate this issue going forward.

### **1.3 Legal Implications**

1.3.1 The waiver, approved by the Chief Executive, Monitoring Officer and Director of Finance and Transformation at each stage of the project, complies with Contract Procedure Rule 13.

1.3.2 We are advised that the building defects liability for the original building design and construction expired in 2008.

### **1.4 Financial and Value for Money Considerations**

1.4.1 To appoint the contractor already on site undertaking tile replacement proved to be the most cost effective way forward. Delays associated with bringing another contractor on board at a late stage to undertake the additional works would also have required longer pool closures with further loss of income implications. Using the approved contractor to undertake all of the works also ensured a fifteen year guarantee on the roof itself (30 years on the tiles). BRREP for 2016/17 has been updated to meet these additional costs.

### **1.5 Risk Assessment**

1.5.1 If the repairs were not undertaken at this stage more substantial, structural issues would have arisen in the near future with the potential to compromise public safety within the facility.

Background papers:

contact: John De Knop

File 2664(A10)

Adrian Stanfield  
Director of Central Services

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# Agenda Item 15

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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# Agenda Item 16

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT  
INFORMATION**

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

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# Agenda Item 18

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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