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TONBRIDGE & MALLING BOROUGH COUNCIL

EXECUTIVE SERVICES

Chief Executive
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To: MEMBERS OF THE COUNCIL

Dear Sir/Madam

I hereby summon you to attend a meeting of the Tonbridge and Malling Borough Council which will be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 14th February, 2017 at 7.30 pm, when the following business is proposed to be transacted:-.

PART 1 - PUBLIC

1. Apologies for absence 5 - 6

2. Declarations of interest 7 - 8

   To declare any interests in respect of recommended items

3. Minutes 9 - 14

   To confirm as a correct record the Minutes of the meeting of Council held on 1 November 2016

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   Returning Officer's certificate of result of by-election

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7. Questions from the public pursuant to Council Procedure Rule No 5.6 23 - 24

8. Questions from Members pursuant to Council Procedure Rule No 5.5 25 - 26

20. Sealing of Documents 183 - 184

To authorise the Common Seal of the Council to be affixed to any Contract, Minute, Notice or other document requiring the same.

JULIE BEILBY
Chief Executive
Monday, 6 February 2017

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Apologies for absence

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Declarations of interest

To declare any interests in respect of recommended items.

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TONBRIDGE AND MALLING BOROUGH COUNCIL

COUNCIL MEETING

Tuesday, 1st November, 2016

At the meeting of the Tonbridge and Malling Borough Council held at Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 1st November, 2016

Present: His Worship the Mayor (Councillor M R Rhodes), the Deputy Mayor (Councillor R W Dalton), Cllr Mrs J A Anderson, Cllr O C Baldock, Cllr M A C Balfour, Cllr Mrs S M Barker, Cllr M C Base, Cllr Mrs S Bell, Cllr R P Betts, Cllr T Bishop, Cllr P F Bolt, Cllr J L Botten, Cllr V M C Branson, Cllr Mrs B A Brown, Cllr T I B Cannon, Cllr M A Coffin, Cllr D J Cure, Cllr D A S Davis, Cllr M O Davis, Cllr Mrs T Dean, Cllr T Edmondston-Low, Cllr B T M Elks, Cllr Mrs S M Hall, Cllr Mrs M F Heslop, Cllr N J Heslop, Cllr D Keeley, Cllr Mrs F A Kemp, Cllr R D Lancaster, Cllr D Lettington, Cllr Mrs S L Luck, Cllr B J Luker, Cllr P J Montague, Cllr Mrs A S Oakley, Cllr L J O'Toole, Cllr M Parry-Waller, Cllr S C Perry, Cllr H S Rogers, Cllr R V Roud, Cllr Miss J L Sergison, Cllr T B Shaw, Cllr Miss S O Shrubsole, Cllr C P Smith, Cllr Ms S V Spence, Cllr A K Sullivan, Cllr M Taylor, Cllr F G Tombolis, Cllr B W Walker and Cllr T C Walker

Apologies for absence were received from Councillors Mrs P A Bates, S M Hammond, S R J Jessel and S M King

PART 1 - PUBLIC

C 16/62 MINUTE SILENCE

The Council observed a minute's silence in memory of Councillor Jean Atkinson and Honorary Alderman Anne Moloney who had died earlier in October.

C 16/63 DECLARATIONS OF INTEREST

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

C 16/64 MINUTES

RESOLVED: That the Minutes of the proceedings of the meeting of the Council held on 12 July 2016 be approved as a correct record and signed by the Mayor.

C 16/65 MAYOR'S ANNOUNCEMENTS

The Mayor was presented with a copy of the Bible by Mr Peter Turner of Gideons International.

The Council was advised of a range of events attended by the Mayor since the last meeting. Particular reference was made to the Tigers Acrobatic Gymnastics Display at Hillview School and the team's subsequent winning of the national competition; Kings Hill Rotary Club's Ciderfest and visit to the Air Station Control Tower; the Heart of Kent Hospice's opening of the new Monckton Education Centre; and the Young Cricket Leaders presentation at Lords Cricket Ground. The Mayor had also visited Royal British Legion Industries, attended charity concerts and judged competitions. He referred to his Garden Party, Civic Service, tour of Tonbridge Castle and afternoon tea at the Bakehouse and successful Quiz. He indicated that some further events for his charities were being organised.

C 16/66 QUESTIONS FROM THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 5.6

No questions were received from members of the public pursuant to Council Procedure Rule No 5.6.

C 16/67 QUESTIONS FROM MEMBERS PURSUANT TO COUNCIL PROCEDURE RULE NO 5.5

No questions were received from Members pursuant to Council Procedure Rule No 5.5.

C 16/68 LEADER'S ANNOUNCEMENTS

The Leader began by paying tribute to Jean Atkinson and Anne Moloney who had died within the space of two days earlier in October having fought long term illness. He said that both were great friends of many Members past and present including himself. Both were real champions for the communities they served, hardworking and dedicated to helping all who sought their assistance. They would be sorely missed by all.

The Leader referred to the Savings and Transformation Strategy which sat alongside the Medium Term Financial Strategy. Its purpose was to provide structure, focus and direction in addressing the significant financial challenge lying ahead and, in so doing, recognised that there was no one simple solution and the Council would need to adopt a number of ways to deliver the savings within an agreed timetable. Members were reminded that when the budget was set in February 2016 the projected funding gap was £1.825m with a savings target in 2016/17 of £625,000. The Leader indicated that the Council was making good progress towards meeting the savings target for this year. He was also pleased to advise that the latest audit letter from Grant Thornton was

extremely complimentary about the financial approach of the authority. Two key passages worthy of note were:
In respect of value for money, as they had in many previous years, the auditors were “satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources”; and commenting on the savings challenge, they observed “the Council continues to address this gap in a structured way.”

Maintaining the financial theme, the Leader said that the Chancellor’s Autumn Statement on 23 November promised to be a significant one for the future of public finances. It would also confirm the outcome of the bids made to the Local Growth Fund from across the country. Significant for the authority and its communities were two bids, one for improvements to the Leigh Flood Storage Area and a second at East Malling Research. Working closely with the Environment Agency and Kent County Council, the Borough Council had taken the lead in developing a strong bid for the Leigh Flood Storage Area (including Hildenborough) and an East Peckham Flood Alleviation Scheme. Just over £4.5m had been requested from this fund to increase the capacity of the flood defences, not only protecting existing homes and businesses, but also unlocking new sites for new homes and jobs.

The Council had also supported NIAB East Malling Research in a £6m submission for the creation of a biotech hub at East Malling. The Leader commented that the need for R&D and new product development continued to accelerate. Downward pressure on margins from retailers, increased costs of labour, withdrawal of chemical defences and international competition all required improved productivity together with an increased focus on food security and health. The potential for fresh fruit, bio-tech and engineering products to contribute to GVA and export growth represented a very real opportunity. In all these areas NIAB East Malling Research was the key catalyst and provided capability for the industry to seize the opportunity for significant economic growth through product and market innovation. The Leader expressed pride in having such innovation in the Borough.

He was also pleased to report that from the 41 projects put forward by SELEP for Local Growth Fund 3 funding across Kent, Essex and East Sussex, the Leigh Flood Storage Area improvements were ranked 9th. Whilst investment in NIAB/EMR had been ranked 33rd, lobbying of Ministers via the local MPs was continuing in recognition that the economic benefits of further investment at East Malling would be felt both within Kent and well beyond.

The Leader referred to the Council becoming the first authority in Kent, and only the second in the country, to launch an online lottery for good causes in September. This innovative project (operating under the name of Hive Lotto) allowed supporters of charities and other community organisations to play the lottery in support of their favourite good causes with 50 pence of every £1 ticket going directly to their chosen cause.

The Leader was delighted with the response to the launch of Hive, with over 25 good causes now approved as members of the Hive community. These included a number of sporting clubs, schools and organisations providing mental health, disability and homelessness support services. He encouraged all good causes to join in this exciting new venture.

Referring to the Council's current public consultation on the new Local Plan, which would influence important decisions to be made about planning across the Borough for the next 15 years and beyond, the Leader indicated that it was not surprising that this had caused many communities to be concerned. It was inevitable that with the pressures on the Council in addressing the need for new homes and jobs and the challenges of securing new infrastructure, the choices would be difficult ones.

The Council's approach to its Local Plan sought to find a way through this situation and in so doing the Leader was pleased that it had been possible to include many in the consultation process which had been promoted widely in all forms of media, through local exhibitions and with the assistance of Parish Councils. The closing date for comment was 25 November and local residents and business were encouraged to make known their views. The Leader complimented Ian Bailey, Planning Policy Manager, and his team for the effort and skill they had shown in their work and in their endeavours to explain what could be a complicated process.

The Leader drew attention to the Quest quality scheme for the sport and leisure industry. Over 650 UK leisure facilities were currently registered with the scheme which was owned and endorsed by Sport England. He indicated that the facilities owned by TMBC had been engaged in Quest since the late 1990s and had a proud record of recognition and 'Excellent' ratings under the scheme. A relatively new product, Quest Stretch, offered facilities already deemed Excellent the opportunity to be rated 'Outstanding' and the Leader was delighted to announce that the team at Larkfield Leisure Centre had been successful in securing the rating of Outstanding. In the context of the 650 plus sites registered, only 12 had achieved this accolade and Larkfield Leisure Centre joined Tonbridge Swimming Pool as part of this small group of Outstanding ranked sites in the UK. This success was validation of the commitment of the Council, and leadership of the Cabinet Member for Community Services and senior officers, to leisure and the ongoing partnership with the Tonbridge & Malling Leisure Trust.

Members were advised that for the fifth year running, the Borough Council had been awarded the Community Animal Welfare Footprints Gold Award for Stray Dog Services from the Royal Society for the Protection of Animals. The Gold Award placed the Council in the top 15% of local authorities nationally for achieving high standards when dealing with stray dogs. The award not only reflected the Council's commitment to dog welfare over and above the statutory requirements, but also recognised the personal and professional commitment and dedication of the dog Warden, Lorraine Baseden, and the Leader offered congratulations and thanks to her.

As Remembrance Sunday approached, the Leader indicated that the Borough Council would be represented at a number of Remembrance services throughout the Borough, the Mayor attending those at Tonbridge and West Malling, the Deputy Mayor at Kings Hill and Councillor Lettington at Snodland. The Chief Executive and Leader would be at Tonbridge and both were attending a service at the Garden of Honour at the RBLI Village in the afternoon and also on Armistice Day itself.

C 16/69 CONSULTATIONS: FAIRER CHARGING IN TONBRIDGE AND MALLING; AND CESSATION OF COUNCIL TAX REDUCTION SCHEME GRANT TO PARISH COUNCILS

Item CB 16/60 referred from extraordinary Cabinet minutes of 28 July 2016

RESOLVED: That the recommendations at Minute CB 16/60 be approved.

[In accordance with Council and Committee Procedure Rule 8.6, Councillors J Botten and B Elks requested that their vote against the motion be recorded.]

C 16/70 FLOODING UPDATE: TONBRIDGE, HILDENBOROUGH AND EAST PECKHAM

Item CB 16/64 referred from extraordinary Cabinet minutes of 6 September 2016

RESOLVED: That the recommendations at Minute CB 16/64 be approved.

C 16/71 CORPORATE STRATEGY

Item CB 16/74 referred from Cabinet minutes of 12 October 2016

RESOLVED: That the recommendations at Minute CB 16/74 be approved.

C 16/72 SPECIAL EXPENSES SCHEME POLICY ('FAIRER CHARGING') AND UPDATED FINANCIAL DATA

Item CB 16/75 referred from Cabinet minutes of 12 October 2016

RESOLVED: That the recommendations at Minute CB 16/75 be approved.

C 16/73 REVIEW OF THE COUNCIL'S LOCAL COUNCIL TAX REDUCTION SCHEME

Item CB 16/76 referred from Cabinet minutes of 12 October 2016

Copies of the full Council Tax Reduction Scheme and Exceptional Hardship Policy were circulated in advance of the meeting.

RESOLVED: That the recommendations at Minute CB 16/76, the full Council Tax Reduction Scheme and Exceptional Hardship Policy be approved.

C 16/74 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW 2016/17

Item CB 16/77 referred from Cabinet minutes of 12 October 2016

RESOLVED: That the recommendations at Minute CB 16/77 be approved.

C 16/75 REVIEW OF HOUSING ASSISTANCE POLICY

Item CB 16/78 referred from Cabinet minutes of 12 October 2016

RESOLVED: That the recommendations at Minute CB 16/78 be approved.

C 16/76 SEALING OF DOCUMENTS

RESOLVED: That authority be given for the Common Seal of the Council to be affixed to any instrument to give effect to a decision of the Council incorporated into these Minutes and proceedings.

The meeting ended at 7.56 pm

Mayor's Announcements

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TONBRIDGE & MALLING BOROUGH COUNCIL

COUNCIL

14 February 2017

Report of the Chief Executive and Returning Officer

Part 1- Public

Matters For Information

1 ELECTION OF MEMBER FOR TRENCH WARD

1.1 Result of By-Election

1.1.1 Following the creation of a vacancy of Borough Councillor for Trench Ward, caused by the sad death of Cllr Jean Atkinson, an election was held on Thursday 8 December 2016.

1.1.2 The result of the election was as follows:-

David John ALLEN (UKIP)	178
Fred LONG (Labour)	204
Georgina Elizabeth THOMAS (Conservative)	603

1.1.3 The turnout at the election was 27.3%

1.1.4 Georgina Thomas was therefore elected to serve as Councillor for Trench Ward until the next scheduled Borough Council elections in May 2019. Cllr Thomas has duly made her declaration of acceptance of office.

Background papers: contact: Richard Beesley

Nil

Julie Beilby
Chief Executive and Returning Officer

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TONBRIDGE & MALLING BOROUGH COUNCIL

COUNCIL

14 February 2017

Report of the Director of Central Services and Monitoring Officer

Part 1- Public

Matters For Decision

1 POLITICAL BALANCE ARRANGEMENTS FOR COMMITTEES

To determine the political balance arrangements to be applied to the Council's committees, sub-committees, advisory boards and panels following the by-election for Trench and to approve consequent changes in membership.

1.1.1 Under section 15 of the Local Government and Housing Act 1989 (duty to allocate seats to political groups) and the Local Government (Committees and Political Groups) Regulations 1990, the Council is required to review the composition of any of its committees and sub-committees to which those provisions apply at the annual meeting of the Council and after any election.

1.1.2 Further to the Returning Officer's report on the result of the by-election for the Trench ward, the number of seats held by each of the political parties is as follows:

Conservative	48	(88.89%)
Liberal Democrat	4	(7.41%)
Independent	2	(3.70%)

1.1.3 The Council is required to determine the composition of its committees so as to reflect this political balance and to ensure that the total number of seats which are allocated to each political group bears the same proportion to the number of all the seats on those committees as is borne by the number of members of that group to the membership of the Council ie 172 seats allocated 153 Conservative, 13 Liberal Democrat, 6 Independent. This overall allocation of seats is the same as that reported to the Annual Council meeting and the table below shows the number of committees etc of various sizes which need to be politically balanced and the way in which the total number of available seats were allocated to reflect the proportions on the Council as a whole:

Size of Committee	Conservative	Liberal Democrat	Independent
18 (x1) O&S	16 (16.00)	1 (1.33)	1 (0.67)
15 (x1) L&A	13 (13.33)	1 (1.11)	1 (0.56)
16 (x5) ABs	*#14* (14.22)	1 (1.19)	**1* (0.59)
14 (x1) GP	12 (12.44)	1 (1.04)	1 (0.52)
13 (x1) Jnt Stnds	12 (11.56)	1 (0.96)	0 (0.48)
9 (x3) Audit,ERWG,JECC	8 (8.00)	1 (0.67)	0 (0.33)
5 (x1) HALP	4 (4.44)	**1* (0.37)	0 (0.19)
Total no seats = 172	153	13	6
	# 14 (x3) 15 (x2)	**1 to satisfy overall political balance figures*	**1 (x3) 0 (x2)*

1.1.4 It therefore remains for the Conservative Group to decide which of its existing seats should be re-allocated to the new councillor and for any changes to the membership of committees etc to be endorsed by the Council. I have been notified of the following proposed changes to membership:

Councillor Mrs P Bates to fill the vacancy on the Overview and Scrutiny Committee
Councillor Miss G Thomas to fill the vacancy on the Joint Standards Committee
Councillor Miss G Thomas to replace Councillor Mrs P Bates on the Communities and Housing Advisory Board
Councillor Miss G Thomas to fill the vacancy on the Street Scene and Environment Services Advisory Board

1.2 Legal Implications

1.2.1 The Council is required to review the composition of its committees in accordance with the Local Government and Housing Act 1989 (duty to allocate seats to political groups) and the Local Government (Committees and Political Groups) regulations 1990.

1.3 Financial and Value for Money Considerations

1.3.1 Not applicable.

1.4 Risk Assessment

1.4.1 Not applicable.

1.5 Equality Impact Assessment

1.6 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 RECOMMENDED that:

1) the composition of all committees, sub-committees, advisory boards and panels be approved in accordance with the table at paragraph 1.1.3 and the Monitoring Officer make any consequential amendments to the Council's constitution in respect of political balance; and

2) the appointments set out at paragraph 1.1.4 above be approved.

Background papers: contact: Claire Fox

Nil

Adrian Stanfield
Director of Central Services and Monitoring Officer

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Questions from the public pursuant to Council Procedure Rule No 5.6

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Questions from Members pursuant to Council Procedure Rule No 5.5

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Leader's Announcements

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Meeting	Page Nos in Minute Book	Recommendations to Council
27 October: Area 1 Planning Committee - Minute Numbers: AP1 16/20 - 27	5 – 12	
1 November: Council - Minute Numbers: C 16/62 - 76	13 – 18	
9 November: Area 2 Planning Committee - Minute Numbers: AP2 16/64 - 73	19 – 22	
29 November: Licensing and Appeals Committee - Minute Numbers: LA 16/90 - 96	23 – 24	LA 16/92 and 93
1 December: Area 1 Planning Committee - Minute Numbers: AP1 16/28 - 33	25 – 28	
14 December: Area 2 Planning Committee - Minute Numbers: AP2 16/74 - 84	29 – 34	
15 December: Licensing and Appeals Panels (x 8) - Minute Numbers: LA 16/97 - 120	35 – 50	
5 January: Area 3 Planning Committee - Minute Numbers: AP3 17/1 - 6	51 – 54	
16 January: Joint Standards Committee - Minute Numbers: ST 17/1 – 5	55 – 56	
19 January: Area 1 Planning Committee - Minute Numbers: AP1 17/1 - 6	57 – 60	
23 January: Audit Committee - Minute Numbers: AU 17/1 - 15	61 – 66	
24 January: Overview and Scrutiny Committee - Minute Numbers: OS 17/1 - 7	67 – 70	
25 January: Area 2 Planning Committee - Minute Numbers: AP2 17/1 - 7	71 – 76	
31 January: Cabinet - Minute Numbers: CB 17/1 - 17	77 – 82	CB 17/3, 4, 5 and 6
Cabinet Decision Notices - D160082 – D160089	83 – 106	

- D170001 – D170009		
2 February: Area 3 Planning Committee - Minute Numbers: AP3 17/7 -	To follow	
9 February: Cabinet - Minute Numbers: CB 17/18 -	To follow	
Cabinet Decision Notices - D170010 -	To follow	

NOTE: These minutes include the following proposals from the Cabinet in relation to the Council's budget and policy framework:

Risk Management Strategy (Minute CB 17/4)

Treasury Management and Annual Investment Strategy (Minute CB 17/5)

Setting the Budget for 2017/18

Setting the Council Tax 2017/18

Item LA 16/92 referred from Licensing and Appeals Committee minutes of 29 November 2016

LA 16/92 DELEGATION OF FILM CLASSIFICATION

The Committee was reminded that all films for public exhibition on licensed premises must be classified by either the British Board of Film Classification (BBFC) or the Licensing Authority under powers contained in the Licensing Act 2003 and the report set out details of a proposal to delegate authority for the classification of films from the Licensing Committee to the Director of Central Services and Monitoring Officer.

RECOMMENDED: That the Director of Central Services be granted the authority to classify films.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

LICENSING & APPEALS COMMITTEE

29 November 2016

Report of the Director of Central Services and Monitoring Officer

Part 1- Public

Matters for Recommendation to Council

1 DELEGATION OF FILM CLASSIFICATION

1.1 Overview

1.1.1 To propose that authority for the classification of films be delegated to the Director of Central Services.

1.1.2 The public exhibition of all films on licensed premises must either be classified by the British Board of Film Classification (BBFC) or authorised by the Licensing Authority under the powers of the Licensing Act 2003.

1.1.3 It is usual for most films to be released across the Country and therefore be classified by the BBFC; however the Licensing Authority may be required to classify a film that has not been classified by the BBFC. A typical example of this would be a locally made film to be shown at a film festival within the Borough.

Background

1.1.4 Over the last 18 months Tonbridge & Malling Borough Council have been asked to classify one small budget films, both of which were made in the local area The Licensing and Appeals Committee carried out this function on this occasion.

1.1.5 This has proved to be time consuming and often difficult to find a convenient time for all Licensing and Appeals Committee members to meet at relatively short notice.

1.1.6 In the Council's constitution Licensing and Appeals Committee has the power "to classify films". It is therefore recommended that the authority to classify films be delegated to the Director of Central Services.

1.1.7 A copy of The British Board of Film Classification (BBFC) "Age Ratings You Trust" guidelines is shown at **Annex 1**

1.2 Legal Implications

1.2.1 Section 20 of the Licensing Act 2003 provides that a mandatory condition shall be applied to all premises licences that authorise the exhibition of films. This relates to the restriction on the admission of children (defined in Licensing Act 2003 as "persons aged under 18") to the exhibition of any film to either the film classification recommended by the BBFC or classification recommended by the Licensing Authority.

1.2.2 Under the Licensing Act 2003, the Licensing Authority must carry out its functions with a view to promoting the licensing objectives. The objectives are:

- The prevention of crime and disorder
- Public safety
- Prevention of public nuisance
- Protection of children from harm

1.2.3 In terms of film exhibitions, clearly the most relevant licensing objective is the protection of children from harm. There may, however, be instances where there could be a case for relying on the prevention of crime and disorder objective, although evidence would have to be produced that a particular film would lead to crime and disorder.

1.3 Financial and Value for Money Considerations

1.3.1 Tonbridge & Malling Borough Council does not have a fee in place for Film Classification.

1.4 Risk Assessment

1.4.1 The classification of films ensures that unclassified and inappropriate films will not be shown to the wrong age group.

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 Recommendations

1.6.1 Licensing and Appeals Committee delegate authority for the classification of films to the Director of Central Services.

Background papers:

Nil

contact:
Anthony Garnett 6151

Adrian Stanfield
Director of Central Services and Monitoring Officer

bbfc

Age Ratings You Trust

Guidelines

Introduction

The British Board of Film Classification (BBFC) is an independent, non-governmental, not-for-profit, co-regulatory body. We are funded through fees charged to those who submit films and video works for classification.

We classify:

- films, trailers and advertisements on behalf of local authorities who license cinemas
- video works under the Video Recordings Act 1984
- video works which are distributed over the internet under a voluntary, self-regulatory service
- commercial and internet content distributed via mobile networks under a voluntary, self-regulatory service

Our Classification Guidelines follow extensive public consultation, as well as other research, expert advice and our accumulated experience over many years. The Guidelines, and our practice in applying them, pay particular attention to changes in public taste, attitudes and concerns, and changes in the law. They also take account of new evidence from research or expert sources. The Guidelines are reviewed periodically, and how we apply them is reviewed when necessary.

We take responsibility for the Guidelines and for their interpretation. This responsibility is subject to normal considerations of fairness and reasonableness.

Here, and throughout the Guidelines, video works are taken to include films and programmes released on DVD or Blu-ray, or distributed by means of download or streaming on the internet.

The Guidelines cannot be a comprehensive account of everything that may at any time be of concern. If issues arise which are not specifically covered here, they will be dealt with by us on their merits and in line with the standards expressed and implied in these Guidelines. The Guidelines are not a legal document and should be interpreted in the spirit of what is intended as well as in the letter.

We will provide guidance on the interpretation of these Guidelines on request.

Guiding Principles

Our guiding principles are:

- to protect children and vulnerable adults from potentially harmful or otherwise unsuitable media content
- to empower consumers, particularly parents and those with responsibility for children, to make informed viewing decisions

We fulfil these roles by providing age classifications and publishing advice (known as BBFCinsight) for individual films and videos. We do this without infringing the right of adults to choose what they view provided that it remains within the law and is not potentially harmful. We seek to ensure that films and videos reach the widest audience that is appropriate for their theme and treatment.

Media effects research and expert opinion on issues of suitability and harm can be inconclusive or contradictory. In such cases we must rely on our own experience and expertise to make a judgement as to the suitability of a work for classification at a particular age category, taking into consideration whether the availability of the material, to the age group concerned, is clearly unacceptable to broad public opinion. Our extensive research into public opinion guides us as we seek to ensure that classification decisions generally reflect public sensibilities and expectations as these change over time.

In relation to harm, we will consider whether the material, either on its own, or in combination with other content of a similar nature, may cause any harm at the category concerned. This includes not just any harm that may result from the behaviour of potential viewers, but also any moral harm that may be caused by, for example, desensitising a potential viewer to the effects of violence, degrading a potential viewer's sense of empathy, encouraging a dehumanised view of others, suppressing pro-social attitudes, encouraging anti-social attitudes, reinforcing unhealthy fantasies, or eroding a sense of moral responsibility. Especially with regard to children, harm may also include retarding social and moral development, distorting a viewer's sense of right and wrong, and limiting their capacity for compassion.

We will not classify material which is in conflict with the criminal law, or has been created through the commission of a criminal offence.

We act as a regulator across the United Kingdom. However, the United Kingdom does not have a single legal system, and so we take account of the different legal systems that coexist in the UK. Further details about the applicable legislation can be found in the Annexe.

General Classification Considerations

There are general factors that may influence a classification decision at any level and in connection with any issue. These factors are of particular importance when a work lies on the borderline between two age categories.

Context

Context is central to the question of acceptability of film and video content. When considering context therefore, we take into account issues such as public expectation in general and the expectations of a work's audience in particular.

We consider the context in which an issue (such as sex, language or violence) is presented within a film or video. In doing this we take account of factors such as the setting of a work (historical, fantasy, realistic, contemporary); the manner of presentation (for example, an aggressive and directed use of bad language may result in a higher classification than a light-hearted and self-referential use of the same term); the apparent intention of the film; the original production date of the work (for example, outdated attitudes might be considered less offensive, and consequently classified at a lower category, in an old, obviously dated, work); and any special merits of the work.

Theme

Classification decisions will take into account the theme of a work, but will depend significantly on the treatment of that theme, and especially the sensitivity of its presentation. The most challenging themes (for example, drug misuse, sexual violence, paedophilia, racial hatred or violence) are unlikely to be appropriate at the most junior levels of classification. However, there is no reason in principle why most themes, however difficult, could not be presented in a manner which allows classification at 18 or even, where suitable, at lower levels.

Tone and impact

The overall tone of a work may also affect the classification decision. While the presentation of specific issues, such as sex and violence, may not be problematic at a particular category, a work with a dark or unsettling tone may receive a higher classification. Other tonal considerations which might have an influence on classification include the extent to which the work presents a despairing view of the world or the extent to which transgressive or harmful behaviour is condoned or made to appear normal.

We take into account the impact of a work (i.e. how it makes the audience feel), for example in relation to horror films where threat may be more significant than the level of violence.

Specific Classification Considerations

This section of the Guidelines identifies concerns which apply, to a greater or a lesser degree, at all classification levels, and sets out the general approach that we take. The concerns are listed in alphabetical order.

Pages 12 to 24 of the Guidelines provide specific guidance for U through to R18 with regard to such concerns. This should be read together with the General Classification Considerations.

Discrimination

Potentially offensive content relating to matters such as race, gender, religion, disability or sexuality may arise in a wide range of works, and the classification decision will take account of the strength or impact of their inclusion. The context in which such content may appear also has a bearing. Works with such content may receive a lower category where discriminatory language and behaviour is implicitly or explicitly criticised; or the work as a whole seeks to challenge such attitudes; or the work is obviously dated, with little or no appeal to children.

Drugs

No work taken as a whole may promote the misuse of drugs and any detailed portrayal of drug misuse likely to promote the activity may be cut. Works which normalise or glamorise drug misuse are likely to receive a higher classification than works which show drug misuse while emphasising the dangers.

Where smoking, alcohol abuse or substance misuse feature to a significant extent in works which appeal to children, this will normally be indicated in BBFCinsight. Classification decisions will also take into account any promotion or glamorisation of such activities.

Imitable behaviour

Classification decisions will take into account any detailed portrayal of criminal and violent techniques, and glamorisation of easily accessible weapons, such as knives. Works which portray anti-social behaviour (for example, bullying) uncritically are likely to receive a higher classification. Works which, taken as a whole, actively promote illegal behaviour may be cut or refused a classification.

Portrayals of potentially dangerous behaviour (especially relating to hanging, suicide and self-harm) which children and young people may potentially copy, will be cut if a higher classification is not appropriate.

Language

Language which people may find offensive includes the use of expletives with a sexual, religious or racial association, derogatory language about minority groups and commonly understood rude gestures. The extent of offence may vary according to age, gender, race, background, beliefs and expectations brought by viewers to the work as well as the context in which the word, expression or gesture is used.

For these reasons, it is impossible to set out comprehensive lists of words, expressions or gestures which are acceptable at each category. The advice at different classification levels, therefore, provides general guidance taking account of the views expressed in public consultation exercises.

Nudity

Nudity with no sexual context is in principle acceptable at all classification levels, but will not generally occur more than occasionally at U.

Nudity with a sexual context will receive a higher classification. Strong detail in such a context will usually only be passed at the adult categories (18 or R18).

Sex

The portrayal of sexual activity can range from kissing to detail of unsimulated sex. The normalisation of overtly sexualised behaviour is a concern at the junior categories. The classification system allows progressively stronger portrayals of sexual behaviour as the categories rise.

Sex works (works whose primary purpose is sexual arousal or stimulation) will normally only be passed at the adult categories. Sex works which only contain sex which may be simulated will usually be passed at 18. The R18 category is suitable for sex works containing clear images of real sex, strong fetish material, sexually explicit animated images, or other very strong sexual images. R18 video works may be supplied only in licensed sex shops which no one under 18 may enter. R18 films may be shown only in specially licensed cinemas.

We will apply these Guidelines in relation to sex to the same standard regardless of sexual orientation of the activity portrayed.

Threat

Where films are targeted at a younger audience, classification decisions will take into account factors such as the frequency, length and detail of scary or otherwise unsettling scenes as well as factors such as the impact of music and sound, and whether there is a swift and reassuring outcome.

The classification of threat and horror will take account of the general tone, impact, realism and supernatural elements of a work as well as the level of detail in individual scenes. Fantasy settings may be a mitigating factor.

Violence

Classification decisions will take account of the degree and nature of violence in a work.

Works which feature the following are likely to receive higher classifications:

- portrayal of violence as a normal solution to problems
- heroes who inflict pain and injury
- callousness towards victims
- the encouragement of aggressive attitudes
- characters taking pleasure in pain or humiliation
- the glorification or glamorisation of violence

Sadistic or sexual violence is likely to receive a higher classification. Any depiction of sadistic or sexual violence which is likely to pose a harm risk will be subject to intervention through classification, cuts or even, as a last resort, a refusal to classify.

We may refuse to classify content which makes sexual or sadistic violence look appealing or acceptable, reinforces the suggestion that victims enjoy sexual violence, or invites viewer complicity in sexual violence or other harmful violent activities.

We are also unlikely to classify content which is so demeaning or degrading to human dignity (for example, it consists of strong abuse, torture or death without any significant mitigating factors) that it may pose a harm risk.

Other Matters

Education videos

When classifying an education video, including a sex education video, for use in schools, we will take account of the educational purpose of the video and the context in which it is to be viewed (for example in the classroom mediated by a teacher).

Music videos

The classification of a music video will take account of any elements which are of concern to parents, including glamorisation of behaviour which they consider inappropriate. Where music videos are short and self-contained, material may be less likely to be justified by context.

Photo or pattern sensitivity, motion sickness and reactions to low frequency sound

A small number of viewers are sensitive to flashing and flickering light, or some shapes and patterns, and may experience seizures or other serious physical effects. Some viewers experience feelings of motion sickness or other symptoms when viewing works which feature hand held or otherwise moving camerawork, or which feature very low frequency sounds.

It is the responsibility of film makers and distributors to identify works in which such issues arise and to ensure that, when required, appropriate warnings are given to viewers. However, if it is obvious during viewing that the work contains strong examples of such imagery or sounds, we will advise the distributor of the need to ensure that appropriate warnings are in place. Where necessary, we may require assurances regarding the display of appropriate warnings as a condition of classification.

Release format

Classification decisions may be stricter on video works than on film. This is because of the increased possibility of under-age viewing as recognised in the Video Recordings Act (see Annexe), as well as the increased possibility of works being replayed or sections viewed out of context. Accordingly, a video work (either packaged or online) may occasionally receive a higher classification than on film, or require new or different cuts. (Video works may also receive a higher classification because they contain additional content.)

The screen format or visual presentation of a submission may also alter a classification, for example, if the image has been processed in the 3D format or is shown with an altered aspect ratio such as on an IMAX screen.

Titles

We will require changes as a condition of classification if the title of a work incites racial or religious hatred, or other criminal behaviour, or encourages an interest in abusive or illegal sexual activity.

If the title of a work is likely to cause significant offence to a significant number of people if displayed in a public place, we will advise the distributor to consider carefully the places in which it is likely to be seen and to take appropriate action, for example, by obscuring certain words on packaging or marketing materials. (This advice is not given in relation to video works classified R18 as such works may only be supplied or offered for supply in a licensed sex shop.) Where necessary, assurances on public display of the full title, or changes to the title, may be required as a condition of classification.

Trailers and advertisements

Audiences may choose to see a full-length feature based on expectations of the particular genre at the given classification and on the published BBFCinsight. In contrast, audiences have no choice, and often no expectation, about the accompanying trailers or advertisements which may be very different in tone and content to the film the audience has chosen to view. In addition, because trailers and advertisements are short and self-contained, material is less likely to be justified by context and more likely to cause offence.

For these reasons, classification decisions for trailers and advertisements may be more restrictive than for equivalent material in a main feature. Strong language will not be allowed in trailers at the U, PG and 12A/12 categories.

The more restrictive approach set out above may be relaxed where an advertisement is part of a public information campaign or has a charitable purpose.

Cinemas are responsible for the exhibition of cinema trailers and advertisements, and we have no involvement in deciding which films they precede. Questions or complaints about the exhibition of trailers or advertisements should be directed to the cinema management in the first instance.

Video games

With a few limited exceptions we do not classify video games. We consider for classification those video games contained on discs which feature primarily linear video content and pornographic video games which include for example:

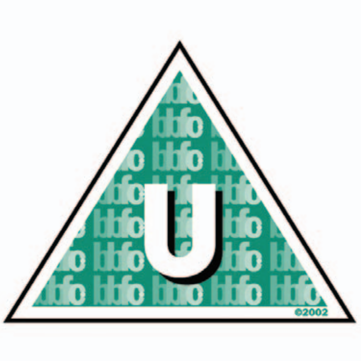
- images of unsimulated human sexual activity involving genitals or anus
- sexual fetish material, including bondage or sadomasochistic activity, urination and other bodily functions
- material likely to encourage an interest in sexually abusive activity
- the portrayal of sexual activity which involves lack of consent whether real or simulated
- sexual threats, humiliation or abuse
- penetration by any object associated with violence or likely to cause physical harm
- images of sexual activity with animals

whether such images or material are of real events or activity or are animated.

We also advise the Games Rating Authority on the classification of linear video footage contained in games which is not integral to the game. This includes, for example, rewards and video content in games which is designed to be viewed in its own right, without taking forward the narrative drive of the game.

The Classification Categories

We endeavour to classify submitted works in one of the following categories:



The following pages set out guidance on how the specific classification considerations (for example, sex and violence) are specifically applied from U through to R18. The criteria should be read in combination with the general approach set out earlier under 'Guiding Principles', 'General Classification Considerations' and 'Specific Classification Considerations'.

Because works from time to time present issues in ways which cannot be anticipated, these criteria will not be applied in an over-literal way if such an interpretation would lead to an outcome which would confound audience expectations.

U Universal – Suitable for all

A U film should be suitable for audiences aged four years and over, although it is impossible to predict what might upset any particular child. U films should be set within a positive framework and should offer reassuring counterbalances to any violence, threat or horror.

If a work is particularly suitable for pre-school children, this will be indicated in the BBFCinsight.

Discrimination

Discriminatory language or behaviour is unlikely to be acceptable unless clearly disapproved of.

Drugs

References to illegal drugs or drug misuse must be infrequent and innocuous, or have a clear educational purpose or anti-drug message suitable for young children.

Imitable behaviour

Potentially dangerous or anti-social behaviour which young children may copy must be clearly disapproved of. No emphasis on realistic or easily accessible weapons.

Language

Infrequent use only of very mild bad language.

Nudity

Occasional nudity, with no sexual context.

Sex

Only very mild sexual behaviour (for example, kissing) and references to such behaviour.

Threat

Scary or potentially unsettling sequences should be mild, brief and unlikely to cause undue anxiety to young children. The outcome should be reassuring.

Violence

Violence will generally be very mild. Mild violence may be acceptable if it is justified by context (for example, comedic, animated, wholly unrealistic).

PG Parental Guidance – General viewing, but some scenes may be unsuitable for young children

A PG film should not unsettle a child aged around eight or older. Unaccompanied children of any age may watch, but parents are advised to consider whether the content may upset younger, or more sensitive, children.

Discrimination
Discriminatory language or behaviour is unlikely to be acceptable unless clearly disapproved of, or in an educational or historical context, or in a particularly dated work with no likely appeal to children. Discrimination by a character with whom children can readily identify is unlikely to be acceptable.

Drugs
References to illegal drugs or drug misuse must be innocuous or carry a suitable anti-drug message.

Imitable behaviour
No detail of potentially dangerous behaviour which young children are likely to copy, if that behaviour is presented as safe or fun. No glamorisation of realistic or easily accessible weapons such as knives. No focus on anti-social behaviour which young children are likely to copy.

Language
Mild bad language only. Aggressive or very frequent use of mild bad language may result in a work being passed at a higher category.

Nudity
There may be nudity with no sexual context.

Sex
Sexual activity may be implied, but should be discreet and infrequent. Mild sex references and innuendo only.

Threat
Frightening sequences or situations where characters are in danger should not be prolonged or intense. Fantasy settings may be a mitigating factor.

Violence
Violence will usually be mild. However there may be moderate violence, without detail, if justified by its context (for example, history, comedy or fantasy).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12A/12 – Suitable for 12 years and over

Films classified 12A and video works classified 12 contain material that is not generally suitable for children aged under 12.

No one younger than 12 may see a 12A film in a cinema unless accompanied by an adult. Adults planning to take a child under 12 to view a 12A film should consider whether the film is suitable for that child. To help them decide, we recommend that they check the BBFCinsight for that film in advance.

No one younger than 12 may rent or buy a 12 rated video work.

Discrimination

Discriminatory language or behaviour must not be endorsed by the work as a whole. Aggressive discriminatory language or behaviour is unlikely to be acceptable unless clearly condemned.

Drugs

Misuse of drugs must be infrequent and should not be glamorised or give instructional detail.

Imitable behaviour

No promotion of potentially dangerous behaviour which children are likely to copy. No glamorisation of realistic or easily accessible weapons such as knives. No endorsement of anti-social behaviour.

Language

There may be moderate language. Strong language may be permitted, depending on the manner in which it is used, who is using the language, its frequency within the work as a whole and any special contextual justification.

Nudity

There may be nudity, but in a sexual context it must be brief and discreet.

Sex

Sexual activity may be briefly and discreetly portrayed. Moderate sex references are permitted, but frequent crude references are unlikely to be acceptable.

Threat

There may be moderate physical and psychological threat and horror sequences. Although some scenes may be disturbing, the overall tone should not be. Horror sequences should not be frequent or sustained.

Violence

There may be moderate violence but it should not dwell on detail. There should be no emphasis on injuries or blood, but occasional gory moments may be permitted if justified by the context.

Sexual violence may only be implied or briefly and discreetly indicated, and its depiction must be justified by context.

15 – Suitable only for 15 years and over

No one younger than 15 may see a 15 film in a cinema. No one younger than 15 may rent or buy a 15 rated video work.

Discrimination
The work as a whole must not endorse discriminatory language or behaviour, although there may be racist, homophobic or other discriminatory themes and language.

Drugs
Drug taking may be shown but the work as a whole must not promote or encourage drug misuse (for example, through instructional detail). The misuse of easily accessible and highly dangerous substances (for example, aerosols or solvents) is unlikely to be acceptable.

Imitable behaviour
Dangerous behaviour (for example, hanging, suicide and self-harming) should not dwell on detail which could be copied. Whether the depiction of easily accessible weapons is acceptable will depend on factors such as realism, context and setting.

Language
There may be strong language. Very strong language may be permitted, depending on the manner in which it is used, who is using the language, its frequency within the work as a whole and any special contextual justification.

Nudity
There are no constraints on nudity in a non-sexual or educational context. There may be nudity in a sexual context but usually without strong detail.

Sex
Sexual activity may be portrayed, but usually without strong detail. There may be strong verbal references to sexual behaviour, but the strongest references are unlikely to be acceptable unless justified by context. Works whose primary purpose is sexual arousal or stimulation are unlikely to be acceptable.

Threat
There may be strong threat and horror. A sustained focus on sadistic or sexual threat is unlikely to be acceptable.

Violence
Violence may be strong but should not dwell on the infliction of pain or injury. The strongest gory images are unlikely to be acceptable. Strong sadistic violence is also unlikely to be acceptable.

There may be detailed verbal references to sexual violence but the depiction of sexual violence must be discreet and justified by context.

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18 – Suitable only for adults

No one younger than 18 may see an 18 film in a cinema. No one younger than 18 may rent or buy an 18 rated video work.

Adults should be free to choose their own entertainment. Exceptions are most likely in the following areas:

- where the material is in breach of the criminal law, or has been created through the commission of a criminal offence
- where material or treatment appears to us to risk harm to individuals or, through their behaviour, to society. For example, the detailed portrayal of violent or dangerous acts, or of illegal drug use, which may cause harm to public health or morals. This may include portrayals of sadistic or sexual violence which make this violence look appealing; reinforce the suggestion that victims enjoy sexual violence; or which invite viewer complicity in sexual violence or other harmful violent activities
- where there are more explicit images of sexual activity in the context of a sex work (see below) or where the primary purpose of the images in question is sexual arousal

In the case of video works, which may be more accessible to younger viewers, intervention may be more frequent than for cinema films.

Sex education at 18

Where sex material genuinely seeks to inform and educate in matters such as human sexuality or safer sex and health, explicit images of sexual activity may be permitted.

Sex works at 18

Sex works are works whose primary purpose is sexual arousal or stimulation. Sex works containing only material which may be simulated are generally passed 18. Sex works containing clear images of real sex, strong fetish material, sexually explicit animated images, or other very strong sexual images will be confined to the R18 category. Material which is unacceptable in a sex work at R18 is also unacceptable in a sex work at 18.

R18 - To be shown only in specially licensed cinemas, or supplied only in licensed sex shops, and to adults only

The R18 category is a special and legally-restricted classification primarily for explicit works of consenting sex or strong fetish material involving adults. Films may only be shown to adults in specially licensed cinemas, and video works may be supplied to adults only in licensed sex shops. R18 video works may not be supplied by mail order.

The following content is not acceptable:

- material which is in breach of the criminal law, including material judged to be obscene under the current interpretation of the Obscene Publications Act 1959 (see Annexe)
- material (including dialogue) likely to encourage an interest in sexually abusive activity which may include adults role-playing as non-adults
- the portrayal of sexual activity which involves real or apparent lack of consent. Any form of physical restraint which prevents participants from indicating a withdrawal of consent
- the infliction of pain or acts which may cause lasting physical harm, whether real or (in a sexual context) simulated. Some allowance may be made for moderate, non-abusive, consensual activity
- penetration by any object associated with violence or likely to cause physical harm
- sexual threats, humiliation or abuse which do not form part of a clearly consenting role-playing game. Strong physical or verbal abuse, even if consensual, is unlikely to be acceptable

These Guidelines will be applied to the same standard regardless of sexual orientation of the activity portrayed.


XXX

Advice Viewings

A customer may submit works for advice at any stage of the production process.

We will inform them of the likely classification a work will receive, and where appropriate any changes required to achieve the customer's preferred classification. However advice given in such circumstances is not binding and we reserve the right to reach a different decision when the final version of the work is submitted formally for classification. If the final version of the work submitted for classification differs in any significant respect from that seen for advice, and if those changes appear to reflect advice we have given, then details of the changes will appear on our website.

Intervention

Where possible we will carry out our responsibilities through appropriate use of the classification categories, particularly in order to protect children from any potential harm. If necessary, however, we may cut or even refuse to classify a film or video work.

In some cases, we require assurances, cuts or other changes (for example, the addition of warning captions) as a condition of classification, or as a condition of classifying at a particular category. In some circumstances we may refuse to classify a work at any category. We publish details of all interventions on our website.

Cuts for category

If the submitted work is suitable for classification, but only at a category higher than that requested by the customer, we will consider whether a lower category could be achieved through relatively minor or simple changes. If so, we may offer the customer a choice of accepting either the higher or lower category (the latter with defined changes as necessary).

Cuts for category are unlikely to be available if the required changes would be very extensive or complex, or would not address for example, a tonal or thematic issue running throughout the work.

Compulsory cuts

If a submitted work raises issues or concerns that cannot be addressed by classification at a particular age category, we may require cuts or other changes as a condition of classification. Such intervention is most likely when the submitted work contains:

- material which may promote criminal activity
- material which is obscene or otherwise illegal
- material created by means of the commission of a criminal offence
- portrayals of children in a sexualised or abusive context

- material which makes sexual or sadistic violence look normal, appealing, or arousing
- graphic images of real injury, violence or death presented in a salacious or sensationalist manner which risks harm by encouraging callous or sadistic attitudes
- material which reinforces the suggestion that victims enjoy sexual violence
- material which invites viewer complicity in sexual violence or other harmful violent activities
- sex works which contain material listed as unacceptable at R18

When the issue relates to the circumstances of filming (for example, in relation to animal cruelty or public indecency) the customer will normally be given an opportunity to present evidence before a final decision is reached.

Refusal to classify

As a last resort, the BBFC may refuse to classify a work, in line with the objective of preventing non-trivial harm risks to potential viewers and, through their behaviour, to society. We may do so, for example, where a central concept of the work is unacceptable, such as a sustained focus on sexual or sadistic violence. Before refusing classification we will consider whether the problems could be adequately addressed through intervention such as cuts. In deciding whether to refuse to classify, we will keep in mind the inherent difficulty of using behavioural research to draw conclusions about real world risks, and will have regard to the full range of available evidence, including the views of the public and our own knowledge and experience.

Appeals

We offer a formal reconsideration procedure which is open to any customer dissatisfied with the determination made in respect of their work. The reconsideration is free of charge and will normally take fewer than 10 working days.

A customer may also appeal directly to an independent authority. Such an appeal may take place following, or instead of, our reconsideration. In the case of films, the customer (or any member of the public) may address itself to the local authority which licenses cinemas in a particular area. In the case of video works a customer may appeal to the Video Appeals Committee. The VAC is independent of the BBFC and can be contacted by post at **VAC, PO Box 6949, London, W1A 3TZ** or by email at **enquiries@vacappeal.co.uk**

Customers should note that a reconsideration or an appeal involves looking at the issues afresh. This means that the outcome could, in some circumstances, be more restrictive than the original determination.

Engagement with the Public

As part of our role we provide consumers, particularly parents, with as much information as possible to enable them to make a fully informed decision about what they will view. We therefore publish detailed information about the content of every film we classify. This is called BBFCinsight.

BBFCinsight consists of the following:

- short content advice on film posters, some film advertising and video packaging, for example:

- more detailed information, aimed particularly at parents, found on our website and free App

BBFCinsight is a short description of the issues found in a film or video work. It explains why an individual title received a particular classification. It highlights the key issues in a film, and gives examples of the content in the film, avoiding where possible any potential plot spoilers.

BBFCinsight also notes any other issues that might be important for parents, or those wishing to take younger viewers to see a film. This may include, for example, themes of divorce or bereavement, a film's overall suitability for family viewing and the likely familiarity of the audience with the film's source material or cast.

We encourage viewers to check BBFCinsight for a clear idea of the issues a work contains.

Websites

BBFC Website - www.bbfc.co.uk
Our website gives detailed information about every classification decision.

The website includes an online version of our Guidelines, detailed information about the different classifications, a library of our research, education tools and resources for use in the classroom and independent study, and a media centre including news and press releases.

Children's BBFC – www.cbbfc.co.uk
This website offers children clear information about how age classifications work and our role and history. It includes interactive elements, and material especially adapted for younger filmgoers and families.

The site also has an area for adults which contains information about BBFCinsight, the classification categories and details of our education and outreach work (for example, video conferencing) for schools.

BBFC App

We have a free App available to download for iOS and Android devices. It lets users check the latest film and video classifications on the go, along with BBFCinsight.

Twitter

We regularly update our Twitter account, **@BBFC**, with BBFC news and the latest film and video classifications.

Newsletters

We produce regular newsletters for the industry, for those involved in education and for the general public. These give details about recent BBFC classification decisions as well as our resources, workshops and events. To sign up for any of the newsletters visit **www.bbfc.co.uk**.

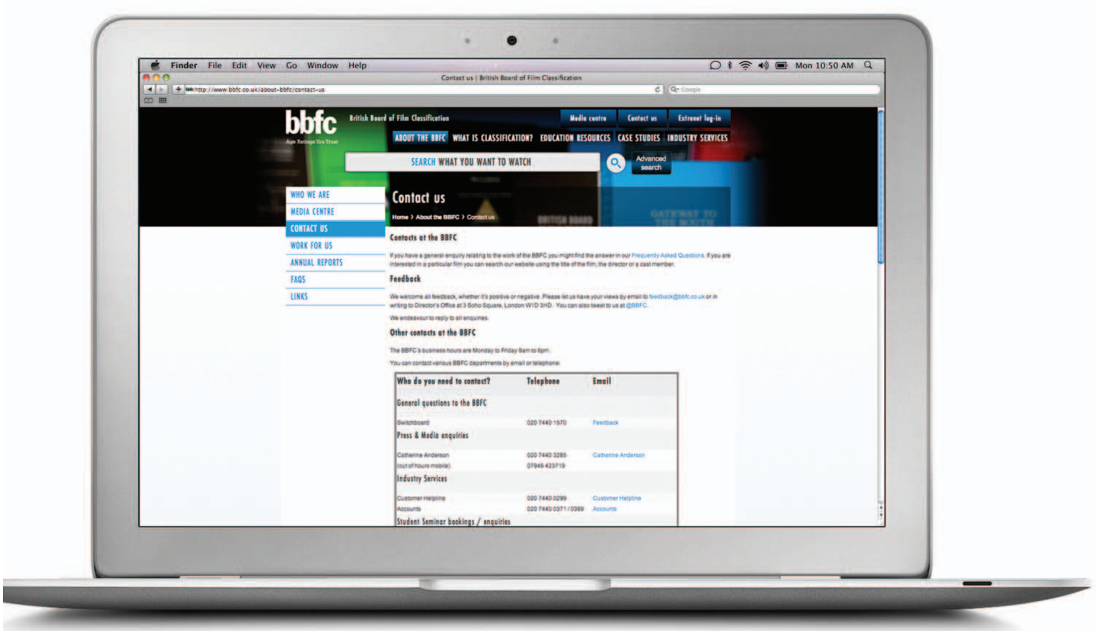
Podcasts

We produce themed podcasts which feature guest interviews, discussion of recent decisions and current classification issues. The podcasts can be downloaded from the website.

Feedback

We welcome all feedback, whether positive or negative, and any comments can be sent to **feedback@bbfc.co.uk**, or in writing to the **Director's Office, BBFC, 3 Soho Square, London, W1D 3HD**.

For further details see the 'Contact Us' page on **www.bbfc.co.uk**



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Annexe

Legal Considerations

The following legislation is not listed according to chronology or importance. Instead, it reflects a useful way of explaining the structure of the legal framework that applies to our work.

The Licensing Act 2003 – England and Wales

Cinemas (Northern Ireland) (Order 1991) – Northern Ireland

Cinemas Act 1985 – Scotland

Cinemas require a licence from the local authority in which they operate. The licence must include a condition requiring the admission of children (anyone under 18) to any film to be restricted in accordance with our recommendations or those of the licensing authority. One of the key reasons for the licensing requirement is the protection of children, including from potentially harmful content in films.

The Video Recordings Act 1984

Video works (including films, TV programmes and some video games) which are supplied on a disc, tape or any other device capable of storing data electronically must have a BBFC classification unless they fall within the definition of an exempted work.

When considering whether to award a certificate to a work, or whether a work is suitable at a particular category, we are required by the Act to have special regard to the likelihood of works being viewed in the home, and to any harm that may be caused to potential viewers or, through their behaviour, to society by the manner in which the work deals with:

- criminal behaviour
- illegal drugs
- violent behaviour or incidents
- horrific behaviour or incidents
- human sexual activity

In considering these issues we have in mind the possible effect not only on children but also on other vulnerable people.

The Obscene Publications Act 1959 & 1964 – England and Wales

The Obscene Publications Act 1857 – Northern Ireland

The Civic Government (Scotland) Act 1982 – Scotland

It is illegal to publish a work which is obscene. A work is obscene if, taken as a whole, it has a tendency to deprave and corrupt a significant proportion of those likely to see it. Under the Obscene Publications Act 1959, no offence is committed if publication is justified as being for the public good on the grounds that it is in the interests of science, art, literature or learning or other objects of general concern.

In Scotland, case law implies a similar test would be applied. In Northern Ireland, while there is no express defence of "public good" it is likely that English law would be taken into consideration.

Criminal Justice and Immigration Act 2008 – England, Northern Ireland and Wales

Criminal Justice and Licensing (Scotland) Act 2010 / Civic Government (Scotland) Act 1982 – Scotland

It is illegal to be in possession of an extreme pornographic image. Under the Criminal Justice and Immigration Act 2008 an extreme pornographic image is one which is pornographic and grossly offensive, disgusting or otherwise of an obscene character, which features an apparently real person, and which portrays, in an explicit and realistic way, an act which:

- threatens a person's life
- results, or is likely to result, in serious injury to a person's anus, breasts or genitals
- involves sexual interference with a human corpse
- involves bestiality

In Scotland, the Civic Government (Scotland) Act 1982, includes as "extreme" for the purpose "an act which takes or threatens a person's life" and "rape or other non-consensual penetrative activity".

Works we classify under the Video Recordings Act are excluded from the scope of the offence across the UK.

The Protection of Children Act 1978 – England and Wales

Protection of Children (Northern Ireland) Order 1978 – Northern Ireland

Civic Government (Scotland) Act 1982 – Scotland

It is illegal to make, distribute, show or possess indecent photographs or pseudo-photographs of a child. It is also illegal to make, distribute, show or possess indecent images of children which have been derived from a photograph or pseudo-photograph (for example, by tracing). Offences relating to the possession of such images are contained within the Criminal Justice Act 1988 (England, Wales and Scotland), and the Criminal Justice (Evidence, Etc.) (Northern Ireland) Order 1988. A child is defined as a person under the age of 18.

The Coroners and Justice Act 2009 – England, Northern Ireland and Wales

The Criminal Justice and Licensing Act 2010 - Scotland

It is illegal to be in possession of a prohibited image of a child. A prohibited image of a child is a non-photographic or non-pseudo-photographic image which is pornographic and grossly offensive, disgusting, or otherwise of an obscene character, and which focuses solely or principally on a child's genitals or anal region, or which portrays specified sexual acts by, of, or in the presence of a child, including masturbation, oral sex or penetration, including sexual acts with animals. A child is defined as being under 18 and an image of a child or other person can include imaginary representations. Works we classify under the Video Recordings Act are excluded from the scope of the offence unless images have been extracted from such works for the purpose of sexual arousal.

The Sexual Offences Act 2003

It is illegal to expose oneself with intent to cause alarm or distress – this offence augments the common law misdemeanour of indecent exposure. The Act also prohibits a person recording the private act of another, where the intention of the recording is for the sexual gratification of himself or a third party and where the recorded party has not consented to so being filmed.

The Public Order Act 1986 – England, Scotland and Wales

The Public Order (Northern Ireland) Order 1987 – Northern Ireland

It is illegal to distribute, show or play to the public a recording of visual images or sounds which are threatening, abusive or insulting if the intention is to stir up racial hatred or hatred on the grounds of sexual orientation, or if racial hatred or hatred on the grounds of sexual orientation is likely to be stirred up. It is also illegal to distribute, show or play to the public a recording of visual images or sounds which are threatening if the intention is to stir up religious hatred.

In Northern Ireland the relevant group of persons may be defined not only by colour, race, nationality or ethnic or national origins, but also by "religious belief" or "sexual orientation" or "disability".

In Scotland, the communication of material that is threatening and is intended to stir up hatred on religious grounds is an offence under the Offensive Behaviour at Football and Threatening Communications (Scotland) Act 2012.

The Cinematograph Films (Animals) Act 1937

It is illegal to show any scene "organised or directed" for the purposes of the film that involves actual cruelty to animals. This Act applies to the exhibition of films in public cinemas but we also apply the same test to video works. For the purposes of this legislation and The Animal Welfare Act 2006, only vertebrates which are domesticated or otherwise under the control of man are defined as "animals".

The Animal Welfare Act 2006 – England and Wales

The Welfare of Animals Act (Northern Ireland) 2011 – Northern Ireland

The Animal Health and Welfare (Scotland) Act 2006 – Scotland

It is illegal to supply, publish or show or possess with intent to supply a video recording of an "animal fight" that has taken place within the UK since 6 April 2007.

The Tobacco Advertising and Promotion Act 2002

It is illegal, in the course of a business, to publish a tobacco advertisement.

Blasphemy

In Scotland and Northern Ireland, the common law crime of blasphemy exists but has not been utilised for prosecution in modern times. The offences of blasphemy and blasphemous libel under the common law of England and Wales were abolished in The Criminal Justice and Immigration Act 2008.

Human Rights Act 1998

The Act permits such restrictions on freedom of expression as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

Other unlawful material

In carrying out its responsibilities, we will have regard to whether the material itself appears to be unlawful in the United Kingdom, or has arisen from the commission of an unlawful act.

Age Ratings You Trust

British Board of Film Classification
3 Soho Square, London, W1D 3HD
T 020 7440 1570
www.bbfc.co.uk

Item LA 16/93 referred from Licensing and Appeals Committee minutes of 29 November 2016

LA 16/93 POLICY STATEMENT - DISCLOSURE AND BARRING SERVICE

The report of the Director of Central Services and Monitoring Officer set out details of the arrangements required for the secure storage, handling, use, retention and disposal of Disclosures and Disclosure Information received from the Disclosure and Barring Service (DBS) in respect of applications for Hackney Carriage, Private Hire and Dual Driver's Licences.

RECOMMENDED: That the Licensing DBS Policy Statement for Tonbridge and Malling Borough Council in respect to Secure Storage, Handling, Use, Retention and Disposal of Disclosures and Disclosure Information, as set out at Annex 1 to the report, be approved by the Council.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

LICENSING & APPEALS COMMITTEE

29 November 2016

Report of the Director of Central Services and Monitoring Officer

Part 1- Public

Matters for Recommendation to Council

1 Policy statement - for Tonbridge and Malling Borough Council Secure Storage, Handling, Use, Retention and Disposal of Disclosures and Disclosure Information

1.1 Overview

1.1.1 As an organisation using the Disclosure and Barring Service (DBS) to help assess the suitability of an applicant to hold either a hackney carriage private hire or dual drivers licence, Tonbridge and Malling Borough Council (TMBC) complies fully with the DBS Code of Practice regarding the correct handling, use, storage, retention and disposal of disclosures and Disclosure information. TMBC also complies fully with its obligations under the Data Protection Act 1998 and other relevant legislation pertaining to the safe handling, use, storage, retention and disposal of Disclosure information and has a written policy on these matters, which is available to those who wish to see if on request.

Background

1.1.2 Licensing Services processes Disclosure and Barring Service (DBS) Enhanced and Standard disclosures for the following applications:

- Hackney Carriage Driving Licences (Enhanced)
- Private Hire Driving Licences (Enhanced)
- Probationary Private Hire Driving Licences (Enhanced)
- Private Hire Operator Licence (Enhanced)
- Personnel Licences (Basic)
- Scrap Mental Dealers (Basic)

1.1.3 Within the Licensing Team we have two named Counter Signatory officers to counter sign DBS forms who are Anthony Garnett and Katie Rigg. This will grow to three when Leeann Leeds forms have been processed.

1.1.4 The tracking sheet showing form number, applicants date of birth and Certificate Number when issued by the DBS. Tis information is securely stored with two levels of security to access the data.

1.1.5 Applications that are subject of Licensing Hearings are kept in a secure lockable filing cabinet while the application is being processed.

1.1.6 A copy of the Policy Statement is shown at **Annex 1**

1.2 Legal Implications

1.2.1 TMBC also complies fully with its obligations under the Data Protection Act 1998 and other relevant legislation pertaining to the safe handling, use, storage, retention and disposal of Disclosure information and has a written policy on these matters, which is available to those who wish to see if on request.

Hackney Carriage Drivers

1.2.2 Under section 61 of the Local Government (Miscellaneous Provisions) Act 1976 a district council may suspend or revoke or refuse to renew the licence of the driver of a hackney carriage or private hire vehicle on any of the following grounds

(1) that he has since the grant of the licence

(a) been convicted of an offence involving dishonesty, indecency or violence; or

(b) been convicted of an offence under or has failed to comply with the provisions of the Act of 1847 (the Town Police Clauses Act 1847 which applies to hackney carriage drivers only) or of this part of this Act; or

(2) any other reasonable cause.

Private Hire Drivers

1.2.3 Under Section 51 of the Local Government (Miscellaneous Provisions) Act 1976 a district council shall on the receipt of an application from any person for the grant to that person of a licence to drive private hire vehicles, grant to that person a driver's licence:

Provided that a district council shall not grant a licence—

(a) unless they are satisfied that the applicant is a fit and proper person to hold a driver's licence; or

(b) to any person who has not for at least twelve months been authorised to drive a motor car, or is not at the date of the application for a driver's licence so authorised.

A district council may attach to the grant of a licence under this section such conditions as they may consider reasonably necessary.

It shall be the duty of a council by which licences are granted in pursuance of this section to enter, in a register maintained by the council for the purpose, the following particulars of each such licence, namely—

(a) the name of the person to whom it is granted;

(b) the date on which and the period for which it is granted; and

(c) if the licence has a serial number, that number,

and to keep the register available at its principal offices for inspection by members of the public during office hours free of charge.

1.3 Financial and Value for Money Considerations

1.3.1 Failure to comply with the Data Protection Act 1998 may lead to prosecution and fine.

1.4 Risk Assessment

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 Recommendations

1.6.1 Members are requesting Council to approve the Licensing DBS Policy statement - for Tonbridge and Malling Borough Council in respect to Secure Storage, Handling, Use, Retention and Disposal of Disclosures and Disclosure Information.

Background papers:

Nil

contact:
Leeann Leeds - 6368
Anthony Garnett – 6151

Adrian Stanfield
Director of Central Services and Monitoring Officer

Tonbridge and Malling Borough Council Secure Storage, Handling, Use, Retention and Disposal of Disclosures and Disclosure Information

Policy Statement

General principles
As an organisation using the Disclosure and Barring Service (DBS) to help assess the suitability of an applicant to hold either a hackney carriage private hire or dual drivers licence, Tonbridge and Malling Borough Council (TMBC) complies fully with the DBS Code of Practice regarding the correct handling, use, storage, retention and disposal of disclosures and Disclosure information. TMBC also complies fully with its obligations under the Data Protection Act 1998 and other relevant legislation pertaining to the safe handling, use, storage, retention and disposal of Disclosure information and has a written policy on these matters, which is available to those who wish to see if on request.

Storage and access
Disclosure information should be kept securely, in lockable, non-portable, storage containers and with access strictly controlled and limited to those who are entitled to see it as part of their duties.

Handling
In accordance with Section 124 of the Police Act 1997, Disclosure information is only passed to those who are authorised to receive it in the course of their duties. We maintain a record of all those to whom Disclosures or Disclosure information has been revealed and it is a **criminal offence** to pass this information to anyone who is not entitled to receive it.

Usage
Disclosure information is only used for the specific purpose for which it was requested and for which the applicant’s full consent has been given.

Retention
Once a decision has been made, we do not keep Disclosure information for any longer than is necessary. This is generally for a period of up to six months, to allow for the consideration and resolution of any disputes or complaints. If, in very exceptional circumstances, it is considered necessary to keep Disclosure information for longer than six months, we will consult the DBS about this and will give full consideration to the data protection and human rights of the individual before doing so. Throughout this time, the usual conditions regarding the safe storage and strictly controlled access will prevail.

Disposal
Once the retention period has elapsed, we will ensure that any Disclosure information is immediately destroyed by secure means, e.g. by shredding, pulping or burning. While awaiting destruction, Disclosure information will not be kept in any insecure receptacle (e.g. waste bin or confidential waste sack). We will not keep any photocopy or other image of the Disclosure or any copy

of representation of the contents of a Disclosure. However, not withstanding the above, we may keep a record of the date of issue of a Disclosure, the name of the subject, the type of Disclosure requested, the position for which the Disclosure was requested, the unique reference number of the Disclosure and the details of the decision to grant a licence taken.

Item CB 17/3 referred from Cabinet minutes of 31 January 2017

CB 17/3 APPOINTMENT OF EXTERNAL AUDITORS

The report of the Director of Finance and Transformation referred to the identification of the opt-in to a sector led body as the preferred option for the appointment of external auditors when the transitional arrangements came to an end on 31 March 2018 (Minute AU 16/18). Members were advised that the formal invitation to opt-in to the appointing person arrangements made by Public Sector Audit Appointments Limited (PSAA) was received on 27 October 2016 with a closing date of 9 March 2017. A copy of the PSAA prospectus and FAQs were annexed to the report and it was noted that the Audit Committee at its meeting on 23 January 2016 had recommended that the Council opt in to the arrangements.

RECOMMENDED: That the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.
***Referred to Council**

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

Public Sector
Audit Appointments

www.psaa.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

www.psaa.co.uk

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**

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

Public Sector Audit Appointments

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.

Public Sector
Audit Appointments

"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)

www.psaa.co.uk

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.

Public Sector
Audit Appointments

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

www.psaa.co.uk

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.

Public Sector
Audit Appointments

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

Public Sector
Audit Appointments

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

PSAA Ltd
3rd Floor, Local Government House
Smith Square
London SW1P 3HZ

www.psaa.co.uk

Public Sector
Audit Appointments

Appointing person: Frequently asked questions

Question	Response
1. What is an appointing person?	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. The 'appointing person' is sometimes referred to as the sector-led body. 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.
2. When will invitations to opt in be issued?	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.

Public Sector Audit Appointments

Question	Response
	Authorities will have a minimum period of eight weeks to respond to the invitation. 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.
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.

Public Sector
Audit Appointments

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 generalenquiries@psaa.co.uk 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

Public Sector Audit Appointments

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?	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. 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.
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.

Public Sector
Audit Appointments

Question	Response
	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.
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?	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.
14. How will the appointing person scheme ensure audit firms are not over-stretched and that the competition in the market place is increased?	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

Public Sector Audit Appointments

Question	Response
	maintain a dedicated public sector practice with staff trained and experienced in public sector work. 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: • firms have a regional presence; • greater continuity of staff input; and • a better understanding the local political, economic and social environment.
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:

Public Sector
Audit Appointments

Question	Response
	• establish an overall strategy for procurement - by 31 October 2016; • achieve 'sign-up' of scheme members - by early January 2017; • invite tenders from audit firms - by 31 March 2017; • award contracts - by 30 June 2017; • consult on and make final auditor appointments - by 31 December 2017; and • consult on, propose audit fees and publish fees - by 31 March 2018.
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
20. What will be the arrangements for overseeing the quality of audit work undertaken by the audit firms appointed by the appointing person?	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. 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.

Item CB 17/4 referred from Cabinet minutes of 31 January 2017

CB 17/4 RISK MANAGEMENT STRATEGY

The joint report of the Chief Executive and Director of Finance and Transformation presented an updated Risk Management Strategy which had been fully reviewed together with the Risk Management Guidance. Details were given of the main changes to the risk management process which involved identified risks falling in the "red zone" being subject to "escalation" to the relevant service management team, corporate Management Team and subsequently Members as appropriate.

It was noted that the Corporate Risk Register was being updated to align with the recently approved Corporate Strategy and would be presented in due course. The updated Risk Management Strategy had been considered by the Audit Committee at its meeting on 23 January 2017 and commended for adoption.

RECOMMENDED: That

(1) the proposed change to the risk management process detailed at paragraph 1.2.2 of the report be endorsed; and

(2) the Risk Management Strategy set out at Annex 1 to the report be adopted by the Council.
***Referred to Council**

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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

- 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.

Group or Individual	Responsibilities
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

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

	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

CONTENTS **PAGE NUMBER**

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 the 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.

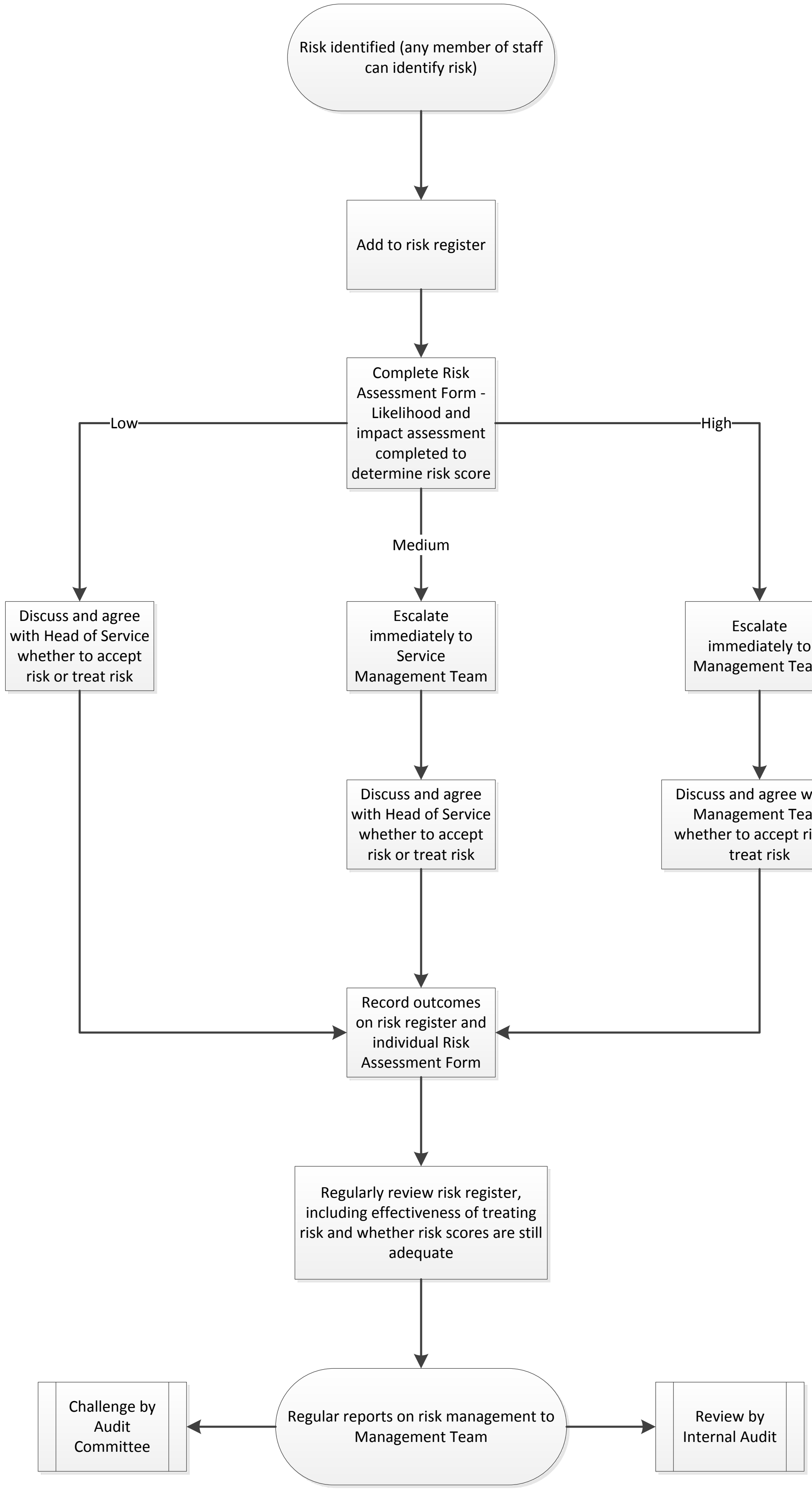
2. Achieving strategy objectives

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.



Risk identified (any member of staff can identify risk)
Add to risk register
Complete Risk Assessment Form - Likelihood and impact assessment completed to determine risk score
Low
Medium
High
Discuss and agree with Head of Service whether to accept risk or treat risk
Escalate immediately to Service Management Team
Escalate immediately to Management Team
Discuss and agree with Head of Service whether to accept risk or treat risk
Discuss and agree within Management Team whether to accept risk or treat risk
Record outcomes on risk register and individual Risk Assessment Form
Regularly review risk register, including effectiveness of treating risk and whether risk scores are still adequate
Challenge by Audit Committee
Regular reports on risk management to Management Team
Review by Internal Audit

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.

Likelihood ☝	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
Impact ☞			Negligible	Marginal	Significant	Critical

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.

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.

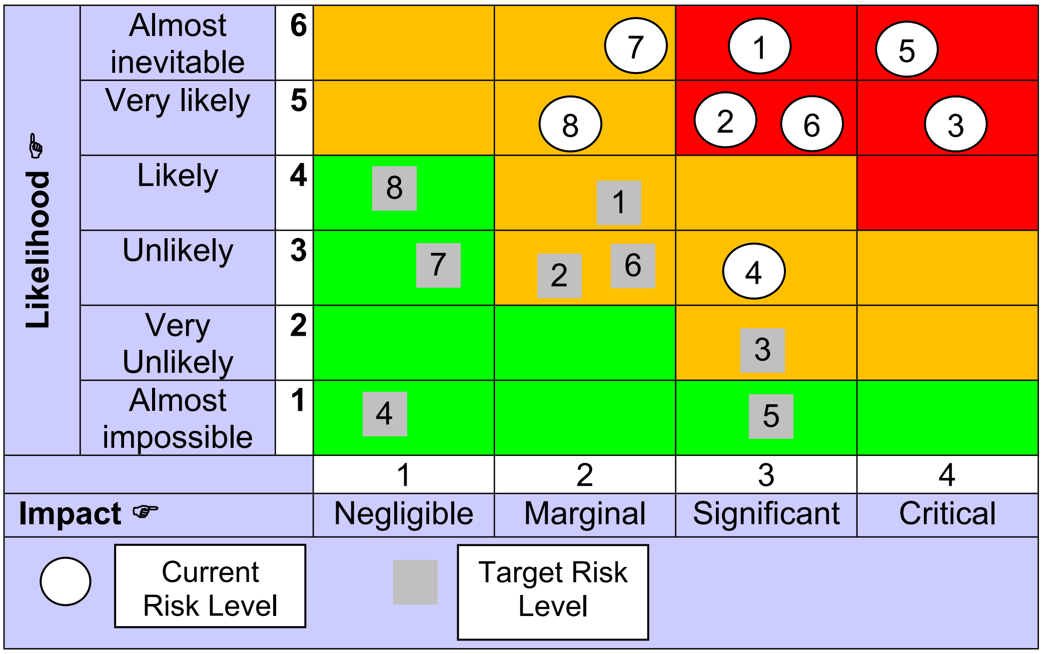
8.2. Proximity may be categorised as follows:
- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

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.

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.

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

Appendix B - Risk Assessment Form

SECTION 1 – RISK		
Risk Owner:	**Service:**	**Directorate**:
Risk Event:	**Source/ cause:**	**Consequences**:

Likelihood F						
	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
Impact			Negligible	Marginal	Significant	Critical

Likelihood score:

Impact score:

Overall risk score:

Accepted?*

* If yes, provide rationale.
* If no, go to Section 2.

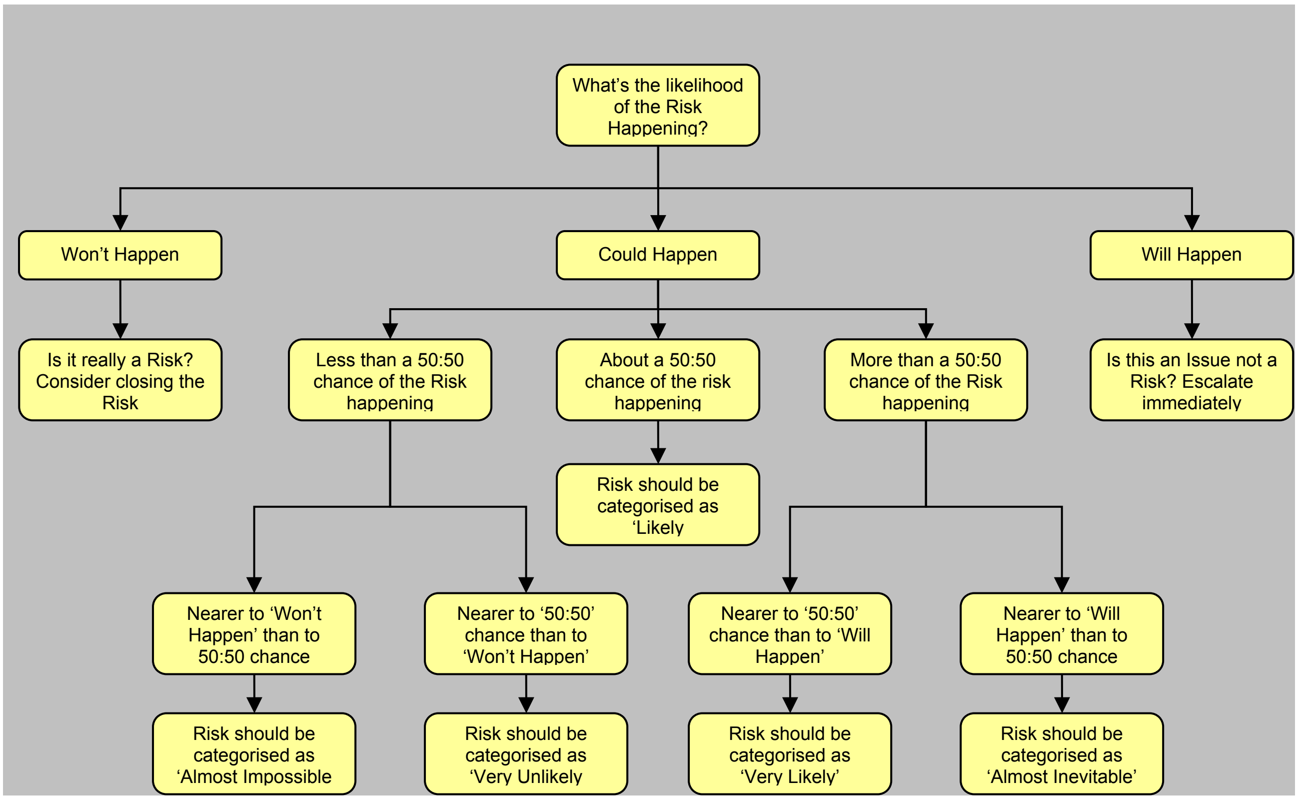
SECTION 2 – CONTROLS/ MITIGATING ACTIONS (copy this section for each control/ action)		
Control/ Action Owner:	**Service:**	**Directorate**:
Control/ Action:	**Dependencies**:	**Key Dates**: • Implementation: • Review date: • Reporting intervals:

Appendix C - Determining Likelihood

Likelihood Cross Reference Table

	Likelihood	Indicators
Almost Inevitable	• Almost certainly will occur	• Regular occurrence • Circumstances frequently encountered i.e. daily/weekly/monthly • The risk is current & is almost certain to happen within the next twelve months
Very Likely	• More likely to occur than not	• Likely to happen at some point within the next 1-2 years • Circumstances occasionally encountered (once or twice a year)
Likely	• Fairly likely to occur	• Has happened in past • Reasonable possibility it will happen within next 3 years
Very Unlikely	• Unlikely to occur	• May have happened in the past • Unlikely to happen in 3+ years
Almost Impossible	• Extremely unlikely or virtually impossible	• Has happened rarely or never before

Likelihood Decision Chart



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Item CB 17/5 referred from Cabinet minutes of 31 January 2017

CB 17/5 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2017/18

The report of the Director of Finance and Transformation provided details of investments undertaken and returns achieved in the first nine months of the current financial year together with an introduction to the Treasury Management and Annual Investment Strategy for 2017/18.

It was noted that investment income at the end of December was £22,900 above budget for the same period although the pattern of income generation had changed significantly following the August Bank Rate cut which resulted in lower returns going forward. Nevertheless it was expected that income for the year as a whole would still be in line with the original budget.

Reference was made to a review of investment duration and additional flexibility, subject to appropriate safeguards, was sought. The report explored the use of property funds for long term investment and recommended their inclusion in the 2017/18 Annual Investment Strategy.

It was noted that the Audit Committee had reviewed the matters covered by the report at its meeting on 23 January 2017 and commended the Strategy for adoption.

RECOMMENDED: That

(1) the treasury management position as at 31 December 2016 be noted;

(2) the use of property funds for long term investment be endorsed;

(3) subject to the caveats identified in paragraph 1.3.14 of the report, the Council allow up to six months to be added to Capita's suggested duration for UK institutions, subject to overall duration not exceeding 12 months; and

(4) the Annual Investment Strategy for 2017/18, as set out at Annex 4 to the report, be adopted.
***Referred to Council**

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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.

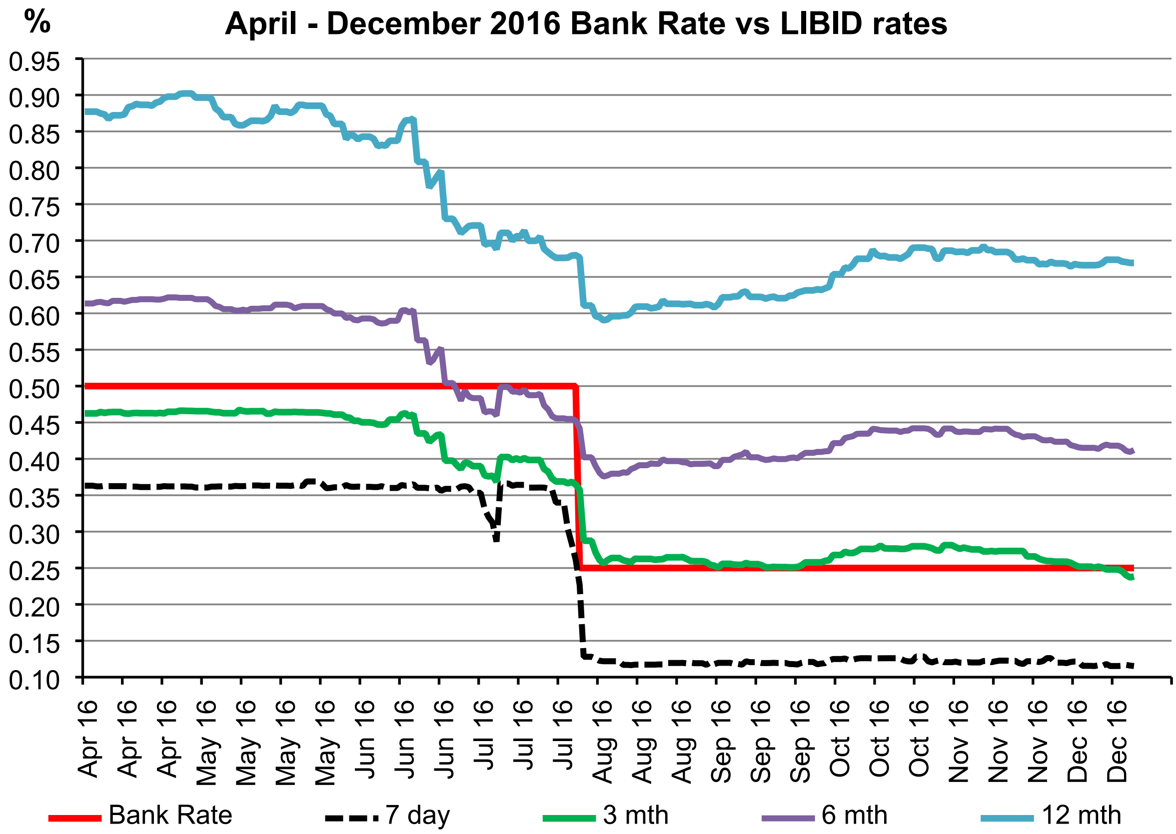
1.1.4 The portfolio of the Audit Committee includes the review of treasury management activities. Accordingly, that Committee was asked to review the matters covered by this report and **[Annex 4]** on 23 January 2017. Due to timing issues it will be necessary to verbally report upon any recommendations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

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

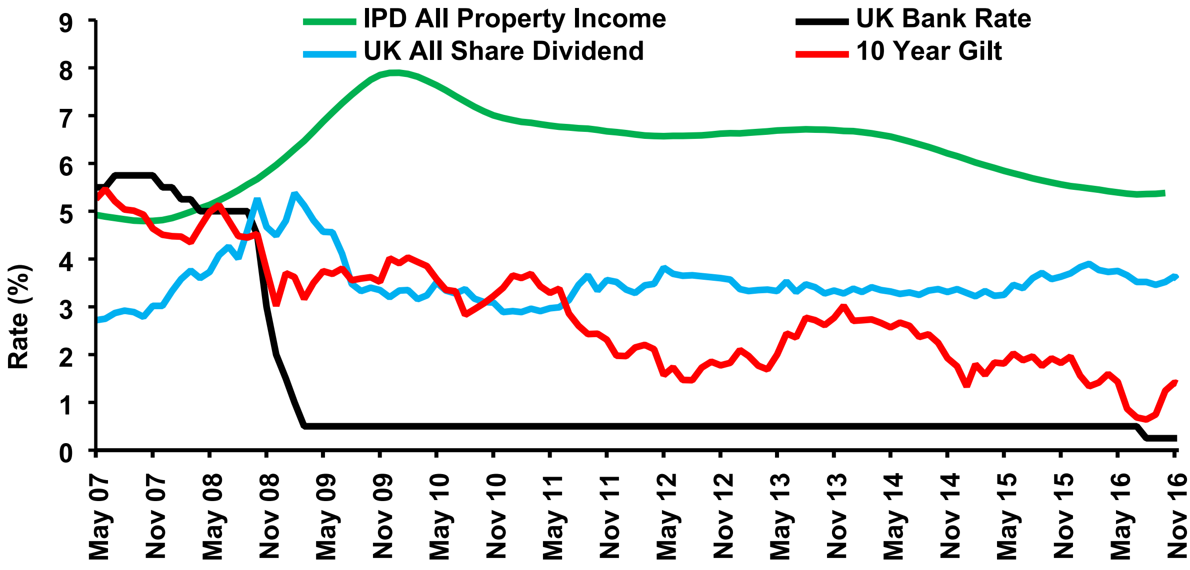
duration risk that return was at the upper end of Capita's predicted return (just below the upper boundary indicated by the green diagonal line). The Council's risk exposure was slightly above the local authorities' average. As Members will recall from previous treasury reports the result is typical 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.

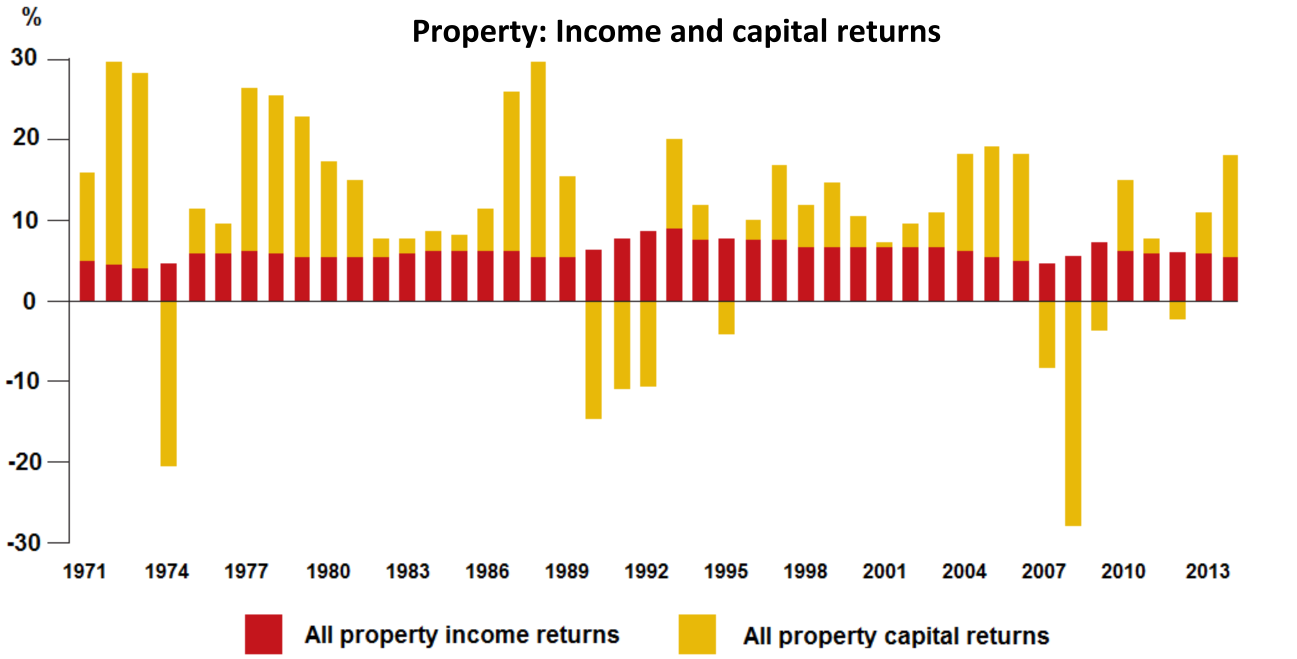
Income return across different asset classes



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 AAAmmf or equivalent and exposure limited to no more that 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 achieve 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 that 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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Annex 1

Investment Summary as at 31 December 2016

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

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

Total non-specified investments should be less than 60% of Core Funds	0.00%

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, AAAmmf 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	AAAmmf	AAAm	£4m	£2m	£6m
Deutsche Fund	AAA-mf	AAAmmf	AAAm	£4m	£2m	£6m
Standard Life (Ignis)	-	AAAmmf	AAAm	£4m	£2m	£6m
Morgan Stanley	AAA-mf	AAAmmf	AAAm	£4m	£2m	£6m
Prime Rate	-	AAAmmf	AAAm	£4m	£2m	£6m
Insight Liquidity Group limit for IL and ILP of £6m	-	AAAmmf	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	No Change

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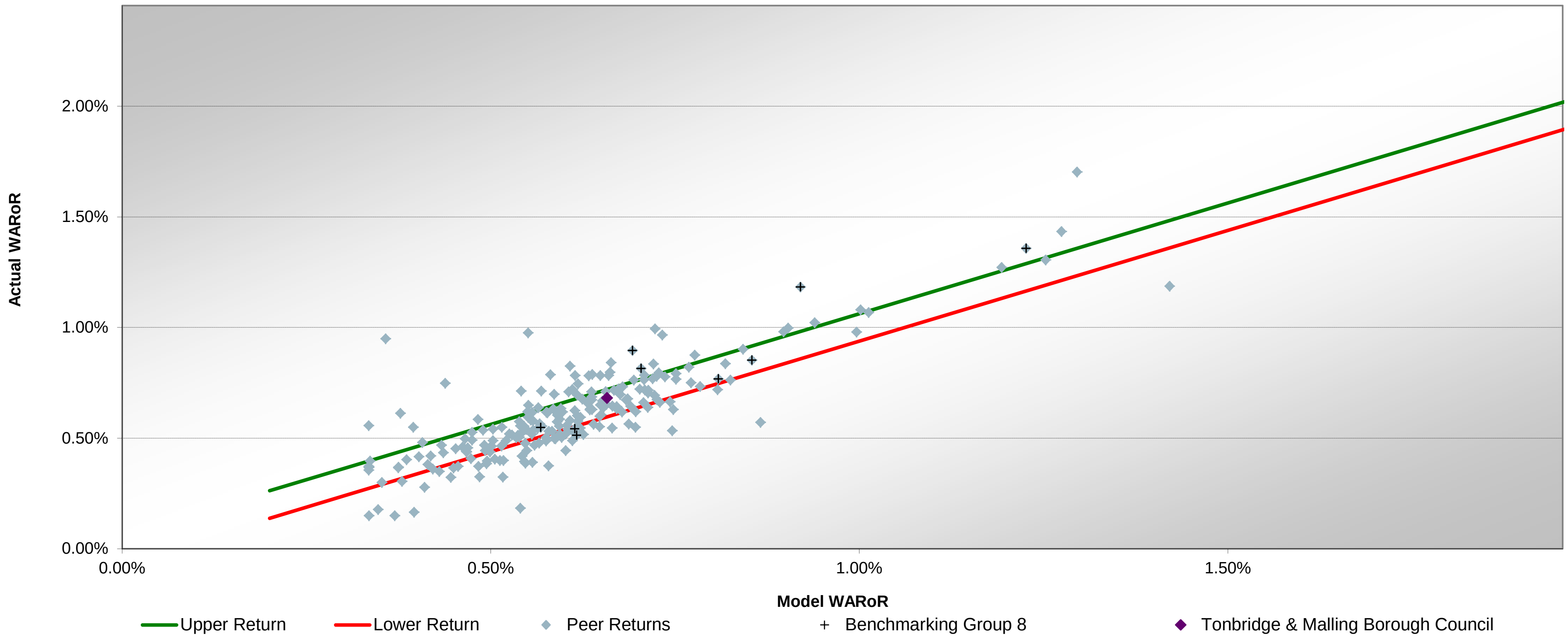
Tonbridge & Malling Borough Council

Population Returns against Model Returns l·ű ол {ŜLJűŜYŌŜ нлмс



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	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%
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)	**20%**

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
Bank Rate View	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%
Bank Rate													
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%
5yr PWLB Rate													
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%
10yr PWLB Rate													
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%
25yr PWLB Rate													
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%
50yr PWLB Rate													
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
Property Funds	**N/A**	**N/A**

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

Annex 5

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 CB 17/6 referred from Cabinet minutes of 31 January 2017

CB 17/6 SATURDAY HOUSEHOLD BULKY AND WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) SERVICE REVIEW

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

The Cabinet received the recommendations of the Street Scene and Environment Services Advisory Board at its meeting on 7 November 2016 in relation to the review of the Council's bulky refuse collection and WEEE recycling service undertaken in partnership with Veolia.

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 Council**

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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 for 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 there 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 by reviewed further as part of the retender of the Council's Refuse & Street Cleansing Contract.

Background papers: contact: David Campbell-Lenaghan
Dennis Gardner

Nil

Robert Styles
Director of Street Scene, Leisure and Technical Services

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

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TONBRIDGE & MALLING BOROUGH COUNCIL

COUNCIL

14 February 2017

Report of the Director of Central Services

Part 1- Public

Matters For Decision

1 APPOINTMENTS TO OUTSIDE BODIES

To consider the appointment of a replacement trustee of Sir Thomas Smythe's Charity for the parish of St Stephen.

1.1 Introduction

1.1.1 The charity administrator of Sir Thomas Smythe's Charity has advised that Mrs Betty Keywood has retired from the role of local representative/ trustee for the parish of St Stephen, Tonbridge and has invited the Council to appoint a replacement representative for this parish.

1.1.2 The Charity provides financial and pastoral support to individuals in need, usually older or disabled people, living in various West Kent parishes.

1.2 Legal Implications

1.2.1 None.

1.3 Financial and Value for Money Considerations

1.3.1 Not applicable.

1.4 Risk Assessment

1.4.1 Not applicable.

1.5 Equality Impact Assessment

1.6 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 RECOMMENDED that the Council consider the appointment of a person to replace Mrs B Keywood as a local representative/trustee of Sir Thomas Smythe's Charity for the parish of St Stephen.

Background papers: contact: Claire Fox

Nil

Adrian Stanfield
Director of Central Services

Sealing of Documents

To authorise the Common Seal of the Council to be affixed to any Contract, Minute, Notice or other document requiring the same.