

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

CABINET

*at the Council Offices, Farnborough on
Tuesday, 11th December, 2018 at 7.00 pm*

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democracy and Partnerships, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **MINUTES** – (Pages 1 - 6)

To confirm the Minutes of the meeting held on 13th November, 2018 (copy attached).

2. **PROVISIONAL SETTLEMENT 2019/20 AND BUDGET UPDATE** – (Pages 7 - 12)
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

To consider Report No. FIN1840 (copy attached), which sets out details of the Government's Provisional Settlement 2019/20 and its implications for the Council's budget.

3. **TREASURY MANAGEMENT OPERATIONS MID-YEAR REPORT 2018/19 –**
(Pages 13 - 34)
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

To consider Report No. FIN1836 (copy attached), which sets out the main activities of Treasury Management Operations during the first half of 2018/19.

4. **COUNCIL TAX SUPPORT SCHEME 2019/20 –** (Pages 35 - 70)
(Cllr Diane Bedford, Chairman of the Council Tax Support Task and Finish Group)

To consider Report No. CTSG1801 (copy attached), which sets out the work undertaken by the Council Tax Support Task and Finish Group to review the Council's Council Tax Support Scheme.

5. **AIR QUALITY PLAN TO REDUCE NITROGEN DIOXIDE CONCENTRATIONS ON THE A331 - OUTLINE BUSINESS CASE –** (Pages 71 - 78)
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

To consider Report No. OS1832 (copy attached), which sets out the Outline Business Case to improve air quality on the A331.

6. **EXCLUSION OF THE PUBLIC –**

To consider resolving:

That, subject to the public interest test, the public be excluded from this meeting during the discussion of the undermentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against such item:

Item No.	Schedule 12A Para. No.	Category
7	3	Information relating to financial or business affairs

7. **APPLICATION FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES –**
(Pages 79 - 90)
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

To consider Exempt Report No. FIN1837 (copy attached), which gives details of an application for the remission of non-domestic rates due to hardship.

CABINET

Meeting held on Tuesday, 13th November, 2018 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
 Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
 Cllr M.L. Sheehan, Operational Services Portfolio Holder
 Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder (in the Chair)
 Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Apologies for absence were submitted on behalf of the Leader of the Council (Councillor D.E. Clifford) and the Deputy Leader (Councillor K.H. Muschamp).

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **26th November, 2018**.

46. APPOINTMENT OF CHAIRMAN FOR MEETING –

The Cabinet RESOLVED that, in the absence of the Leader of the Council and the Deputy Leader, Cllr P.G. Taylor be appointed Chairman for the meeting.

47. MINUTES –

The Minutes of the meeting of the Cabinet held on 16th October, 2018 were confirmed and signed by the Chairman.

48. REVENUE BUDGET MONITORING AND FORECASTING 2018/19 - POSITION AT SEPTEMBER, 2018 –

(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1832, which set out the anticipated financial position for 2018/19, based on the monitoring exercise carried out during September, 2018. Members were informed that, for the first time, the Report had provided savings tracking within the financial year. It was reported that, in order to achieve financial sustainability, the net cost of the Council's services would need to reduce by £323,000, either by reducing costs or increasing income. The Council was, however, on target to meet the current year's revised savings, though action to correct overspends was required to achieve the long-term sustainability of the organisation.

The Cabinet RESOLVED that

- (i) the latest Revenue Budget monitoring position, as set out in Report No. FIN1832, be noted; and

- (ii) the identification and implementation of measures to eliminate the forecast Quarter 2 overspend be approved.

49. **CAPITAL PROGRAMME MONITORING 2018/19 - POSITION AT SEPTEMBER, 2018 –**
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. FIN1833, which provided the latest forecast regarding the Council's Capital Programme for 2018/19, based on the monitoring exercise carried out during September, 2018. The Report advised that the approved Capital Programme for 2018/19, allowing for slippages and additional approvals, totalled £53,895,000. Members were informed that projects of major financial significance to the Council in the Capital Programme for 2018/19 had been scheduled to draw on the capital budget in the latter part of the year. These projects included the finalisation of the accounts relating to the construction of the Council's new depot, Aldershot Town Centre Integration and Union Street, the finalisation of a loan to Farnborough International and the further acquisition of investment properties.

The Cabinet NOTED the latest Capital Programme monitoring position and the development of a gating process, as set out in Report No. FIN1833.

50. **COUNCIL PLAN 2018/19 - QUARTERLY UPDATE ON KEY ACTIONS JULY - SEPTEMBER 2018 –**
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. ELT1804, which set out the Council's performance management monitoring information for the second quarter of the 2018/19 municipal year.

The Cabinet NOTED the progress made towards delivering the Council Plan 2018/19, as set out in Report No. ELT1804.

51. **ANNUAL REVIEW OF FEES AND CHARGES –**
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1831, which set out a proposed revised scheme of fees and charges for Council services.

Members were informed that the document included a description of the methodology applied in each case. The Cabinet considered the document and, in particular, discussed issues around some Building Control fees now being described as 'individually determined' rather than fixed. It was explained that this had been a policy choice, made to allow more flexibility to the Council when negotiating and quoting to carry out new work. Members requested that this matter be kept under review, with a further update to be presented to the Cabinet six months after the introduction of the revised fees.

The Cabinet RESOLVED that approval be given to

- (i) the adoption of the various methodologies attached in Appendix A to Report No. FIN1831 as a basis for uplifting the Council's fees and charges;
- (ii) the continued application of RPIx as the measure of inflation, where an annual inflationary uplift was specified; and
- (iii) the fees and charges, as set out in Appendix A to the Report, for implementation on the applicable dates.

52. BUDGET 2019/20 - ROBUSTNESS OF ESTIMATES –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1835, which set out the Executive Head of Finance's statement on the robustness of the estimates used in the preparation of the Council's budget.

The Cabinet was informed that this was a statutory requirement under Section 25 of the Local Government Act 2003. Members heard that the Report would also enable improved governance of the budget process and an earlier start to the budget process in 2019. It was also proposed to increase the number of officers with responsibility for managing the revenue and capital budgets to improve governance and deliverability.

The Cabinet RESOLVED that approval be given to

- (i) the level of risk and assumptions which underpin the revenue and capital budget decisions and planning for 2019-22, as set out in Report No. FIN1835;
- (ii) the consideration of starting the budget process earlier in 2019; and
- (iii) the formal designation of Responsible Budget Officers, for the purpose of managing the budget, as set out in paragraph 3.3 of the Report, and the inclusion of these provisions in the Council's Financial Procedure Rules.

53. BUDGET 2019/20 - ADEQUACY OF PROVISIONS AND RESERVES –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1834, which set out the Executive Head of Finance's statement on the adequacy of provisions and reserves used in the preparation of the Council's budget.

The Cabinet was informed that this was a statutory requirement under Section 25 of the Local Government Act 2003. Appendix D to the Report provided a full list of earmarked reserves held by the Council. Members were informed that this list would be rationalised over time. Appendix B set out the risk level and it was suggested that the Budget Strategy Working Group should look at these in detail. In response to a question, Members were invited to challenge the assumptions in Appendix B if felt these were incorrect.

The Cabinet RESOLVED that

- (i) the policy on both earmarked and general balance reserves and provisions to cover issues such as bad debts and redundancies, as set out in Appendix C to Report No. FIN1834, be approved;
- (ii) based on current planning assumptions and risk forecasts, as set out in Appendix D to Report No. FIN1834, a minimum level of General Balances of £2 million for 2019/20, with a forecast minimum level for planning purposes of £2 million for 2020/21 and £2 million for 2021/22, be approved as part of the consideration of the budget plans for 2019-22, reflecting the transfer of risk from Central to Local Government and supporting recommendations; and
- (iii) further reviews by the Executive Head of Finance of the level of the Council's reserves and provisions, as part of closing the 2018/19 accounts in summer 2019, be approved.

54. REGENERATING RUSHMOOR - QUARTER 2 PROGRESS REPORT –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet received Report No. RP1801, which set out progress towards the Council's Regenerating Rushmoor programme for the second quarter of 2018/19. The Report indicated that good progress was being made in most areas. In response to questions, it was confirmed that both the Farnborough Transport Package and Farnborough Civic Quarter projects were, currently, on track.

The Cabinet NOTED the progress made towards delivering the Regenerating Rushmoor programme, as set out in Report No. RP1801.

55. PROPOSED ADOPTION OF POST-CONSULTATION LICENSING POLICY –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. OS1827, which set out an updated statement of licensing policy, for submission to the Council.

Members were informed that the Council's licensing policy had been revised following various legislative changes and a review. The revised document had been subject to a public consultation exercise, which had attracted a single representation in support of the revised policy.

The Cabinet RECOMMENDED TO THE COUNCIL that approval be given to the Council's revised licensing policy.

56. FARNBOROUGH AIRPORT COMMUNITY ENVIRONMENTAL FUND –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. DSP1801, which sought approval to award a grant from the Farnborough Airport Community Environmental Fund, which had been set up to assist local projects.

The Operational Services Portfolio Holder had considered the application by Oak Farm Pre-school, Ballantyne Road, Farnborough for an award of £10,000 towards

the cost of developing a sensory garden. It was confirmed that this application met all of the agreed criteria.

The Cabinet RESOLVED that a grant of £10,000 be awarded from the Farnborough Airport Community Environmental Fund to Oak Farm Pre-school.

57. **REPORT OF URGENCY DECISION - UTILISATION OF COMMUTED SUM MONIES TO GRANT FUND AFFORDABLE HOMES TO RENT AT BIRCHETT ROAD, ALDERSHOT –**
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH1801, which notified the Cabinet of an urgency decision that had been taken in respect of the approval of £100,000 of commuted sum funds to be invested in grant funding 50 units of affordable homes to rent in Aldershot town centre. The decision had been taken as a matter of urgency at the request of Homes England to support their internal decision-making process and timescales on capital grant funding this scheme in excess of £2.6 million. Members were informed that this decision had secured, in perpetuity, the Council's nomination rights in respect of 50 units at the site.

The Cabinet NOTED the actions taken, as set out in Report No. EPSH1801.

58. **INTERNATIONAL CULTURAL AND BUSINESS LINKS –**
(Cllr David Clifford, Leader of the Council)

The Cabinet considered Report No. DSP1802, which set out an overview of town twinning and the arrangements in Rushmoor.

Members were informed that the links with the twin towns of Meudon and Oberusel remained strong and active. In recent years, the Borough had experienced significant social and economic changes and this had led to consideration of whether the establishment of new cultural and business links would be appropriate. As a result, it was now proposed that the Council should establish new links with towns in Nepal, Poland and the United States. The background to each of these proposed links was set out in the Report. The Town Twinning Association had been consulted on the proposals and was in support.

The Cabinet expressed strong support for the establishment of these new links.

The Cabinet RECOMMENDED TO THE COUNCIL that

- (i) approval be given to seek to establish cultural and business links with the following places, as set out in Report No. DSP1802:
 - Gorkha Municipality, Nepal
 - Rzeszow, Poland
 - Dayton, Ohio, United States; and
- (ii) the Chief Executive and the Head of Democracy, Strategy and Partnerships, in consultation with the Leader of the Council, be authorised to make the necessary arrangements to establish the formal links.

The Meeting closed at 7.46 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

CABINET
11 DECEMBER 2018

COUNCILLOR GARETH LYON
CORPORATE AND DEMOCRATIC SERVICES
PORTFOLIO HOLDER
REPORT NO. FIN1840

PROVISIONAL SETTLEMENT 2019/20 AND BUDGET UPDATE

SUMMARY

The Government's funding for Local Government in 2019/20, known as the Provisional Settlement, was announced on December 6th 2018. It sets out the funding for specific and general revenue grants, as well as capital for next year.

RECOMMENDATIONS:

That the Cabinet note the Provisional Settlement and the effect it will have on the Council's 2019-20 budget, the resolution of which will be reported to the February Cabinet.

1. INTRODUCTION

- 1.1 To set out the effect of the Provisional Settlement on the Council's 2019-20 budget, which will be incorporated into the February budget proposals.
- 1.2 The Government have accepted recommendations to make planning more certain, by setting the dates for the Provision Settlement (Dec 6) and the Final Settlement (End January).

2. BACKGROUND

- 2.1 The Settlement announcement in December last year set out the direction of Local Government funding for 2019-20, the last year of a 4 year plan. It consisted of a small national overall increase, of +1.1%, a real terms reduction. However, two elements made up the Settlement, local taxation and central support. These moved in opposite directions, as follows:
- a proposed increase in local taxation of +5.4%;
 - which essentially funded a reduction in central support of -5.1%.

Table 1: 2019-20 Proposed sources of Local Government funding

2018/19 Settlement data	2018-19	2019-20	Change	
Summary	£m	£m	£m	%
Central support - funding down by -5.1%	18,526.5	17,574.7	-951.8	-5.1
Local Govt - LG taxation up by +5.4%	26,600.2	28,047.4	1,447.2	+5.4
Total "Core Spending Power" up by +1.1%	45,126.7	45,622.1	495.4	+1.1

Source: 2018-19 Settlement – fuller details at Appendix A

- 2.2 Whilst nationally there was a +1.1% increase in 2019-20 'Spending Power' [SP] over 2018-19, Rushmoor's 2019-20 SP was a -1.1% decrease, as funds were shifted between tiers to address the social care pressures.
- 2.3 The major reason for the reduction in Rushmoor's central funding between the two years was the replacement of a positive Revenue Support Grant of £190k in 2018-19, with a negative figure of a similar sum in 2019-20. Thankfully, the eventual response to the consultation was the scrapping of negative RSG for 2019-20, which has been reflected in our MTFS [medium term financial strategy].
- 2.4 The Government will be consulting on design principals for the 2019-20 Settlement, between December 6 and mid-January. Last year, the Government consulted on the following on 6 issues:
- Methodology
 - New Homes Bonus
 - Rural Services Delivery Grant
 - Business Rates Safety Net
 - Council Tax Referendum principles
 - Business Rates Revaluation
- 2.5 The MTFS of October 2018 noted a cumulative deficit of £950k over the forthcoming years. Subsequent changes have been incorporated.

Table 2: MTFS update

Revenue Forecasts 2019/22	2019/20 £000	2020/21 £000	2021/22 £000	Cum £000
1 MTFS Oct 16 (Surplus-)	171	27	752	950
2 Business rate refund SBRE	-111	-111	New scheme	-223
3 Re-Investments	-402	-402	-402	-1207
4 Leisure contract extension	-30	-30	New contract	-60
5 ZBB saving				
6 Less Revenue growth				
7 Less Govt grant reduction				
8 Revised MTFS	-372.57	-516.57	349.804	-539.34

3. DETAILS OF THE DECEMBER 6th PROPOSALS

Specific

- 3.1 The specific proposals will cover the central support to Rushmoor and consultation proposals that could impact on the Council. This section will expand following the provisional settlement announcement. For example, we are expecting an announcement on the Business Rates pilot that Hampshire submitted, that would improve funding to Rushmoor by some £1.6m.

General

- 3.2 The general effect on Rushmoor in 2019-20 will be changes in services in our area provided by other bodies, such as Health, the Police and the County Council. This will only come clearer after Christmas, when they have digested the Provisional Settlement figures, and responded with balancing measures.
- 3.3 Para 2.1 noted that 2019-20 is the last year of a four year settlement. The next four year settlement will not be announced until the summer/autumn of 2020, which is unhelpful for forward planning. As the next settlement will consider recasting the basis of distribution, it is even more important that Councils have a reasonable amount of time to lay their plans for, what could be, for the 'losers', a fairly daunting set of tasks.

Consultation

- 3.4 Once the details are known, the Council will seek views from the community, and the business sector.
- 3.5 The Cabinet considered the MTFs at its October meeting. It also considered two reports on the adequacy of reserves and the soundness of estimates at its November meeting.

4. IMPLICATIONS

Risks

- 4.1 This report, and the actions it will engender, will mitigate the risks and help deliver a balanced revenue budget for 2019-20.

Legal Implications

- 4.2 These will follow the December 6th announcement.

Financial and Resource Implications

- 4.3 These will follow the December 6th announcement.

Equalities Impact Implications

- 4.4 Informing residents of funding proposals for next year will enable them to participate in the process of budget formation.

5. CONCLUSIONS

- 5.1 The proposal is being made as part of delivering the Council's balanced 2019-20 Revenue budget.

BACKGROUND DOCUMENTS:

December 6 Provisional Settlement

CONTACT DETAILS:

Report Author – Peter Timmins peter.timmins@rushmoor.gov.uk  01252 398440

Head of Service – Ian Harrison ian.harrison@rushmoor.gov.uk  01252 398400

APPENDIX A

2018-19 Settlement data

CORE SPENDING POWER ¹					
Please select authority					
England					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment ²	21,249.9	18,601.5	16,632.4	15,574.0	14,397.9
Compensation for under-indexing the business rates multiplier	165.1	165.1	175.0	275.0	374.8
Council Tax of which;	22,035.9	23,247.3	24,665.8	26,600.2	28,047.4
<i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	22,035.9	22,858.5	23,701.6	24,902.6	26,166.0
<i>additional revenue from referendum principle for social care</i>	0.0	381.8	948.2	1,661.2	1,824.4
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.0	7.0	16.0	36.4	57.0
Improved Better Care Fund	0.0	0.0	1,115.0	1,499.0	1,837.0
New Homes Bonus ³	1,167.6	1,461.9	1,227.4	947.5	900.0
New Homes Bonus returned funding	32.4	23.1	24.5	0.0	0.0
Rural Services Delivery Grant	15.5	80.5	65.0	81.0	65.0
Transition Grant	0.0	150.0	150.0	0.0	0.0
The Adult Social Care Support Grant	0.0	0.0	241.1	150.0	0.0
Core Spending Power	44,666.5	43,729.3	44,296.3	45,126.7	45,622.1
Change over the Spending Review period (£ millions)					955.6
Change over the Spending Review period (% change)					2.1%
Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.					
¹ The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.					
² 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.					
³ New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.					

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CABINET
11 DECEMBER 2018

COUNCILLOR GARETH LYON
CORPORATE AND DEMOCRATIC SERVICES
PORTFOLIO HOLDER
REPORT NO. FIN1836

TREASURY MANAGEMENT OPERATIONS MID-YEAR REPORT 2018/19

SUMMARY AND RECOMMENDATIONS:

SUMMARY: This report sets out the main activities of the Treasury Management Operations during the first half of 2018/19.

RECOMMENDATION:

1. Note the contents of the report in relation to the activities carried out during the first half of 2018/19.
2. Note the low level of investment income returned from Payden & Rygel's Sterling Reserve pooled fund and the option to replace with an higher yielding fund
3. Approve an increase of £5m in Collective Investment Schemes (pooled funds) investment limit as set in Annual Treasury Management Strategy for 2018/19 approved by Council on 22nd February 2018. The increased investment level would allow the reinvestment of the remaining Covered Bonds due to redeem in December 2018 and increase investment income return.

1 INTRODUCTION

- 1.1 The Treasury Management Strategy for 2018/19 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.
- 1.2 This report sets out the main activities of the Treasury Management Operations during the first half of 2018/19, provides an update on the current economic conditions affecting Treasury Management decisions and a forward look for the remainder of 2018/19.
- 1.3 Appendix A shows the actual prudential indicators relating to capital and treasury activities for the first half of 2018/19 and compares these to the indicators set in the Annual Treasury Management Strategy for the year. This Strategy was originally approved by Council on 22nd February 2018.

2 TREASURY MANAGEMENT ADVICE

- 2.1 The Council receives independent treasury advisory services from Arlingclose Ltd. Arlingclose provide treasury advice to 25% of UK local authorities including technical advice on debt and investment management, and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.2 With the exception of pooled funds all investment activity is carried out by the Council's own treasury team with advice from Arlingclose Ltd, as outlined in paragraph 2.1 above, and having due regard to information from other sources such as the financial press and credit-rating agencies.
- 2.3 Pooled funds are managed at the discretion of the external fund managers associated with each fund. It should however be noted that whilst the funds are externally managed, the decision as to whether to invest lies solely with the Council in accordance with its Treasury Management Strategy.
- 2.4 Officers involved in treasury activities have attended Arlingclose treasury management meetings on investment security, liquidity and yield during the 6 months to 30th September 2018.

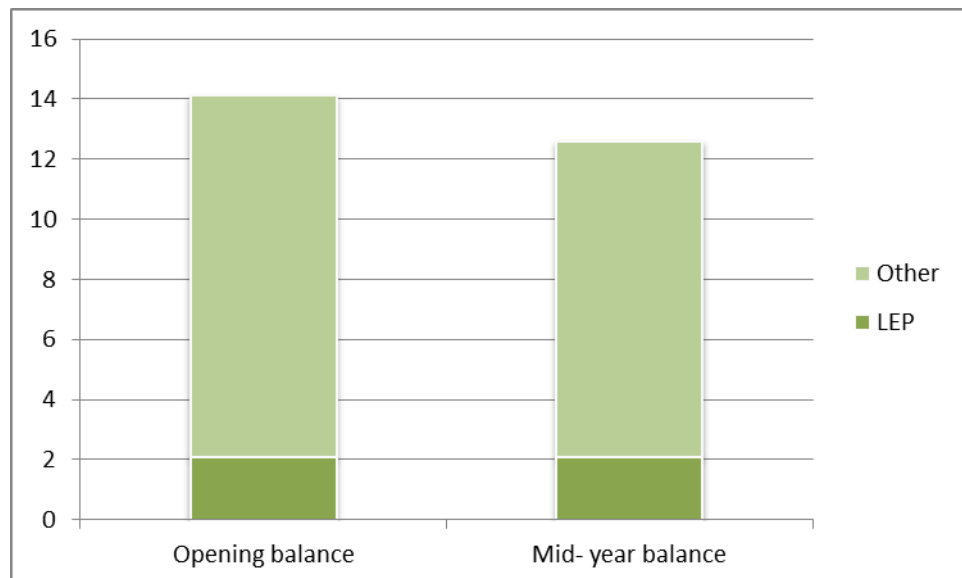
3 ECONOMIC BACKGROUND

- 3.1 A detailed market commentary provided by Arlingclose is provided at **Appendix A** to this report.
- 3.2 The commentary highlights there is continual economic uncertainty due to lack of an agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, even though Article 50 expires on 29th March 2019.

4. BORROWING ACTIVITY IN 2018/19

- 4.1 At the start of the current financial year the Council had external debt amounting to £14.1m, composed of £2.1m Enterprise M3 LEP monies and the remainder (£12m) borrowed short-term from two UK local authorities.
- 4.2 Actual capital expenditure has not significantly progressed in the first half year, and £1.5m of the local authority borrowing has been repaid in the first half of the year. Total borrowing at the mid-point of the financial year therefore amounted to £12.6m.

Borrowing movement



- 4.3 It should be noted that the Council enjoys an element of revenue cash buoyancy for the first ten months of each financial year. This is due to the timing of council tax and NDR income receipts matched against outgoing precepts and demands from HCC and government bodies.
- 4.4 The volume of capital expenditure is however likely to accelerate during the second half of the financial year, and some additional borrowing within the second half of the year to service this expenditure will be required.
- 4.5 The Council's Authorised Limit for external debt is £50m for 2018/19 as outlined within the Annual Treasury Management Strategy report. This limit was set in relation to the 2018/19 approved capital programme. However, the actual amount of external borrowing at the end of the current financial year will depend largely on the overall volume of capital expenditure that will actually be incurred.

5. INVESTMENT ACTIVITY IN 2018/19

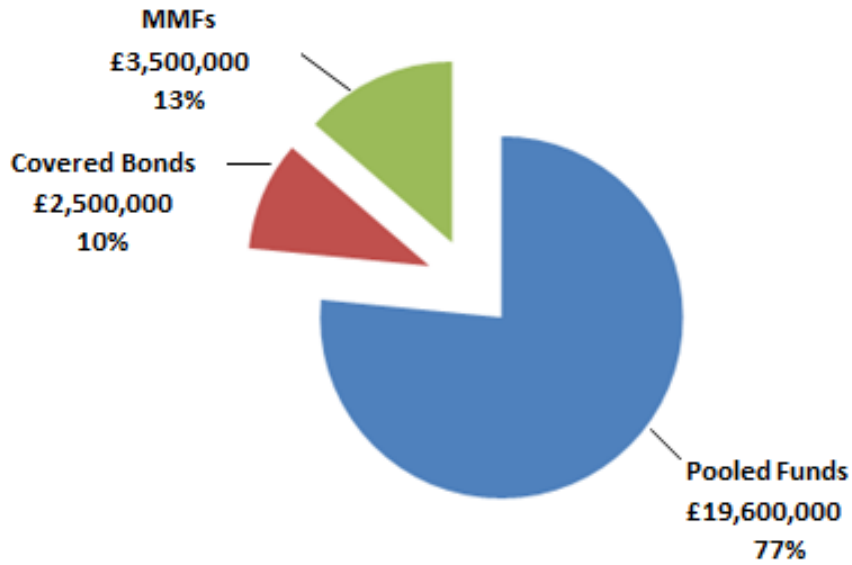
5.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The graph at Appendix B has been produced by Arlingclose and demonstrates that during the six months to 30th September 2018 the Council's returns on total investment portfolio were in excess of 1.5%. This return is down compared to the total investment returns generated during the previous financial year (2017/18 2.5%). The current half-year performance is however good when benchmarked against the average of 1.25% yield for all 135 Arlingclose local authority clients

5.2 **All Investments** – The table that follows summarises deposit/investment activity during the 6-month period to 30th September 2018. Overall, there was an decrease of £1.7m invested during the period.

Investment Counterparty	Balance at 01/04/18 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance at 30/09/18 £m	Avg Rate % and Avg Life (yrs)
Covered Bonds	4.5	-	(2.0)	2.5	Yields ... Libor + 01.18%- 1.47%
AAA-rated Money Market Funds and short-term bank investments	3.2	Net increase in investment of 0.3	Activity in & out on a daily basis, resulting in a net increase in the period	3.5	Varies daily Average 0.54%
Pooled Funds:					
• Payden	5.0	-		5.0	0.79%
• CCLA	3.6	-		3.6	4.83%
• UBS Multi Asset	5.0	-		5.0	3.92%
• Threadneedle	2.0	-		2.0	3.12%
• M & G	4.0	-		4.0	3.60%
TOTAL INVESTMENTS	27.3	0.3	(2.0)	25.6	

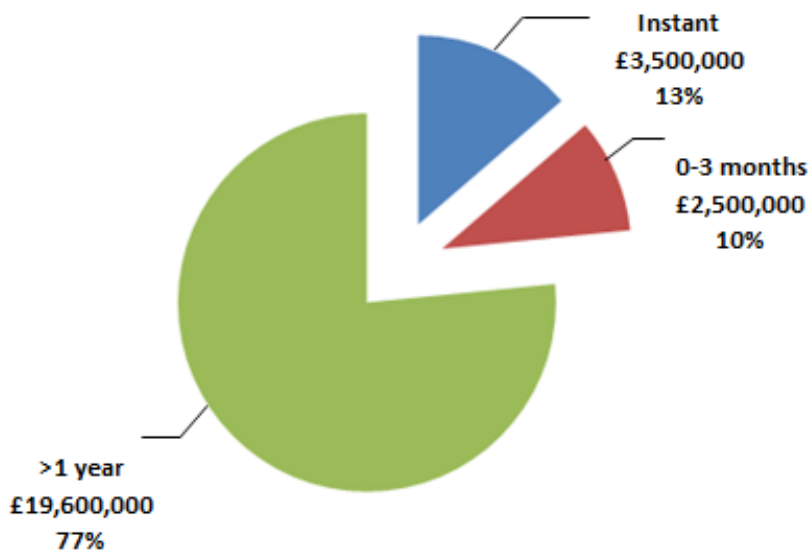
5.3 The following pie charts illustrate the spread of investments by counterparty along with a maturity analysis. These illustrate continued diversity.

Type of Counterparty



Maturity Analysis for ALL INVESTMENTS as at 30th September 2018	Amount invested £	% of total investments
Instant	3,500,000	13
0-3 months	2,500,000	10
3-6 months	-	-
6-9 months	-	-
9-12 months	-	-
> 1 year	19,600,000	77
Total for all duration periods	25,600,000	100

Maturity Analysis



5.4 The rate of return has been calculated as (1) External pooled funds (income return for the past year), (2) Over investments (effective rate of investments held at the end of the financial year). It should be noted that it is a “snapshot“ of returns for the year. For 2018/19, the Council continued to use secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits. Details of the Council’s investment activity together with returns generated during the first half of 2018/19 are outlined as follows:

5.5 **Pooled Funds**

Pooled Fund Capital Growth As these are long-term investments (3-5 year window) Finance staff monitor the capital value of these investments on a monthly basis.

Arlingclose continue to confirm, “we review all our advised funds regularly, and if we think the fund manager is under performing, or the fund holdings are no longer suitable for clients, then we will advise you to sell”.

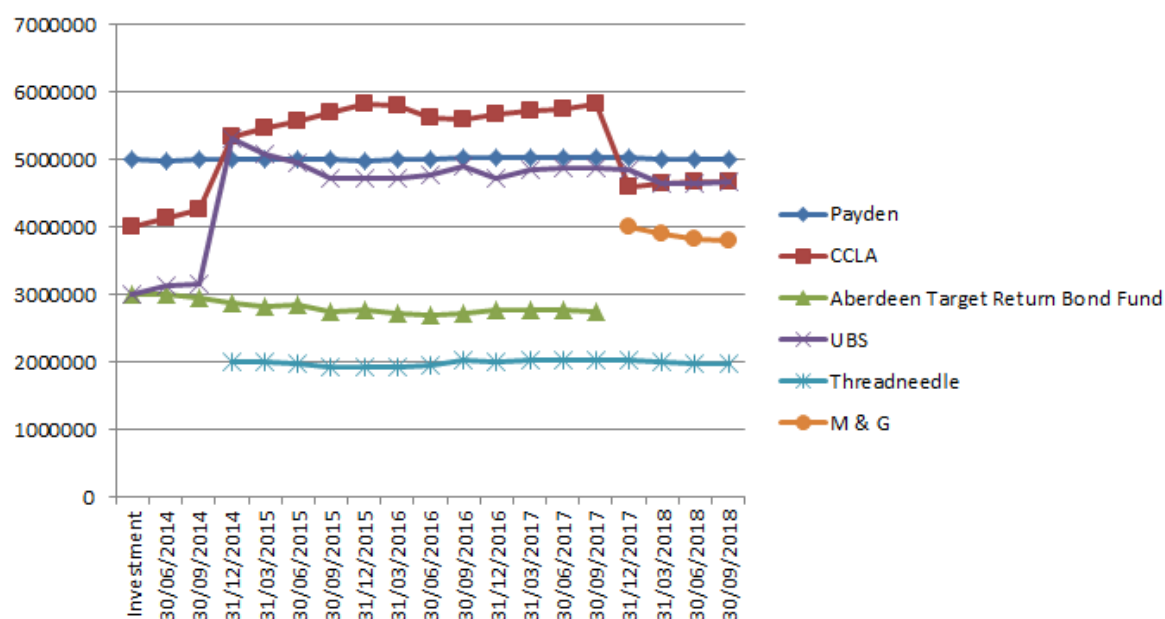
Pooled Fund Income Returns – The income returned by fund for the period to 30th September 2018 is analysed below (all percentage returns quoted below are measured at 12-month running averages):

- **Payden & Rygel’s Sterling Reserve Fund** - £5 million investment. The Fund seeks to provide capital security, liquidity and income through investment in Sterling denominated investment-grade debt securities. The fund has provided a 0.79% income return performance. Due to the low level of income returned an alternative pooled fund option is being considered
- **CCLAs Local Authorities’ Mutual Investment Trust** - £3.9 million investment. The fund has provided a 4.83% income return performance.
- **UBS Multi-Asset Income Fund** - £5 million investment . This Fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. The fund has provided a 3.92% income return performance.
- **Columbia Threadneedle Strategic Bond Fund** - £2 million investment. This Fund aims to provide income and capital appreciation through investment grade and high yield bonds. The fund has provided a 3.21% income return performance.
- **M & G Corporate Bond Fund** - £4m invest in December 2017. This Fund aims for a target total return of 3-5% from a combination of investment income or capital appreciation. This fund has provided a 3.60% income return performance.

5.6 The history of market valuations for each of the Council’s pooled funds is given in the table that follows.

HISTORY OF MARKET VALUATIONS FOR THE COUNCIL'S POOLED FUND INVESTMENTS

Amounts in £



5.7 **Bonds** – debt instruments in which an investor lends money for a specified period of time at a fixed rate of interest. **Covered Bonds** are conventional bonds that are backed by a separate group of loans (usually prime residential mortgages). When the covered bond is issued, it is over collateralised, with the pool of assets being greater than the value of the bond. The use of covered bonds has allowed the Council to actively move away from unsecured bank deposits, hence reducing exposure to bail-in. During the first half year 2018/19, the Council had not negotiated additional bonds and is actively managing down its covered bonds. All bonds are due for redemption in 2018/19, with the one remaining bonds due for redemption in December 2018.

5.8 The council is a borrowing authority; any bonds that are redeemed offset the need to borrow. However, interest income is lost which has a revenue implication. Current short-term borrowing rate are around 1% and there is an option to reinvest the current active bond on redemption within a higher yielding pooled fund, producing a net benefit when taking into account borrowing rates. To enable a reinvestment of the Covered Bond in pooled funds the investment limit for pooled funds needs to be increased above the current £20m limit.

5.9 **Other Investments** – The Council continues to maintain some diversity in its portfolio by holding the following in institutions other than UK banks:

- Various temporary investments across a range of approved unsecured banks and building society counterparties all for durations of 6 months or less at rates ranging between 0.35% - 0.64% (as measured towards the end of the first half-year 2018/18). These temporary investments assist the Council to achieve essential cash liquidity on a daily basis. At the mid-point of the 2018/19 year the holding amounts to £3.5m.

6 TREASURY MANAGEMENT INDICATORS

- 6.1 The Treasury Management Code requires that local authorities set a number of indicators for treasury management performance. The Council has also adopted a voluntary measure for credit risk as set out in paragraphs 3.2 to 3.4.
- 6.2 **Credit Risk (Credit Score Analysis):** Counterparty credit quality is assessed and monitored by reference to credit ratings. Credit ratings are supplied by rating agencies Fitch, Standard & Poor's and Moody's. Arlingclose assign values between 1 and 26 to credit ratings in the range AAA to D, with AAA being the highest credit quality (1) and D being the lowest (26). Lower scores mean better credit quality and less risk.
- 6.3 The advice from Arlingclose is to aim for an A-, or higher, average credit rating, with an average score of 7 or lower. This reflects the current investment approach with its focus on security. The scores are weighted according to the size of our deposits (value-weighted average) and the maturity of the deposits (time-weighted average).
- 6.4 The table below summarises the Council's internal investment credit score for deposits during the 6-month period to 30th September 2018. The Council's scores fall comfortably within the suggested credit parameters. This represents good credit quality deposits on the grounds of both size and maturity.

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
Q2 2017/18	3.46	AA	1.03	AAA
Q3 2017/18	3.46	AA	1.03	AAA
Q4 2017/18	3.63	AA-	1.05	AAA
Q1 2018/19	3.53	AA-	1.06	AAA
Q2 2018/19	2.79	AA	1.06	AAA

- 6.5 **Interest Rate Exposure:** This indicator is set to monitor the Council's exposure to the effects of changes in interest rates. The indicator calculates the relationship between the Council's net principal sum outstanding on its borrowing to the minimum amount it has available to invest. The upper limits on fixed and variable rate interest rate exposures expressed as the amount of net principal borrowed is shown in the table that follows.

At 30th September 2018 the Council's total net position on principal sums invested amounts to £25.6m (investments) offset by £14.1m (fixed rate borrowing) resulting in a (net) amount of £11.5m.

Interest Rate Exposure	2018/19 Approved Limit	End of Q2 2018/19 Actual
Upper limit on fixed interest rate exposure – represented by the maximum permitted net outstanding principal sum borrowed at fixed rate – Note that a negative indicator represents net investment	£35m	£11.6m
Upper limit on variable interest rate exposure – represented by the maximum permitted net outstanding principal sum borrowed at variable rate – Note that a negative indicator represents net investment	-£50m	-£23.1m

6.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are given in the table below:

	Upper	Lower	End of Q2 2018/19 Actual Performance
Under 12 months	100%	0%	87%
12 months and within 24 months	100%	0%	7%
24 months and within 5 years	100%	0%	6%
5 years and within 10 years	100%	0%	-
10 years and above	100%	0%	-

At 30th September 2018, the Council's external borrowing amounts to £12.6m. The maturity duration percentages expressed in future time periods are related to the tiered repayment structure for the Enterprise M3 LEP.

6.7 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. Performance against the limits on the total principal sum invested to final maturities beyond the period end is:

	2018/19 Approved Limit	End of Q2 2018/19 Actual Performance
Limit on principal invested beyond year end at any one time	£40m	£20m

7 COMPLIANCE

- 7.1 All treasury management activities undertaken during the first half of 2018/19 fully complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

8 FORWARD LOOK

- 8.1 the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.
- 8.2 In relation to the pooled funds, Arlingclose advise that the Council should consider selling units of poor performing holdings. The resulting cash to be utilised to purchase units in another pooled fund that is judged to be producing improved returns.
- 8.3 The UK Bank Rate was increased to 0.75% (from 0.50%) in August 2018. The Council's advisors central case estimate is for the Bank Rate to increase at 0.25% every six months up to a level of 1.25% in September 2019.
- 8.4 Treasury management decision making is now progressively developing with regard to incurring additional external borrowing to service the Council's capital expenditure plans.

9 BUDGETED INCOME & OUTTURN

- 9.1 The Council's full year 2018/19 budgeted investment income interest is now estimated to be £835,000, compared to the original budget for the year of £846,000. In addition, borrowing interest costs for the current year are estimated to be £262,000, compared to a budget of £296,000 contained in the original budget for 2018/19. The movement in interest income and expense has been reported separately in the quarter 2 revenue monitoring report. Movement from original budget is outlined below:

Interest income and expenditure as at 30th September 2018	2018/19 Estimate £000	2018/19 Projected £000	Movement year to date
Income	846	835	-11
Expense	-296	-261	34
Net position	550	573	23

10 CONCLUSIONS

- 10.1 The Council's treasury team continues to concentrate on the security of deposits/investments while keeping a keen regard on the income returns available. It is estimated that the Council's commitment towards capital expenditure in the current year will raise the level of external borrowing at the end of the year.
- 10.2 Further capital expenditure in 2018/19 and future years will require further additional borrowing. Higher yielding pooled fund investments will be retained for as long as possible, as their redemption in the future to raise cash for capital purposes will cause significant revenue effects in relation to the loss of investment income. The Council continues to seek to diversify its investments in order to maximise returns and to safeguard the Council's treasury management position.
- 10.3 The Treasury and Prudential indicators were originally set at Full Council on 22nd February 2018 as part of the Treasury Management Strategy. The Council can confirm that it has complied with its Treasury and Prudential Indicators for 2018/19.

ALAN GREGORY FINANCE MANAGER

Background papers:

CIPFA Prudential Code 2011 (Printed edition 2013)

CIPFA Code of Practice - 'Treasury Management in the Public Services'

Loans and Investments records

Contact: Peter Timmins, Executive Head of Finance, x8440

ECONOMIC BACKGROUND

Market commentary regarding the year 2018/19 from the Council's treasury management advisors Arlingclose.

External Context

Economic backdrop: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money market rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

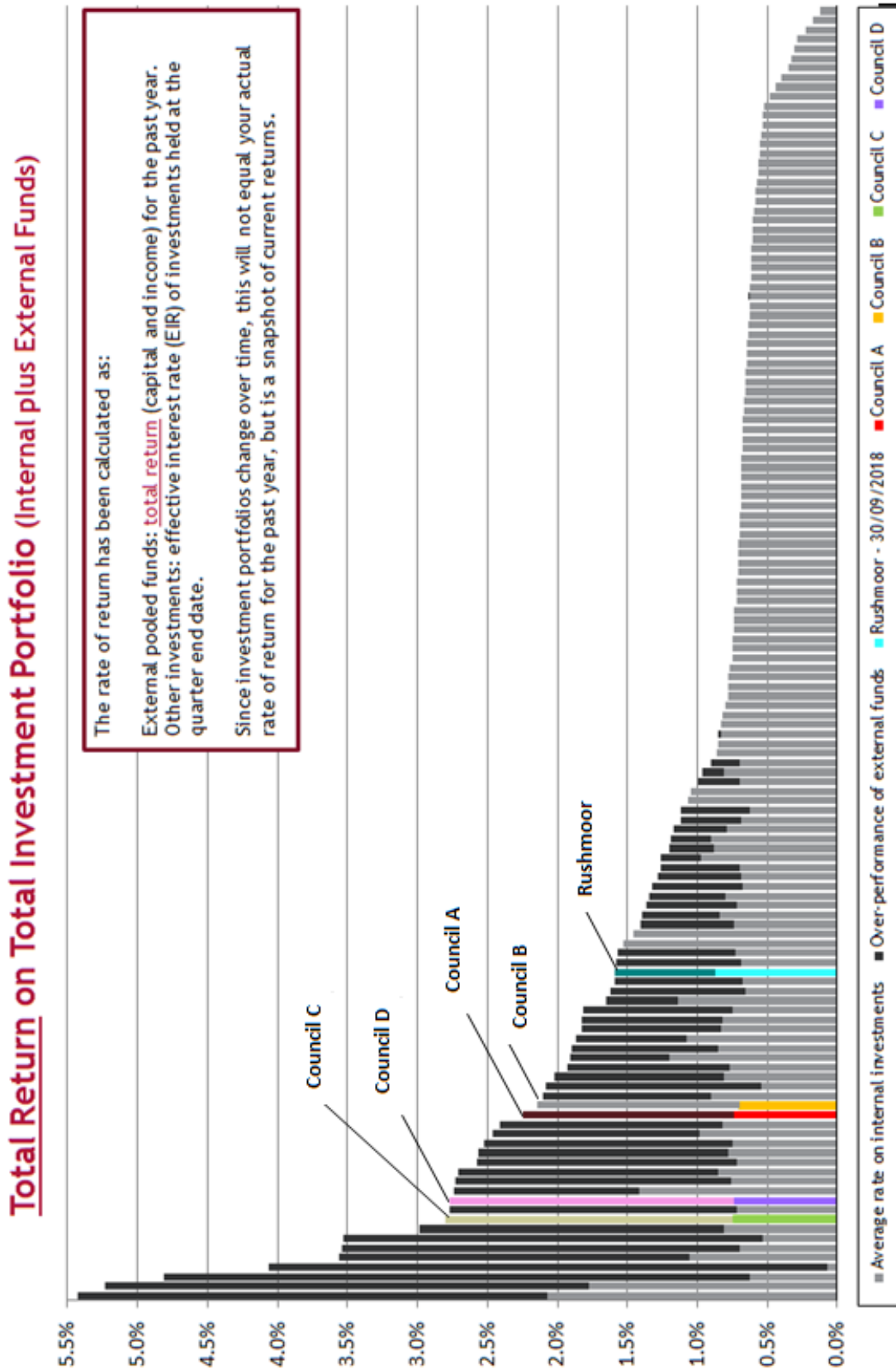
The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca:	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

TOTAL RETURN ON INVESTMENT PORTFOLIO 1st HALF Yr 18/19



PRUDENTIAL INDICATORS

This Appendix shows the actual prudential indicators relating to capital and treasury activities for the first half of 2018/19 and compares these to the indicators set in the Annual Treasury Management Strategy for the year. This Strategy was originally approved by Full Council on 22nd February 2018.

The amounts stated within the 2018/19 Projected column cells are the same as reported in Appendix B of the Capital Programme Monitoring Position at September 2018 at Cabinet 13th November 2018.

1.1 Prudential Indicators

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing is summarised as follows.

Capital Expenditure and Financing	2018/19 Estimate £m	2018/19 Projected £m
General Fund	28.718	54.441
Total Expenditure	28.718	54.441
Capital Receipts	0.733	0.733
Capital Grants & Contributions	7.646	8.598
Revenue	-	-
Prudential Code Borrowing	20.339	45.110
Total Financing	28.718	54.441

Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.19 Estimate £m	31.03.19 Projected £m
General Fund	39.3	57.3
Adjustment ref IFRIC4 lease accounting	2.9	2.7
Total CFR	42.2	60.0

The CFR amounts provided above are provided in relation to the TMSS for 2018/19 incorporating items within the 8-Point Plan with regard to "Invest to Save" schemes.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.19 Estimate £m	31.03.19 Projected £m
Borrowing	52.1	45.1
Total Debt	52.1	45.1

During 2018/19, the Council is expecting to continued make use of a revolving infrastructure fund from the Local Enterprise Partnership (M3 LEP).

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst-case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2018/19 Estimate £m	2018/19 Projected £m
Borrowing	58.0	45.1
Total Debt	58.0	45.1

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2018/19 Estimate £m	2018/19 Projected £m
Borrowing	62.0	45.1
Other long-term liabilities	1.0	1.0
Total Debt	63.0	46.1

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Estimate %	2018/19 Projected %
General Fund	2.8	-2.0

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2018/19 Projected £
General Fund - increase in annual band D Council Tax	-29.43	-9.51

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CABINET

**COUNCIL TAX SUPPORT TASK AND FINISH GROUP
COUNCILLOR DIANE BEDFORD (CHAIRMAN)**

11th DECEMBER 2018

KEY DECISION: NO

REPORT NO. CTSG1801

COUNCIL TAX SUPPORT SCHEME 2019/20

Summary

This report sets out the work undertaken by the Council Tax Support Task and Finish Group to review the Council's Council Tax Support Scheme and recommends action as follows

Recommendations

Cabinet are requested to:

- i) Agree that a public consultation be undertaken on options around the Council's Council Tax Support Scheme with regard to an increase in the minimum contribution payable, to be effective from 1st April 2019
- ii) Note the deliberations and considerations of the Council Tax Support Task and Finish Group in arriving at the recommendation in i) above
- iii) Note that a report on the outcome of the consultation, and any subsequent proposals to amend the Council Tax Support Scheme will be presented to Cabinet on the 5th February 2019

1 BACKGROUND – COUNCIL TAX SUPPORT SCHEME

- 1.1 Since 1st April 2013, local authorities have been developing their own CTSS to replace the previous national Council Tax Benefit Regulations, which had supported residents with their Council Tax costs.
- 1.2 Whilst local authorities have the freedom to set their own local schemes, based on local circumstances and needs, local authorities are required to provide pensioners with the same level of support received under the previous national Council Tax Benefit arrangements.
- 1.3 Accordingly, most local authorities have devised hybrid schemes, whereby those of pensionable age receive up to 100% of their Council Tax bill in support, whilst the maximum level of support for working age customers is typically lower and a range of other local adjustments have been made.
- 1.4 In Rushmoor, we are in our sixth year of operating our local scheme, which has been overseen by a cross-party Member Welfare Group, superseded this year by the Council Tax Support Task and Finish Group convened by the Overview and Scrutiny Committee.

- 1.5 Rushmoor's local scheme has proved effective and Council Tax collection rates remain high (98% in 2017/18, marginally down from 98.1% in 2016/17). Those in receipt of Council Tax Support (CTS) are generally meeting their Council Tax liabilities; however, the collection rate within the CTS group is lower than across the whole of the Borough. Current year payment rates for those of working age in receipt of CTS are running at around 83.4%, which compares favourably with a DCLG study, which shows rates on average of between 65 – 75% across the board nationally for this group of people. However, the working age collection rate for CTS recipients at 83.4% is lower than at the equivalent point in 2017 (88.7%) and at the equivalent point in 2016 (85.6%).

2 WORK OF THE COUNCIL TAX SUPPORT TASK AND FINISH GROUP

- 2.1 A Council Tax Support Task and Finish Group was established this civic year, as a sub-group of the Overview and Scrutiny Committee (OSC) and has been working to the terms of reference, attached at Appendix 1.
- 2.2 The Group met on the 15th October 2018 and again on the 5th November 2018 (post the Chancellor's Autumn Statement announced on the 29th October).
- 2.3 The Group considered a range of issues and associated data regarding the CTSS. The full presentational data is attached as Appendix 2.
- 2.4 The Group weighed up a number of factors and paid specific attention to the following matters during their deliberations:
- Current collection rate for Council Tax payment in Rushmoor amongst CTS recipients
 - How collection rate compares in Rushmoor this year, as opposed to previous years
 - How collection rate compares in Rushmoor to other similar local authorities
 - How Rushmoor's current CTS compares to other similar local authorities
 - How customers are being affected by changes to other welfare arrangements, particularly Universal Credit (UC)
 - Whether other changes within the broader welfare system required reflection within Rushmoor's CTS
 - Other broader general economic indicators
- 2.5 Having taken into account all of the data available to answer the lines of enquiry set out in 2.4, the Group considered that there were only two potential options to recommend to Cabinet for action to be effective from the 1st April 2019.

Option 1

To undertake a consultation exercise to seek views regarding an increase in minimum contribution for working age recipients of CTS from 12% to 15%.

Option 2

To maintain the CTSS for 2019/20 at an identical scheme to the current year, whilst the Council Tax Support Task and Finish Group continue to monitor the impact of the changes introduced on the 1st April 2018.

- 2.6 The Group developed the following rationale in respect of the two options set out in 2.5 above.

In support of Option 1

- Table 2 in this report shows that Rushmoor's current scheme continues to be at the lower end of similar local authorities CTSS, where a minimum contribution is required (others in the Audit Family seek minimum contribution between 15% and 45%).
- Table 1 in this report shows that Rushmoor continues to enjoy a robust collection rate for Council Tax and Table 2 confirms that other local authorities, with higher minimum contribution schemes, continue to enjoy robust collection rates.
- Table 3 in this report models out the financial impact of a scheme change to 15%, both in global terms and specific terms for individual families. The model demonstrates around £86k would be generated for public services across Hampshire by the change and the monthly impact for a couple in receipt of CTS locally, would be around £3.65p at the Band C level of Council Tax.
- The Chancellor's recent announcements to provide more money to support UC and to slow down further the migration of existing customers to the new arrangements, should ameliorate the impact of any changes made to Rushmoor's CTSS in respect of customers wider financial circumstances.

In support of Option 2

- The data available to the Group reflects only around 6 months' worth of information since the last adjustment to the CTSS and therefore it is too early to make firm judgements.
- The data in Table 3 highlights that CTS customers would be faced with an above inflation increase in Council Tax costs if minimum contributions were moved to 15%.
- The present freeze in welfare benefit levels and uncertainly over the future of UC, do not create the right climate in which to consider an increase in minimum contributions at this time.

- 2.7 The Group's preferred option is Option 1, on the basis that it is clearly an option to consult and provide more information and the Group were committed to recommend final changes to Cabinet only after taking careful heed of the consultation results.

Table 1 – Table of Council Tax collection rates within Rushmoor, for those receiving CTS

CTS Collection Rates at date stated	Total collection rate for all in receipt of CTS	Collection rate for those of Working Age	Collection rate for Pensioners
Sept 2016	89.9%	85.6%	95.2%
April 2017	82.8%	69.2%	83.5%
June 2017	91.1%	84.5%	92.7%
Sep 2017	93.8%	88.7%	94.5%
Jan 2018	97%	94.6%	97.5%
Sept 2018	90.7%	83.4%	91.9%

Table 2 – List of local authorities within the same Audit Family demographic as Rushmoor, showing Council Tax collection rates and details of respective CTSS

Local Authority	Collection Rate 16/17	Collection Rate 17/18	Minimum Contribution	Band Cap	Average Reduction	
					£	No. affected
North Hertfordshire	98.4	99.2	25%	N/A	£277	4,300
Rugby	97.7	98.5	15%	N/A	£155	2,900
High Peak	98.4	98.4	0%	N/A	£0	0
Wellingborough	98.2	98.1	20%	N/A	£183	3,000
Worcester	97.9	98.1	0%	D	£313	unknown
Rushmoor	98.1	98	10%	D	£110	2,600
Cherwell	98.4	97.9	0%	N/A	£0	0
East Staffordshire	97.5	97.8	25%	D	£231	4,100
Colchester	97.8	97.8	20%	N/A	£202	5,800
Kettering	97.8	97.8	45%	N/A	£431	3,300
South Ribble	97.4	97.5	17%	N/A	£170	3,200
Broxbourne	97	97.4	20%	E	£230	3,500
Gloucester	97.1	97.1	0%	N/A	£0	0
Gravesham	96.9	97	20%	N/A	£218	4,600
Dartford	97.2	97	18.5%	N/A	£206	1,900

Table 3 – Modelling to show the impact of an increase in minimum contribution for CTS from 12% to 15%

Scheme Components	Costs (difference to current scheme)	Numbers Affected
<ul style="list-style-type: none"> ▪ 15% minimum contribution by all working age customers ▪ Child benefit/maintenance 100% included as income ▪ War Pensions 100% disregard as income 	<p>£4,289,431 (-£85,862) RBC: -£10,303 (12%) HCC, Police & Fire: -£75,558 (82%)</p>	<p>2,630 1,034 - Working Age Other 1,013 - Vulnerable 314 - Household Vulnerable 269 - Working Age Employed</p>

Current Scheme cost as of August: £4,375,293.57
Assumptions made when calculating options:

- Welfare benefit rates and Applicable amounts frozen
- Calculated using 17/18 CT rates
- No caseload growth

	A	B	C	D	E	F
Band of those affected	221	1,253	938	175	38	5

	0-25p	26-50p	51-75p	76p-£1
Weekly difference (pence)	38	238	1,833	489

Band C Bill	Annual Bill (12%-15%)		Monthly Bill (12%-15%)		Weekly Bill (12%-15%)	
Couple	£175.22	£219.02	£14.60	£18.25	£3.37	£4.21
Single	£131.41	£164.27	£10.95	£13.69	£2.53	£3.16

3 LEGAL IMPLICATONS

3.1 There are no specific legal implications resulting from this report. The Council already has an established CTSS and if it wishes to amend the scheme, is legally required to consult on scheme changes and consider the result of such consultation.

4 FINANCAL IMPLICATIONS

4.1 The financial implications of supporting a consultation as outlined in Option 1 would run to no more than £2k in stationery and postage costs if all customers directly affected received personal correspondence. These costs and the staff time to undertake the exercise and assess the response can be met from existing resources.

4.2 In the event that any changes are proposed to the scheme following the consultation exercise, a further financial appraisal will be undertaken and presented to the Council Tax Support Task and Finish Group and the Cabinet

in a later report. However, the information in Table 3 is indicative of the additional Council Tax that would be levied. Estimates to take into account the risk of non-payment and consequential adjustments to the Council's Exceptional Hardship Fund would need to be assessed.

5 CONCLUSION

- 5.1 Cabinet are asked to consider the issues raised in this report and to follow the Group's recommendation, that Option 1 as described in 2.5 above, be adopted.

Councillor Diane Bedford
Chairman of Council Tax Support Task and Finish Group

Report author: Ian Harrison, Executive Director & Deputy Chief Executive

COUNCIL TAX SUPPORT TASK AND FINISH GROUP

RUSHMOOR BOROUGH COUNCIL - TERMS OF REFERENCE 2018/19

Purpose

To carry out the annual review of the Council Tax Support Scheme.

Terms of Reference and Responsibilities

- Review the operation of the current Council Tax Support Scheme
- Assess the impact and consider changes to the scheme
- Undertake appropriate consultation with recipients and residents
- Make recommendations to the Cabinet for the 2019/20 scheme

Membership

The Group will consist of six Members appointed by the Overview and Scrutiny Committee, reflecting the political balance of the Council.

The Group may invite other Members to attend and request the Portfolio Holder for Corporate and Democratic Services to attend as a witness.

Meeting Arrangements

The Group will determine the number of meetings and will disband once the review of the Council Tax Support Scheme has been completed.

Meetings will normally be chaired by one of the Committee Vice-Chairmen.

Reporting Arrangements

The Group will report back to the Overview and Scrutiny Committee and the Progress Group as required.

Once the Task and Finish Group have made recommendations these will be submitted to the Cabinet for consideration as part of a report to be made to the Council for the Scheme to apply for 2019/20.

Council Tax Support Task and Finish Group

Monday 15th October 2018

Agenda

Apologies

- Welcome to new Members and Groups Role – Terms of Reference
- The end of Council Tax Benefit and start of Council Tax Support
- Council Tax Support Scheme 18/19
 - Caseload
 - CTS Award Data
 - Collection Rates
- Modelling for Council Tax Support Scheme 19/20
- Timeline
- Any other business

Role of the Group

Purpose

- To carry out the annual review of the Council Tax Support Scheme

Terms of Reference and Responsibilities

- Review the operation of the current Council Tax Support Scheme
- Assess the impact and consider changes to the scheme
- Undertake appropriate consultation with recipients and residents
- Make recommendations to the Cabinet for the 2019/20 scheme

Council Tax Benefit CTB

- The government abolished CTB from 1 April 2013
- Each Council had to design its own scheme which needed to take into account that the funding from the Government had been reduced by 10%
- Rushmoor tried to spread the burden of this cut as fairly as possible and so there were also changes to Council Tax discounts and exemptions in 13/14 which were used to minimise the funding gap.
- In the public consultation on the proposed 13/14 Council Tax Support Scheme (CTSS) we based the proposals on four key principles:
 - We should protect the most vulnerable residents of working age, who currently receive Council Tax Benefit (CTB) or who may receive CTS in the future
 - Everyone of working age who claims CTS should pay something
 - Everyone of working age in a household should contribute towards the Council Tax bill
 - The Council should not set out to collect more money than it needs from the scheme

Council Tax Support April 13

- The Council's scheme only applies to residents of Working Age. The government prescribes the scheme for Pension age recipients and it mirrors the same rules in CTB. The main difference between Pensioners and Working Age recipients is that pensioners can get 100% support.
 - After consultation with residents, the Council approved its own local CTSS in January 2013. The Scheme set a maximum liability that could be supported of 92%, meaning working age recipients had to pay a minimum of 8% towards their Council Tax.
 - The Council's scheme also changed from CTB in that child benefit and maintenance received were no longer fully disregarded.
 - We did retain 100% disregard of War Pensions and retained all the income disregards for people with Disability Benefits.
- The calculation and award of CTS was the same as CTB.

Council Tax Support 16/17

- In 2015 the Council consulted again for proposals to the 16/17 scheme.
- This was following a number of changes to welfare benefits announced by the Chancellor in the July 15 budget.
- We had designed our scheme to mirror Housing Benefit as it was far simpler to administer and the majority of residents claiming CTS claim both benefits
- We had retained the same scheme for three years requiring an 8% minimum contribution from people claiming the support.

Council Tax Support 16/17

- The consultation was again based on the same four principles but saw the following new proposals:
 - To increase the minimum contribution from 8% to 10% or 12%
 - Removal of the family premium from all or new claims
 - Reduce the savings threshold from £16k to £6k
 - Limiting support at the Band D Level
 - Reducing backdate periods to a maximum four week period
 - Keeping the scheme the same
- There were also additional consultation questions on how the scheme could be funded:
 - General increase in Council Tax
 - Reducing or stopping other services
 - Using reserves

Council Tax Support 16/17

- Following the consultation a report went to Cabinet with the results and recommendations from the Welfare Reform Group
- The original scheme had proved effective but with the announcements to make more welfare reform changes and the generally reducing financial support to Local Authorities it was felt it was the right time to re-examine the scheme.
- Following analysis of the public consultation responses full council agreed to set a scheme for 16/17 with all the recommended changes, with a 10% minimum contribution.

Council Tax Support 17/18

- Following another consultation, the Council agreed to change the scheme again.
- The minimum contribution for Working Age recipients was increased to 12% and to mirror a significant welfare change, the scheme would not consider support for a third or subsequent child.

In summary

- Scheme established with effect from 1 April 2013 following consultation
- Two subsequent consultations have amended the scheme
- Principle has been to largely mirror other means tested welfare benefit changes
- Consequential effect has always been monitored by a Member working group
- Full details of previous consultations are available

COUNCIL TAX SUPPORT SCHEME 2018-19

Benefit caseload

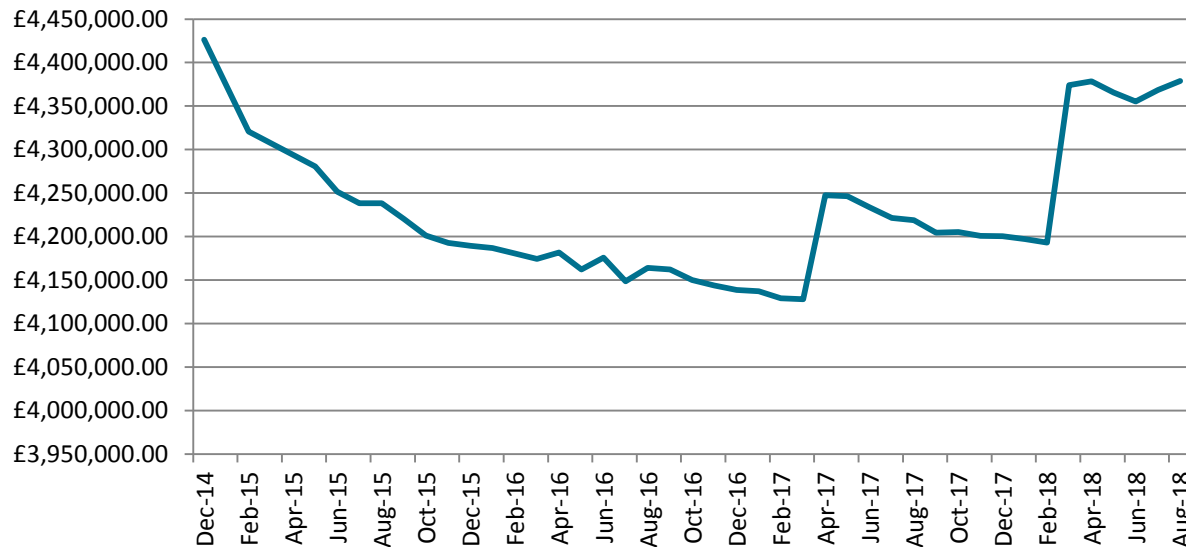
	Total Caseload	Type of Benefit	Caseload	% Change
March 2013	7,853	Housing Benefit Caseload (incl. HB and CTB claims)	6,722	
		Council Tax Benefit Caseload	1,131	
Aug 2016	7,142	Housing Benefit Only	2,238	5.4% decrease
		Housing Benefit & Council Tax Support	4,123	
		Council Tax Support Only	781	31% decrease
Aug 2018	6,888	Housing Benefit Only	2,153	3.8% decrease
		Housing Benefit & Council Tax Support	4,006	2.8% decrease
		Council Tax Support Only	719	7.9% decrease

Latest Council Tax Support Caseload

	End of March 2013	Aug 2016	Aug 2018	Decrease in Caseload (Aug- Aug)
Pensioner		2,301	2,116	8% decrease
Working Age - Other		931	1,020	9.5% increase
Working Age - Vulnerable		1,026	1,033	0.6% increase
Working Age - Employed		278	247	11% decrease
Working Age - Vulnerable Household		364	305	16% decrease
CTS Total	6,177 (CTB)	4,900	4,721	1,467 – 24% decrease (Mar 13 – Aug 18)

CTS 2018-19 - Current Scheme

- Minimum contribution of 12%
- Savings threshold from £16k to £6k
- Maximum support at a Band D level for Bands E and above
- Treating Child Benefit and Maintenance as income
- Disregarding War Widow Pensions as income
- Harmonisation with other benefits e.g. backdating, temporary absence, family premium



5.6% increase in Council Tax going into 2018/19
Increase from 10-12% min contribution for CTS claimants

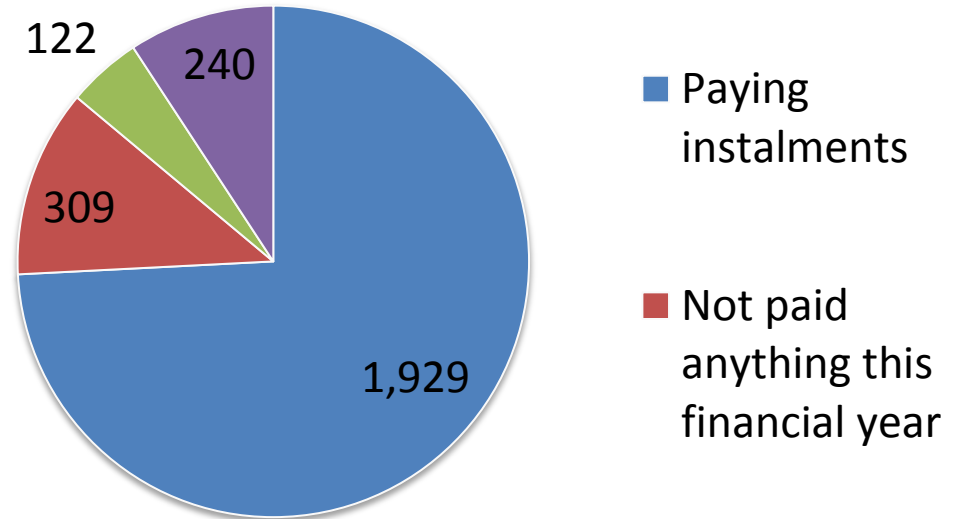
Band D Property	Annual Bill
17/18	£1,555.13
18/19	£1,642.65

Council Tax Support – award data

CTS paid by group	Total End of March 2013	Aug 2016	Aug 2018
Pensioner		£2,056,952.88	£2,078,204.47
Working Age		£2,106,863.71	£2,300,704.00
Total	£5,222,285.88	£4,163,816.59	£4,378,908.47

Collection Rates – September 2018

- ❑ 4,684 accounts on the Council Tax support scheme including 2,084 Pensioners.
- ❑ Of the remaining 2,600 working age claimants:
 - 74% are paying instalments
 - 9% have paid in full
 - 12% have not paid anything this financial year
 - 5% have not paid anything for 3 months



Collection Rates – September 2018

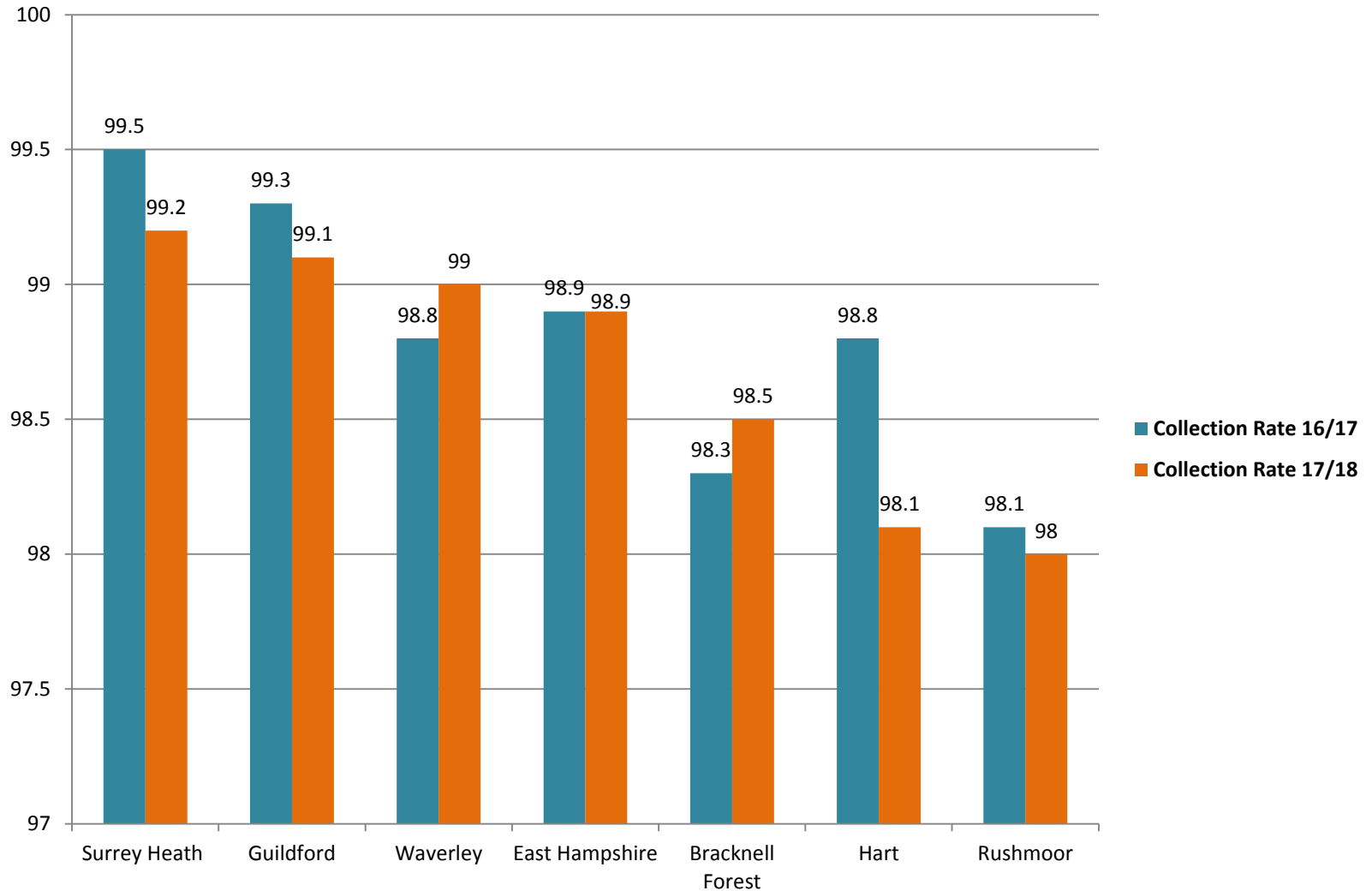
CTS Collection Rates	Total	Working Age	Pensioners
Sept 2016	89.9%	85.6%	95.2%
April 2017	82.8%	69.2%	83.5%
June 2017	91.1%	84.5%	92.7%
Sep 2017	93.8%	88.7%	94.5%
Jan 2018	97%	94.6%	97.5%
Sept 2018	90.7%	83.4%	91.9%

Council Tax Collection - Neighbours

Local Authority	Collection Rate 16/17	Collection Rate 17/18	Minimum Contribution	Band Cap	Average Cut	
					£	No. affected
Surrey Heath	99.5	99.2	30%	D	409	1,300
Guildford	99.3	99.1	0%	D	313	100
Waverley	98.8	99	0%	D	422	100
East Hampshire	98.9	98.9	0%	N/A	0	0
Bracknell Forest	98.3	98.5	20%	N/A	210	2,600
Hart	98.8	98.1	0%	N/A	£0	0
Rushmoor	98.1	98	10%	D	£110	2,600

Table showing the CTS scheme for each Authority (Minimum Contribution or Band Cap), how many customers have been affected and the average cut

Council Tax Collection - Neighbours

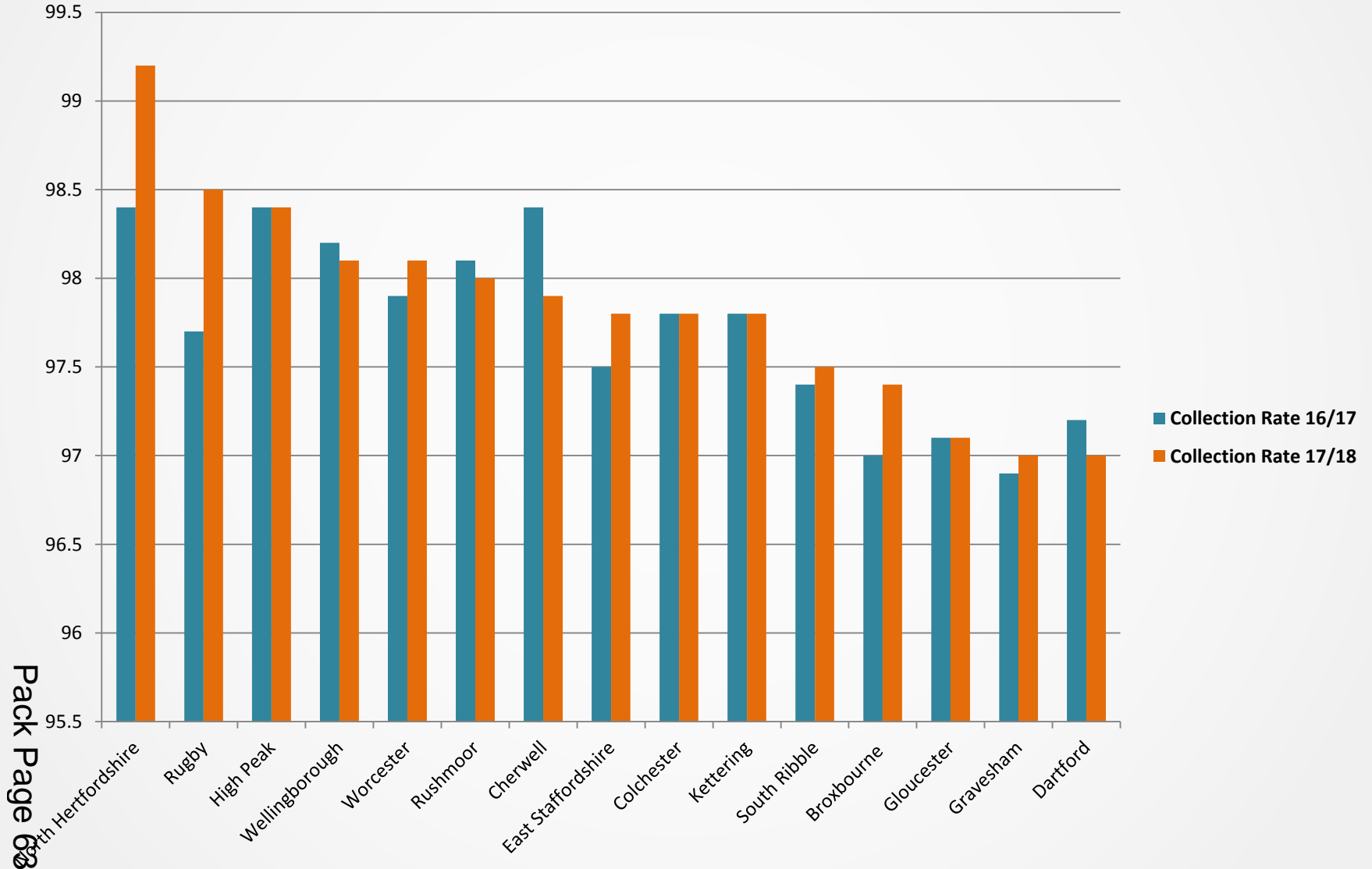


Council Tax Collection - Audit

Local Authority	Collection Rate 16/17	Collection Rate 17/18	Minimum Contribution	Band Cap	Average Cut	
					£	No. affected
North Hertfordshire	98.4	99.2	25%	N/A	£277	4,300
Rugby	97.7	98.5	15%	N/A	£155	2,900
High Peak	98.4	98.4	0%	N/A	£0	0
Wellingborough	98.2	98.1	20%	N/A	£183	3,000
Worcester	97.9	98.1	0%	D	£313	0
Rushmoor	98.1	98	10%	D	£110	2,600
Cherwell	98.4	97.9	0%	N/A	£0	0
East Staffordshire	97.5	97.8	25%	D	£231	4,100
Colchester	97.8	97.8	20%	N/A	£202	5,800
Kettering	97.8	97.8	45%	N/A	£431	3,300
South Ribble	97.4	97.5	17%	N/A	£170	3,200
Broxbourne	97	97.4	20%	E	£230	3,500
Gloucester	97.1	97.1	0%	N/A	£0	0
Gravesham	96.9	97	20%	N/A	£218	4,600
Dartford	97.2	97	18.5%	N/A	£206	1,900

Table showing the CTS scheme for each Authority (Minimum Contribution or Band Cap), how many customers have been affected and the average cut

Council Tax Collection - Audit



Exceptional Hardship Fund

- Allocated funds for 18/19 = £10k
- To date, we had received 15 applications for assistance from the Exceptional Hardship Fund
- 10 applications have been approved
- Total spend = £2,374.06
- 5 applications refused:
 - Arrears accrued when he was working & was able to pay
 - 3 people earning in the property, had award in the past and no arrears at present
 - Unclear on earnings due to private company and sole director of limited company. Requested evidence of earnings – application revoked
 - Has not paid anything since moving in a year ago, several special arrangements set, but nothing paid. The balance is being deducted from benefit
 - Refused as not in receipt of CTS

OPTIONS FOR CTS 2019/20

Considerations

- Universal Credit continues to roll out
- Receiving significant political attention
- As of today, no other welfare reform changes are known that would make sense to mirror into our local CTS
- Following full roll out of UC, potential for a more fundamental review of CTS
- Suitability of Rushmoor's current scheme and in comparison to other similar authorities?

Scheme Components	Costs (difference to current scheme)	Numbers Affected
<ul style="list-style-type: none"> 15% minimum contribution by all WA customers CB/Maintenance 100% included as income War Pensions 100% disregard as income 	<p>£4,289,431 (-£85,862) RBC: -10,303 (12%) HCC, Police & Fire: -75,558 (82%)</p>	<p>2,630 1,034 - Working Age Other 1,013 - Vulnerable 314 - Household Vulnerable 269 - Working Age Employed</p>

	A	B	C	D	E	F
Band of those affected	221	1,253	938	175	38	5

	0-25p	26-50p	51-75p	76p-£1
Weekly difference (pence)	38	238	1,833	489

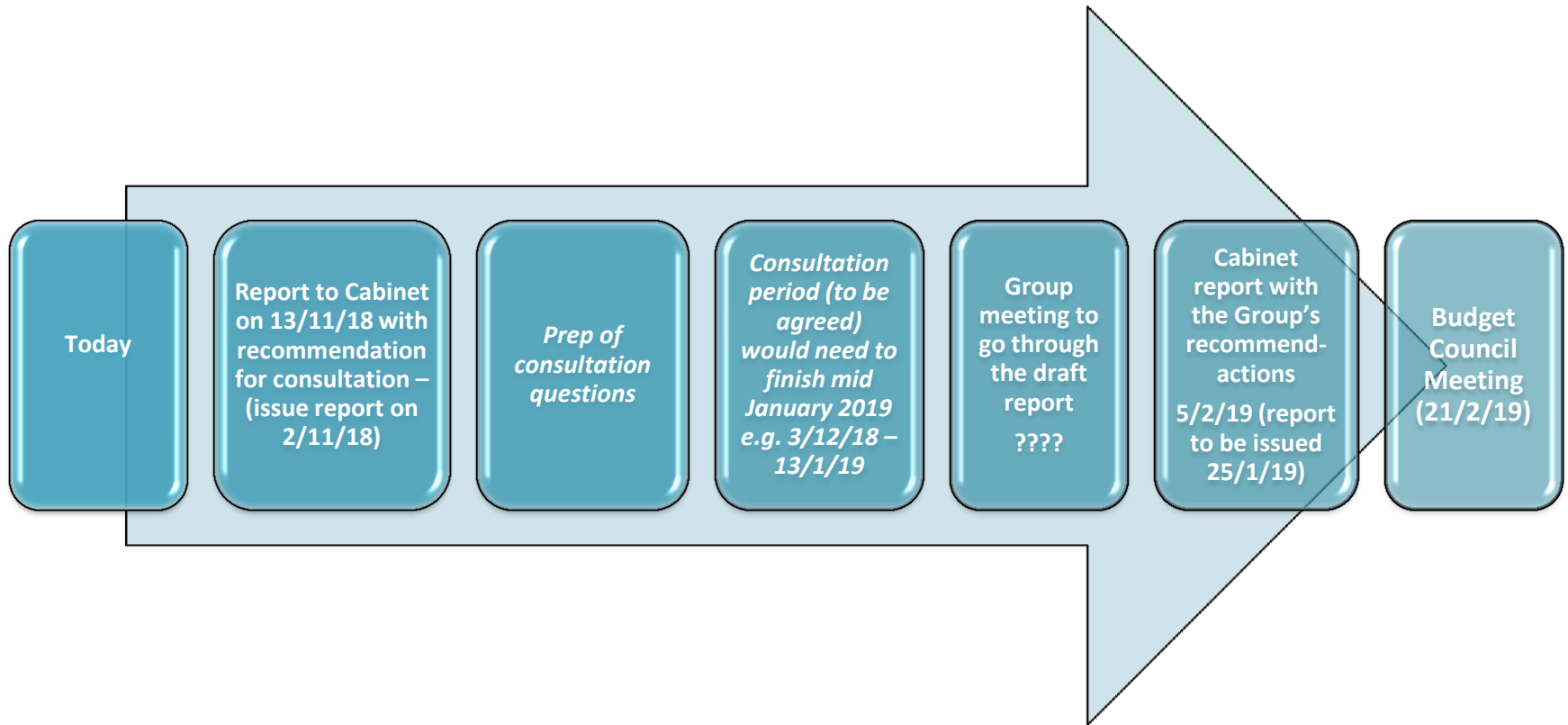
Band C Bill	Annual Bill (12% - 15%)	Monthly Bill (12% - 15%)	Weekly Bill (12% - 15%)			
Couple	£175.22	£219.02	£14.60	£18.25	£3.37	£4.21
Single	£131.41	£164.27	£10.95	£13.69	£2.53	£3.16

Current Scheme cost as of August: £4,375,293.57

Assumptions made when calculating options:

- Welfare benefit rates and Applicable amounts frozen
- Calculated using 17/18 CT rates
- No caseload growth

Next Steps if any changes proposed



Next Meeting

To be agreed dependant upon
urgency and actions agreed

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CABINET

COUNCILLOR MAURICE SHEEHAN
OPERATIONAL SERVICES PORTFOLIO HOLDER
REPORT NO. OS183211th December 2018

KEY DECISION: YES

**AIR QUALITY PLAN TO REDUCE NITROGEN DIOXIDE CONCENTRATIONS
ON THE A331 – OUTLINE BUSINESS CASE****SUMMARY AND RECOMMENDATIONS**

The purpose of this paper is to seek Cabinet approval of the Outline Business Case to improve air quality on the A331 (Blackwater Valley Relief Road), thereby complying with the Ministerial Direction served on Rushmoor on 27 July 2017.

The Secretary of State expects the Outline Business Case to have Cabinet approval and to be submitted by 31 December 2018 at the latest. The following recommendations help ensure that Rushmoor Borough Council complies with this Ministerial Direction, and that implementation of the preferred option to improve air quality can proceed as proposed.

It is recommended that Cabinet:

- (i) Endorse the Outline Business Case and the preferred option of a 50mph speed limit on a section of the A331, as shown in Figure 1
- (ii) Authorise the Head of Operations, in consultation with the Operational Services Portfolio Holder, to finalise and submit the Outline Business Case to Government by 31 December 2018
- (iii) Authorise the Head of Operations, in consultation with the Operational Services Portfolio Holder, to finalise and submit the **Full** Business Case to Government when complete
- (iv) Authorise the Head of Operations, to approve future income and expenditure through the budget monitoring process, with the condition that expenditure will be kept in line with income

1. INTRODUCTION & BACKGROUND

- 1.1 The UK Plan (2017) for tackling roadside nitrogen dioxide (NO₂) concentrations named Rushmoor BC. along with Guildford BC and Surrey Heath BC, as needing to undertake a Feasibility Study, or Outline Business Case, to explore measures to achieve compliance with the annual mean EU limit value for NO₂ along the A331 (Blackwater Valley Road) in the shortest possible time.
- 1.2 This Outline Business Case details the process by which a preferred option has been identified that will bring about compliance. It also provides the

rationale and justification for securing funding from Central Government to allow delivery of the plan.

- 1.3 A Full Business Case will be produced following a period of statutory consultation and likely by May 2019.
- 1.4 Delivery of the Plan is being overseen by the DEFRA/Department for Transport Joint Air Quality Unit (JAQU). Rushmoor BC has been working collaboratively with Surrey Heath BC and Guildford BC, along with the respective highways authorities of Surrey and Hampshire CCs (the Blackwater Valley Group).
- 1.5 The three authorities have been directed to undertake this work due to the presence of the Blackwater Valley footpath that runs close to the A331 at times. It should be noted that the EU one-hour limit value for NO₂ is comfortably achieved but that Rushmoor has been directed to consider the annual mean NO₂ EU limit value along a path where an individual will spend minutes at most. Rushmoor has been monitoring for NO₂ across the borough for 20 years and where people do spend considerable time, such as in residential areas and schools, we are meeting air quality standards.

Ministerial Direction

- 1.6 The Ministerial Direction served under Section 85(5) of the Environment Act 1995 on the 27 July 2017 requires the three Local Authorities to:

“Undertake as part of the UK plan for tackling roadside nitrogen dioxide concentrations 2018, a Feasibility Study in accordance with the HM Treasury’s Green Book approach, to identify the option which will deliver compliance with legal limits for nitrogen dioxide in the area for which the authority is responsible, in the shortest possible time.”

- 1.7 The Ministerial Direction requires the Outline Business Case be submitted as soon as possible and by the 31 December 2018 at the latest. JAQU expect it to have Cabinet approval. The Outline Business Case is available from the Members Resource Room or from Richard Ward, Environment/Airport Monitoring Officer, using the contact details below.

Bradford’s Roundabout junction improvements

- 1.8 A scheme to improve traffic flow at Bradford’s Roundabout, had previously been included in the Farnborough Growth Package but not progressed. The opportunity has now been taken to secure capital funding of £438,685 under the Early Measures Fund, to deliver air quality improvements around this junction.
- 1.9 Currently, vehicles exiting the A331 are caught in congestion at the south eastern arm of Bradford’s roundabout. The scheme will improve egress capacity around the A331/A325 junction, by creating a new lane on the northern side of the eastern approach arm of Bradford’s roundabout, within the existing grass verge (Figure 1). This third lane will provide additional capacity

for traffic entering the roundabout and wishing to proceed to the west or north, or back to the A331 to the east. It will reduce congestion and queuing, and result in less constrained flows on the part of the A331 identified as not being compliant with the EU Limit value post 2020. It has been calculated that the proposed scheme would remove an additional 4.4 tonnes of NO_x emissions over 10 years. Hampshire CC will deliver the scheme in 2019.

2. THE DEVELOPMENT OF THE OUTLINE BUSINESS CASE

Local Air Quality Modelling

- 2.1 Detailed local traffic and air quality modelling, informed by automatic number plate recognition (ANPR), traffic surveys and NO₂ monitoring, has been undertaken to determine levels of NO₂ on the local road network.
- 2.2 The results show that, in the absence of any additional measures, compliance with the annual mean NO₂ EU limit value along part of the A331 in Rushmoor will not be achieved until 2022. Rushmoor is therefore obliged to take appropriate action to achieve compliance in the shortest possible time.

The preferred measure

- 2.3 One single feasible measure has been identified; a 50mph speed limit along approximately 2.5km of the A331, between Coleford Bridge and Frimley. It currently has a speed limit of 70mph (Figure 2). Detailed local modelling identifies this as the only viable solution, delivering compliance in 2021.
- 2.4 Once compliance of the EU Limit Value has been demonstrated and shown to be maintainable, the road will revert back to 70mph. Decommissioning of the infrastructure is included within the costings that will be submitted to JAQU.

3. LEGAL IMPLICATIONS

- 3.1 To comply with the Ministerial Direction, the Outline Business Case must be submitted to JAQU as soon as possible and by the 31 December 2018 at the latest. Under Section 85(7) of the Environment Act 1995 the Council has a duty to comply with the Direction. The Direction itself does not specify any penalties for non-compliance.
- 3.2 However under Part 2 of the Localism Act 2011 the Secretary of State has a discretionary power to require Local Authorities to contribute to any EU financial sanctions imposed under Article of 260(2) of the Treaty of the Functioning of the European Union when the acts of the authority have caused or contributed to the infraction of EU law. The Council is therefore at risk of financial penalty if it does not comply with the Ministerial Direction.
- 3.3 In addition, the Secretary of State has been taken to the High Court a number of times by ClientEarth, a legal environmental charity in relation to compliance with legal limits for NO₂. The resultant High Court judgements have clarified what is expected from Air Quality Plans, giving detailed and definitive rulings on the proper interpretation of the obligations that flow from the EU Directive.

The adoption of local air quality plans that do not meet these tests may be open to judicial review.

4. FINANCIAL AND RESOURCE IMPLICATIONS

- 4.1 The Government had set up a £255m National Implementation Fund to fully support Local Authorities in preparing their plans and for delivering targeted action to improve air quality. All costs throughout the length of the project including investigation, implementation, decommissioning, monitoring and evaluation are paid for by this funding.
- 4.2 A grant of £50,000 was initially awarded in August 2017 to each of the three authorities, under Section 31 of the Local Government Act 2003, to begin work on the project. This was considered by Cabinet on 17 October 2017 in Report No. EHH 1729
- 4.3 JAQU awarded a further grant payment of £600,000 to the Blackwater Valley Group in February 2018 to support the development of the joint Outline Business Case. The resource used to develop the Outline Business Case is fully funded from this grant.
- 4.4 The approximate budget of implementing the preferred measure is ~~£750,000~~ **£432,055** and will be implemented subject to approval and full funding from JAQU. Rushmoor BC will be the recipient of grant funding to oversee monitoring and evaluation of the project. Hampshire CC will be the recipient of grant funding for delivery and implementation of the measure. The Section 151 officer for both authorities have confirmed support of this approach and will provide a commissioners letter/joint statement that confirms that the financial costs of the scheme can be contained within the agreed and available budget, subject to receipt of the required level of funding from Central Government.

5. WHAT HAPPENS NEXT

- 5.1 Subject to the Cabinet's approval, the Outline Business Case will be submitted before the end of December 2018 to comply with the Ministerial Direction.
- 5.2 A 6-week statutory consultation, jointly undertaken by HCC and SCC, will commence in early 2019 on the Traffic Regulation Order. In tandem, Hampshire CC will proceed with procurement of the highway infrastructure, in line with their standard procurement procedures. Rushmoor will proceed with the procurement of air quality monitoring equipment required for the duration of the project. This is so the Full Business Case can be fully costed, with the appropriate level of contingency, in order to secure the necessary level of funding to allow delivery of the local plan.
- 5.3 Upon acceptance of the Outline Business Case, the Full Business Case will be produced for JAQU approval. It is anticipated that a new Ministerial Direction will be issued to the relevant Councils to deliver implementation of the Local Plan.

6. EQUALITIES IMPACT IMPLICATIONS

- 6.1 The preferred measure has been subject to modelling within the Outline Business Case that included its equality impacts. No significant issues were identified.

7. CONCLUSIONS

- 7.1 The preferred measure has been subject to modelling within the Outline Business Case that included its equality impacts. No significant issues were identified.
- 7.2 Cabinet is asked to support the recommendations detailed at the beginning of this report.

CONTACT DETAILS:

Report Author	Richard Ward, Environment/Airport Monitoring Officer richard.ward@rushmoor.gov.uk - 01252 398137
Head of Service	James Duggin, Head of Operational Services james.duggin@rushmoor.gov.uk - 01252 398543

BACKGROUND PAPERS

- Air quality plan for nitrogen dioxide (NO₂) in UK (2017), Defra, July 2017
<https://www.gov.uk/government/publications/air-quality-plan-for-nitrogen-dioxide-no2-in-uk-2017>
- Environment Act 1995
<https://www.legislation.gov.uk/ukpga/1995/25/contents>
- Environment Act 1995 (Feasibility Study for Nitrogen Dioxide Compliance) Air Quality Direction 2017
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746095/air-quality-no2-plan-directions-2017.pdf
- Localism Act 2011
<http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>
- High Court ruling 2016 <https://www.judiciary.uk/wp-content/uploads/2016/11/clientearth-v-sseviron-food-rural-affairs-judgment-021116.pdf>

Figure 1. Proposed new lane at Bradford's roundabout

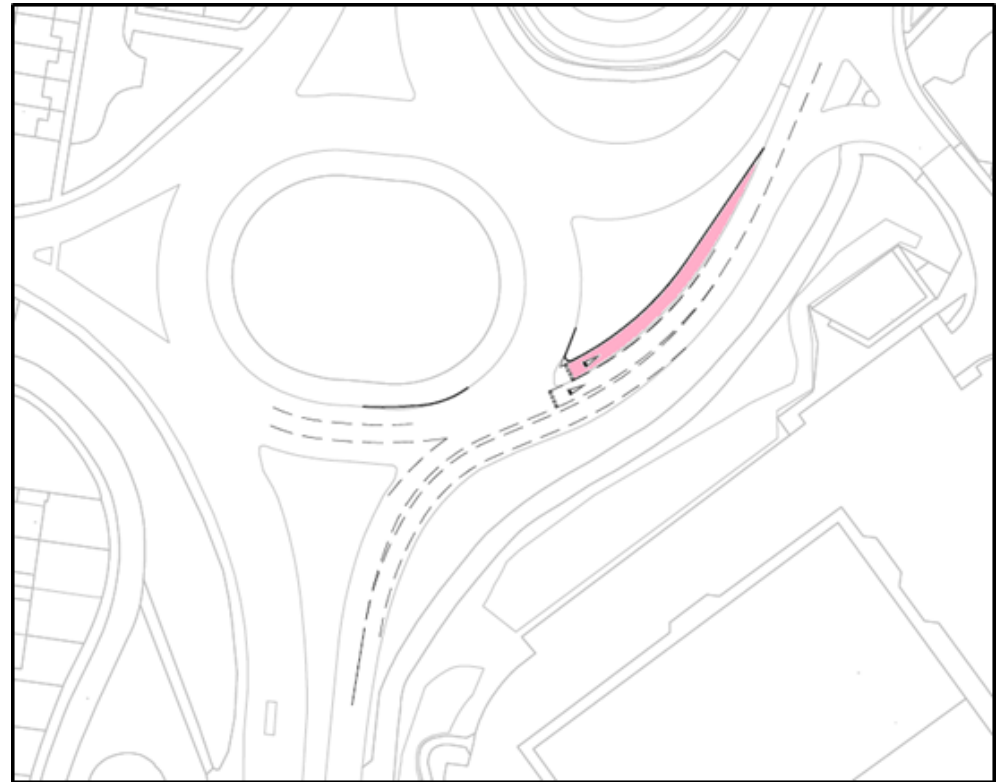
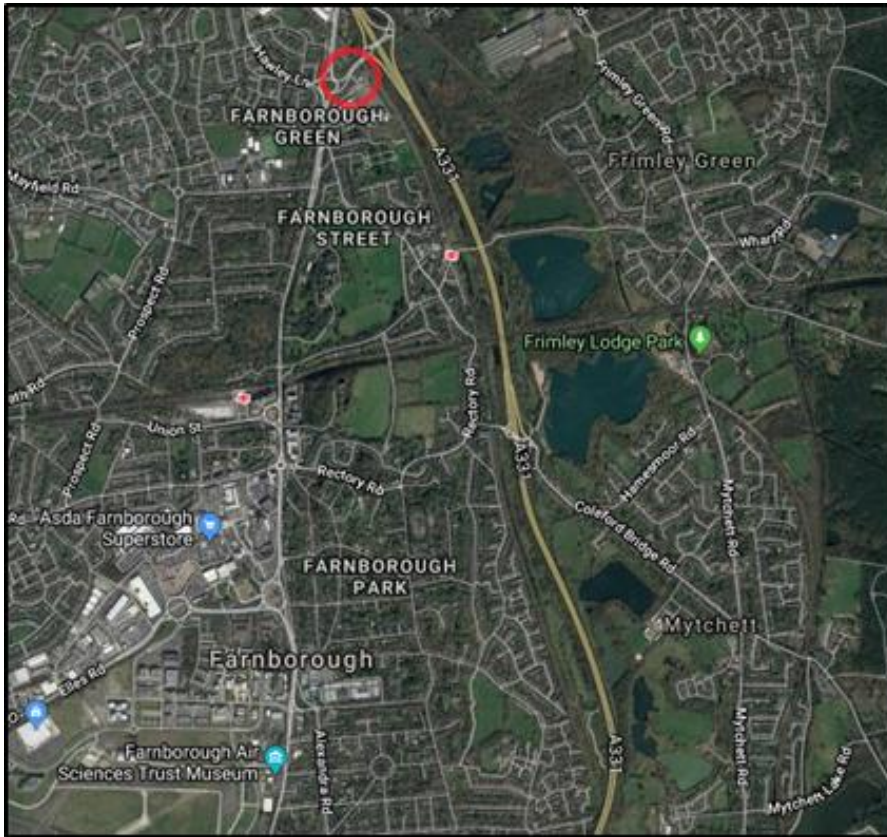
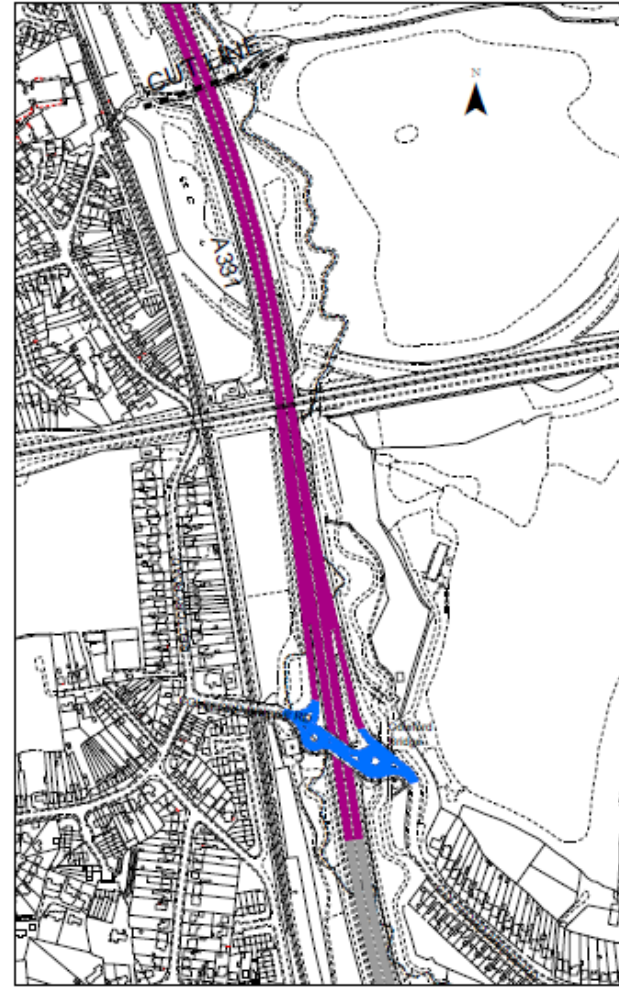
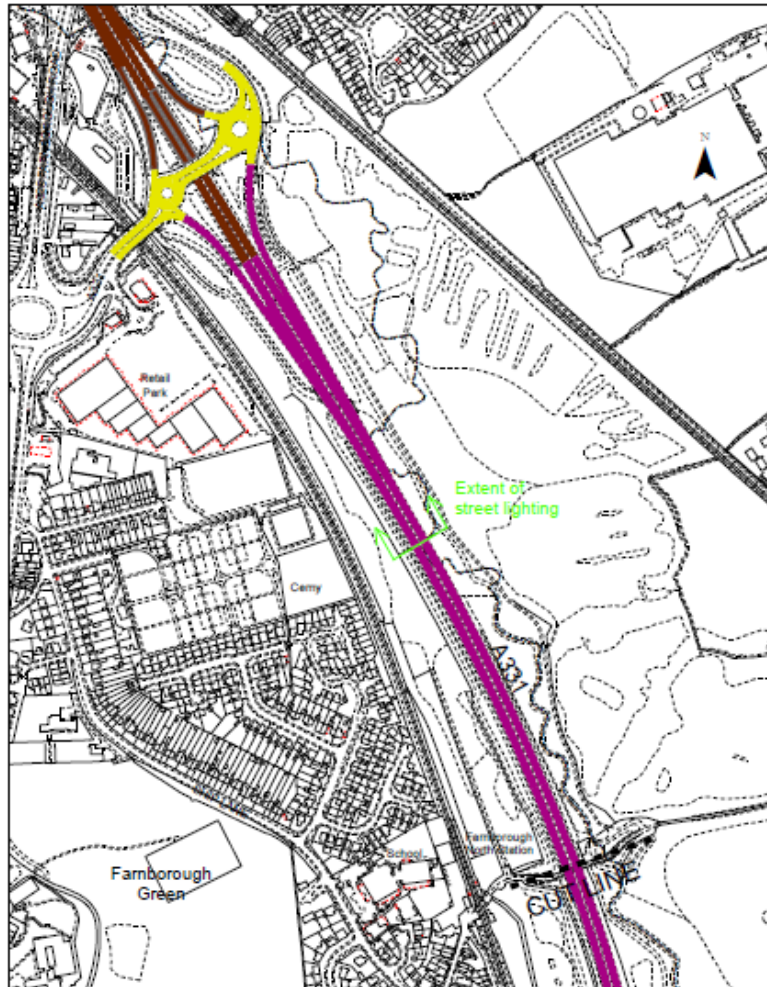







Figure 2. Extent of proposed 50mph section of the A331.



A331 BLACKWATER VALLEY ROUTE PROPOSED XX SPEED LIMIT FOR AIR QUALITY MANAGEMENT	
Scale	1:5,000
Drawing No.	A331/TAS/MDW/01
Date	August 2018

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KEY

	Existing 30 mph limit		Existing 40 mph limit
	Existing 50 mph limit		Existing National speed limit
	Proposed XX mph limit (Existing National speed limit)		



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

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