ARUN DISTRICT COUNCIL
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All Members of the Council
(and those on the circulation list)

1 March 2017

Please ask for:
Jane Fulton
Committee Manager

Dear Member

Full Council Meeting – 8 March 2017 – Bundle 2

Please find attached further papers to be considered at the Council Meeting on 8 March 2017:

Item 4 [Minutes]
Please find ***attached*** the Minutes from the Special Meeting of the Council held on 22 February 2017.

Item 19 [Audit & Governance Committee – 23 February 2017]
Please find ***attached*** the Minutes from the meeting of the Audit & Governance Committee held on 23 February 2017. There are a series of recommendations at:

- Minute 469 [Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018] – the Officer's report is ***attached***.

Item 20 [Bognor Regis Regeneration Sub-Committee – 27 February 2017]
Please find ***attached*** the Minutes from the meeting of the Bognor Regis Regeneration Sub-Committee held on 27 February 2017. There are 11 recommendations at:

- Minute 18 [The Regis Centre and Hothamton Car Parks Feasibility Studies - Update] – the Officer's report is ***attached.*** Hard copies of the background papers listed in the report can be found in the Members' Room.

/Cont'd Over …………

1 March 2017

Item 26 [Pay Policy Statement – 2017/2018]
This report and its associated appendices are ***attached***.

Please can you bring your copy of these papers along with you to the meeting.

Yours sincerely

Jane Fulton
Committee Manger

Enclosures

MINUTES
OF A
SPECIAL MEETING OF THE ARUN DISTRICT COUNCIL
HELD IN THE ARUN CIVIC CENTRE
ON 22 FEBRUARY 2017 AT 6.00 P.M.

Present:- Councillors Haymes (Chairman), Mrs Pendleton, (Vice-Chairman), Ambler, Mrs Ayres, Mrs Bence, Bence, Bicknell, Blampied, Mrs Bower, R Bower, Brooks, Mrs Brown, L Brown, Buckland, Cates, Chapman, Charles, Clayden, Cooper, Mrs Daniells, Dendle, Dillon, Dingemans, Elkins, English, Gammon, Mrs Hall, Hitchins, Hughes, Maconachie, Mrs Maconachie, Mrs Madeley, Mrs Oakley, Oppler, Patel, Mrs Porter, Purchese, Mrs Rapnik, Reynolds, Miss Rhodes, Mrs Stainton, Tyler, Warren, Wells, Wensley, Wheal and Wotherspoon.

[Note: The following Members were absent from the meeting during consideration of the matters referred to in the following Minutes:- Councillor English – Minute 450 to Minute 457 [Part], Councillor Dillon – Minute 460 [Part] to Minute 462, Councillors Mrs Madeley and Blampied – Minute 461 to 462].

450. WELCOME

The Chairman welcomed Councillors, Honorary Aldermen, members of the public, press and officers to the meeting.

451. MEMBER OF STAFF PETER SAVAGE AND FORMER COUNCILLOR JOHN POTTER

The Chairman announced that it was with great sadness that he had to announce the death of Peter Savage who had sadly passed away on 1 February 2017. The Chairman stated that Peter had been a valued member of the Council's staff and would be massively missed. On behalf of his wife, Stella, he read out a few words and announced that a celebration of Peter's life would take place at Worthing Crematorium on Monday, 6 March 2017 at 3.40 pm.

It was with sadness that the Chairman also had to announce the recent passing of former Councillor John Potter who had served as a Member of Arun District Council from 1987 to 1991 and had represented the Bersted Ward. He had also been a long serving Member of Bersted Parish Council.

The Council then stood in silence to their memories.

452. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Ballard, Edwards, Mrs Harrison-Horn, Mrs Neno, Northeast, Oliver-Redgate, Dr Walsh and from Honorary Aldermen Mrs Goad, Mrs Stinchcombe and Mrs Olliver.

453. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the Government's example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions on the new local code of conduct.
- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a member declares a "Prejudicial/Pecuniary Interest", this will, in the interests of clarity for the public, be recorded in the minutes as a Prejudicial and Pecuniary Interest.

There were no Declarations of Interest made.

454. QUESTION TIME

(a) Questions from the public (for a period of 15 minutes).

The Chairman invited questions from members of the public who had submitted their questions in advance of the meeting in accordance with the rules of the Council's Constitution. Supplementary questions would only be permitted should time allow once the notified questions had been responded to. Please note that the questions and answers in these Minutes are a summarised version, with the full version to be published on the Council's website within 10 days of the meeting.

In the absence of the questioner who had submitted a question in advance of the meeting, the Chairman alerted those present to the Schedule of Public Questions which had been circulated to the meeting setting out the question asked and the response provided. This is summarised below:

(i) To The Leader of the Council, Councillor Mrs Brown - how would people on fixed incomes find the extra money needed to pay increased Council Tax.

The response provided from Councillor Mrs Brown stated that she understood that this was a worry for everyone on a fixed income. The Council had frozen its part of the Council Tax for a number of years but since last year had been forced to increase it by 1.95% as the Council's support grant from Central Government had been reduced year on year and so a freeze on Council Tax could no longer be sustained.

The proposals that Councillors would consider this evening represented a rise of only 10p per week to £3.30 for a Band D Council Tax. For those on fixed incomes struggling to pay their Council Tax there were a range of options available including the option to be able to spread the cost over 12 months instead of 10; applying for assistance under the Local Council Tax Reduction Scheme or for those who were already receiving help under the schemes there was an additional discretionary fund.

(b) Questions from Members with Prejudicial/pecuniary interests – No questions had been received.

(c) Petitions from the public – no petitions from the public had been received.

455. MINUTES

The Minutes of the Council Meeting held on 11 January 2017 were approved by the Council as a correct record and signed by the Chairman, subject to Councillor Mrs Harrison-Horn's name being added to those recorded as abstaining from voting on the amendment at Minute 398 (Chief Executive's (CEO) Remuneration Committee – 13 December 2016) [Page 365 of the Minutes].

456. CHAIRMAN'S COMMUNICATIONS

The Chairman referred to his list of engagements attended since the last meeting of the Council held on 11 January 2017 as emailed to Members ahead of the meeting.

457. URGENT MATTERS

The Chairman announced that there was one Urgent Item to consider. This was asking the Council to note that the Chief Executive had exercised his delegated authority to authorise the Head of Legal and Administration to issue an application in the High Court for a statutory review to challenge an appeal decision of the Secretary of State's appointed Inspector.

Consultation on this report had been undertaken with all four Group Leaders and the Chairman of the Development Control Committee.

The Chairman outlined that as this was an Exempt report, he proposed that this be considered at the end of the meeting as a new Agenda Item 11.

458. STATUTE MATTERS

There were no matters for this meeting.

459. MATTERS FROM THE LAST MEETING

There were no matters for this meeting.

460. BUDGET 2017/2018

The Leader of the Council, Councillor Mrs Brown, presented her Budget Statement, **a copy of which is attached to the signed copy of the Minutes.**

An extract from the Minutes from the meeting of Cabinet [Minute 445] held on 6 February 2017; and Appendix 4 setting out the statutory resolutions that the Council was also required to consider, were tabled at the meeting.

The Leader opened her statement by advising Members that this Budget had been prepared during an unpresedented change in Local Government funding. Despite this, the Council had been able to produce a Budget that was virtually balanced [with a deficit of just £14k] which Councillor Mrs Brown saw as a significant achievement and one that the Council should be justifiably proud of.

Councillor Mrs Brown then provided some background to the ongoing changes in Central Government funding as it had been extensively reported that local government funding was under severe pressure due to these. Councillor Mrs Brown covered the following points:

- Changes to the New Homes Bonus (NHB) allocations in 2017/18 and beyond
- How the savings of £240m from the NHB had been allocated to social care authorities through a new Adult Social Care Support grant
- The knock-on effect for this Council and other District Councils in that funding would further reduce in 2018/19
- As a member of the Local Government Association (LGA) and District Councils Network (DCN) how she would continue to lobby the Government to consider transitional measures to limit the impact of reforms to NHB.
- The retention of business rates and the risk and cost of appeals against valuations. It was difficult to predict and assess the number and success of appeals, though the Council's success in attracting businesses to the District continued to act as a buffer against some of this uncertainty
- A new system on the distribution of Business Rates meant that Local Government would keep all of the business rates from 2020
- The Revenue Support Grant from Central Government continued to be reduced year on year. By 2019/20 this would be a negative figure of over £400k

Despite all these factors, Councillor Mrs Brown outlined that she was delighted to be able to present a Budget that was virtually balanced. She outlined that last year the Government had allowed all District Councils to increase their Council Tax by a maximum of £5 per year, without triggering a referendum. This Policy had been carried forward for 2017/18 and so she proposed a further increase of £4.95 which would result in a Band D tax of £171.27. In proposing this increase, Councillor Mrs Brown reminded Members that Local Government had 137 different lines of business and that District Councils were responsible for 86 of these. With the proposed increase this year of 10p a week she emphasised that the Budget would continue to deliver the Council's 63% of these essential services for a Band D property for just under £3.30 a week.

Further areas highlighted were:

- The savings achieved from the 2020 Vision work and major Contracts
- The progress made with the new Littlehampton Leisure Centre
- Continued investment in the capital programme
- Revenue budget funding for major improvements at the Arun Leisure Centre

Moving onto the Housing Revenue Account (HRA), Councillor Mrs Brown was delighted that the Council had started building work on the first Arun Council houses for over 20 years. These would help provide quality, affordable homes for local people. In total the Council was committed to building 33 new Council houses in Littlehampton, Barnham and Bognor Regis for those families most in need. A new HRA Business Plan was in the process of being completed in line with the recent Housing White Paper published earlier in the month.

The final part of the Budget concerned the capital programme. Although this was dominated by the new Leisure Centre, Councillor Mrs Brown outlined that it was pleasing that the Council had committed to other schemes. The programme included the essential core programme of Disabled Facilities Grants and council housing major repairs and improvements. Phases of other major works to beach huts, public conveniences, play areas and support to Housing Association new build and a contribution to the Community Flood Fund were also planned.

In conclusion and on behalf of the Council, the Leader thanked Arun's conscientious, hardworking staff for not only helping to prepare this Budget but, also, for all that they did on a day to day basis to make the District a great place to live, work and visit. She particularly thanked the Head of Finance & Property and his small team for their sound advice and recommendations in the Budget report.

Councillor Mrs Brown then formally proposed an amendment which was that the recommendations as originally set out on pages 47 and 48 of the report, from the Head of Finance and Property, would supersede the minuted recommendations from the Cabinet meeting held on 6 February 2017 [Minute 445], as tabled at the meeting, as these included Recommendation (8) on page 47 of the agenda [the statutory resolutions at Appendix 4] and the further recommendations 1 and 2 on page 48 of the agenda. Councillor Wensley formally seconded the proposals and amendment.

Councillor Oppler, as Leader of the Opposition, then responded to the Budget Statement by firstly thanking the Head of Finance & Property and his team for the ongoing work they did in safeguarding the Council's financial position. Councillor Oppler particularly thanked all of the Council's staff for the work that they did in making Arun what it was. In recognising their collective effort he stated that he deeply regretted that they would only benefit from a likely 1% pay increase. It was his view that all staff should be recognised and rewarded for their achievements and that the 1% proposed pay increase should apply to all Council staff with no exceptions being made for Senior Council Officers.

Councillor Oppler outlined that it had been his plan to 'peg' the Chief Executive's (CEOs) salary to the national pay award for the next three years but this had not been possible. He therefore proposed the following amendments to Recommendation (1) in that the following wording be added to the end of the recommendation to read:

"subject to:

(i) a contingency being included in the General Fund to provide for an additional pay increase for all staff linked to the next annual review of the CEOs salary as recommended to Full Council by the Remuneration Committee. An indicative figures based on a 3% pay award to the CEO would equate to a contingency of £450,000 being needed in the staff salaries budget"; and

(ii) the Council allocating an initial £500,000 to invest in two family hostels specifically for families with children and any additional costs being reported back to Full Council for further consideration.

These amendments were seconded by Councillor Buckland.

The Chief Executive advised the Council that in view of amendment (i), he and all other staff present held a Personal and Prejudicial/Pecuniary Interest as this amendment related to staff salaries and proposed that these be increased in the future. He outlined that all staff should acknowledge their interest in this matter and leave the meeting. However, in order to have someone to record this part of the meeting he proposed that the Head of Democratic Services and the Committee Manager remain in the meeting to record the outcome of this amendment in the minutes and as they had no involvement in any future decision making of the CEOs remuneration.

The Chief Executive, The Director of Transformation, the Director of Services, the Head of Finance and Property and the Financial Services Manager then left the meeting for this item.

The Chairman then invited debate on this amendment. Firstly, comments were made that at the last Council Meeting held on 11 January 2017, it had been made clear to Members that the remuneration of the CEO was not decided under national collective bargaining arrangements with the trade unions [the process covering the majority of local government staff]. The CEO had a personal contract which had been agreed by the Council and the arrangements for deciding the remuneration were set out in the Council's Constitution. The process in place for the CEO's remuneration had been very clearly set out and explained on 11 January 2017. There was major concern expressed that the impact of this amendment, if accepted, would put into question these formally agreed arrangements. Questions were also asked as to whether any negotiations had been undertaken with UNISON. Debate on this amendment also focused on the amendments made by Councillor Purchese to Full Council on 11 January 2017, which had not been carried and questions were asked as to why were 'associated' amendments being made again. Although some Members stated that they did not doubt the sincerity of the amendment's intention, the way that it was being presented made some Members feels that it was not acceptable and so could not be supported.

Before proceeding further, a question was asked as to whether the debate and voting on amendments (i) and (ii) would be taken together or debated on and voted upon separately.

The Head of Democratic Services confirmed that the amendments would be debated separately. Amendment (i) would be debated and voted on first, then amendment (ii) with the Chairman then returning to the substantive recommendations. A question was asked at to whether the amendment should be accepted in view of the six month rule. The Head of Democratic Services explained that this was a different amendment to what had been presented to the last Full Council meeting as the amendment was looking at the remainder of staff's pay and not specifically the CEO's pay award.

Debate then returned to amendment (i) with Members asking how the additional £450,000 would be funded and what front line services would be cut to fund this recommendation. Those speaking against the amendment referred to the 2020 Vision work undertaken to date in which the Council had reviewed staffing levels and had already made savings of £250k. These savings had demonstrated an appetite for genuine transformational change and it was apparent that the Council needed to continue the transformation programme to offset the reductions in government funding. To not continue with this would mean that the Council's budgets would have a negative impact on frontline services. In view of this, how could this additional £450k be supported.

Councillor Tyler proposed that the Question now be put. The Chairman confirmed that he would continue to allow Councillor Purchese to speak [as he had requested] and Councillors Buckland [as seconder to the amendment and as he had reserved his right to speak] and Councillor Oppler as the proposer to the amendment.

In speaking for the amendment, Councillor Purchese stated that he accepted the difficult national position that the Council was in financially. Despite this, his Group felt that the Council needed to apply fairness in terms of its staff who had not received more than a 1% pay increase for a number of years and he urged Councillors to think about the issue of parity and fairness which he felt were absolutely relevant.

Councillor Buckland, as seconder, to the amendment endorsed the statement made by Councillor Purchese.

Councillor Oppler, as proposer to the amendment, reinforced Councillor Purchese's views and stated that the targets set by the Vision work being progressed by the Council could not be achieved without the collective effort of all staff who all had to work harder with less staff resource and with little financial reward. The additional £450,000 required should be funded from the Council's reserves with the Council ensuring that the CEOs incremental pay increases be brought in line with that of all staff.

On putting the amendment to the vote it was declared LOST.

The Chief Executive, the Director of Transformation, the Director Services, the Head of Finance and Property and the Financial Services Manager then returned to the meeting.

The Chairman then reintroduced Amendment (ii) which had been proposed by Councillor Oppler and seconded by Councillor Buckland earlier. This was:

(i) the Council allocating an initial £500,000 to invest in two family hostels specifically for families with children and any additional costs being reported back to Full Council for further consideration.

In debating this amendment many Councillors stated that they held a degree of sympathy with it as homelessness was a national and increasing problem. Despite this, many Councillors confirmed that they could not support the amendment. Councillor Bence, as the Cabinet Member for Housing, outlined that a lot of work had been undertaken by Officers in working to understand the needs of the new HRA Business Plan coming forward in draft form. It was hoped that the Business Plan would be ready for Cabinet to consider in April 2017 allowing Council to discuss it in-depth. Part of the Business Plan would look at how the Council could improve homelessness accommodation and how this could be funded. Since some threats to the HRA had been removed, it was outlined that there were some exciting opportunities for the Council to work on. Using Right to Buy funding there was opportunity to build more council houses and to assist helping the homeless with existing and new accommodation. In view of this, the amendment was not necessary and Councillor Bence urged Members to reject it.

Other Councillors speaking against the amendment stated that again they did not have the detail confirming how the required £500,000 would be funded and how many families this amount would benefit and over what period of time. The lack of detail being provided meant that most Members felt that they could not support the amendment, even though some had sympathy in terms of its sentiment in assisting homeless families.

In speaking against the amendment, Councillor Clayden, as Chairman of the Housing & Customer Services Working Group, outlined the work being undertaken by the Working Group and he referred to the presentation provided by Stonepillow at the Working Group's last meeting. This had outlined the project ideas being developed to assist the homeless problems in the District. It was accepted that tackling homelessness was a multi-step process and that work on preventing homelessness was just as crucial. The new HRA Business Plan would address these issues whilst at the same time would outline new promising ideas to assist the larger issue of homelessness in the District. Councillor Oppler was urged to bring his ideas and suggestions on tackling these issues to future Working Group meetings.

Councillor Buckland, as seconder to the amendment, referred to the comments made by Councillor Clayden on Stonepillow. On these grounds he urged Members to support the amendment.

Councillor Oppler, as proposer to the amendment, urged Councillors for once to support a budgetary amendment. For this amendment, Members needed to take action on the increasing family homelessness crisis which had devastating effects for individuals and society. There had been a homelessness crisis in the District for a long time and the situation had not changed, the same issues that existed a long time ago were still there and little progress had been made. Councillor Oppler touched upon the devastating impact homelessness had on children who needed specialist facilities to take them away from the hostel environment into specialist units. He agreed that the matter should be discussed by the Housing & Customer Services Working Group in the future.

On putting the amendment to the vote it was declared LOST.

The Chairman then returned to the substantive recommendations.

Councillor Mrs Rapnik, on behalf of the UK Independence Party, thanked the Head of Finance and Property and his team for a commendable Budget. She applauded Officers for producing a virtually balanced budget with a deficit of just £14k and for the savings achieved with the new Leisure Contract. In view of the financial pressure that the Council was under, she was delighted that 33 new council homes would be constructed in the District. Of concern, was the continuing need to attract new businesses especially retail units in view of the number of empty shops she saw in Arun's High Streets.

Councillor Brooks, on behalf of the Independent Group, confirmed his support for the Budget and his Group's appreciation for the work undertaken by the Head of Finance and Property and his team in preparing the Budget and in what was a difficult time financially for the Council. He accepted the comments made by the Leader of the Council, in presenting her Statement, in terms of the risk of income from NHB and how the Council was constantly under threat by Central Government's changing rules. Councillor Brooks outlined that it was urgent for the Council to now ensure that its Local Plan was approved as financial awards were not possible to be made for planning applications granted under appeal. He accepted that the proposed Council Tax rise was necessary and understandable but regretted that increases had not been made gradually over the last 5 years which could have avoided some cuts in services such as CCTV and public conveniences. Councillor Brooks outlined his concern over the recently publicised Business Rate increases which he saw as a very serious matter. This would have a detrimental effect on the High Streets in the District – he hoped that the Council would continue to support local businesses. Councillor Brooks referred to the significant savings made on restructuring and his disappointment that no mention had been made on the large number of Councillors serving the Arun District which he felt was excessive. He hoped that a review to look at the number of Councillors would form part of the 2020 Vision work moving forward and in view of the reduction in meetings of the Licensing and Development Control Committees as well as Working Groups and Sub-Committees. He was concerned at increasing Bed and Breakfast costs and the request for further funding to support this, which would be discussed at the next Council Meeting. The Council now needed to look at other alternatives such as buying its own B&B facilities. Of concern were the poor conditions of existing sheltered housing blocks and reducing levels of income from some of the Council's concessions. It was Councillor Brooks' view that this was due to the diminishing number of visitors and he expressed his concern at the lack of investment in tourism promotion. He hoped that this would be addressed by future regeneration projects moving forward.

The Chairman then invited debate on the substantive recommendations.

The majority of Councillors applauded the Budget stating that it would deliver exactly what the Council had said it would deliver and that the Council could continue to invest in the District in one-off expenditure as well as continuing to invest in an enhanced capital programme investing in a range or projects which would be delivered both to support the Council's priorities and to make a real difference for many residents, visitors and businesses in the District.

Councillor Wensley, as seconder to the substantive recommendations, outlined that the budget demonstrated that despite challenging financial times, the Council continued to deliver good quality services to its residents, businesses, tenants and visitors for a very small cost, despite the Council's RSG being cut by Government yet again. To achieve a virtually balanced budget, in such challenging times, whilst at the same time constructing a new Leisure Centre in Littlehampton was a credit to the prudent financial management this Council had exercised over many years. Due to the professionalism of Officers, the Budget continued to support the Council's priorities.

The Council had been able to maintain its support for the Disabled Facilities Grant programme and it was continuing to invest into its housing improvement programme. The Council was continuing to invest Capital into Leisure and Tourism Services with the new Leisure Centre at Littlehampton being the Council's main focus in this area.

Finally, Councillor Wensley outlined that despite some of the good news items above, the future for the Council remained very challenging. The Council alone could not deliver the level of investment needed for all of the major initiatives and projects and that others were needed to support their delivery. Councillors needed to do all that they could to ensure that the decisions made on the Vision would deliver a reduced net budget requirement for 2017/18 and beyond. Councillor Wensley stated that what was proposed was a sound Budget which was good for the Council's residents and businesses and the Council as a large local business and so he urged Members to support it.

Councillor Mrs Brown, as proposer to the substantive recommendations, added to the points made by Councillor Wensley by reminding Members that the Council was facing very uncertain times. This Budget would ensure that the Council would be able to deliver essential front line services and a substantial capital programme to support council housing; private sector housing; leisure; regeneration; tourism; and asset management and improvement, all of which would support those in the community that needed it most.

In summing up, Councillor Mrs Brown thanked everyone for their contribution in compiling and debating the Budget and she requested that a recorded vote be taken.

Those voting for the substantive recommendations were Councillors Ambler, Mrs Ayres, Mrs Bence, T Bence, Bicknell, Blampied, Mrs Bower, R Bower, Brooks, Mrs Brown, L Brown, Cates, Chapman, Charles, Clayden, Cooper, Mrs Daniells, Dendle, Dingemans, Elkins, English, Gammon, Mrs Hall, Haymes, Hitchins, Hughes, Maconachie, Mrs Maconachie, Mrs Oakley, Patel, Mrs Pendleton, Mrs Porter, Mrs Rapnik, Reynolds, Miss Rhodes, Mrs Stainton, Tyler, Warren, Wheal, Wensley and Wotherspoon (42). Those that abstained from voting were Councillors Buckland, Oppler, Purchese and Wells (4).

The Council therefore

RESOLVED – That

(1) The General Fund Revenue budget as set out in the revised Appendix 1 is approved;

(2) Arun's Band D Council Tax for 2017/28 is set at £171.27, an increase of 2.98%

(3) Arun's Council Tax Requirement for 2017/18, based on a Band D Council Tax of £171.27, is set at £10,183,029 plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements;

(4) The HRA budget as set out in Appendix 2 is approved;

(5) HRA rents for 2017/18 are set at 1% below the current year's level in accordance with the provisions of the Welfare Reform and Work Bill;

(6) HRA garage rents are increased by 5% to give a standard charge of £10.63 per week (excluding VAT) and heating and water/sewerage charges increased on a scheme by scheme basis, with a view a view to balancing costs with income;

(7) The Capital Budget as set out in Appendix 3 is approved;

(8) The statutory resolutions required by the Council in agreeing its budget for 2017/18, as set out in Appendix 4, are approved;

(9) It be noted that the Head of Finance and Property, in consultation with the Cabinet Member for Corporate Governance, has approved i) a Council Tax base of 59,456 for 2017/18 and ii) the submission of the Council's NNDR1 return (the estimate of the Council's Business Rate income for 2017/18) to the Department of Communities and Local Government;

(10) For 2017/18 any expenses incurred by the Authority in performing in part of its area a function performed elsewhere in its area by a Parish/Town Council or the Chairman of a Parish Meeting shall not be treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992.

461. EXEMPT INFORMATION

The Council

RESOLVED

That under Section 100A(4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

462. CHIEF EXECUTIVE'S POWER TO AUTHORISE URGENT COURT RETROSPECTIVE REPORTING OF URGENT DECISION TAKEN BY THE CHIEF EXECUTIVE – HIGHGROUND ORCHARDS, HIGHGROUND LANE, BARNHAM, BN/10/16/PL (PLANNING APPEAL DECISION APP/C3810/W/16/3155230 (Exempt – Paragraph 5 – Information in Respect of Which a Claim to Legal Professional Privilege could be Maintained in Legal Proceedings]

The Leader of the Council presented a report from the Chief Executive which set out the detail of why he had exercised his delegated authority to authorise the Head of Legal and Administration to issue an application in the High Court for a statutory review to challenge the 10/1/17 appeal decision of the Secretary of State's appointed Inspector by which he overturned the Council's refusal of planning permission on application BN/10/16/PL.

Councillor Mrs Brown then formally proposed the recommendation which was duly seconded by Councillor Wensley

The Council

RESOLVED

That the Council notes that the Chief Executive had exercised his delegated authority to take urgent action and had authorised the Head of Legal and Administration to issue an application in the High Court under Section 288 of the TCPA (I shall put in full) 1990 for a statutory review to challenge the 10/1/17 appeal decision of the Secretary of State's appointed Inspector by which he overturned the Council's refusal of planning permission on application BN/10/16/PL.

(The meeting concluded at 19.38 pm).

AUDIT AND GOVERNANCE COMMITTEE

23 February 2017 at 9.30 am

Present: - Councillors Clayden (Chairman), Mrs Oakley (Vice-Chairman), Brooks, L Brown, and Miss Rhodes.

463. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams and representatives from Ernst & Young, Jason Jones (Audit Manager) and James Stuttaford (Audit Team Leader), to the meeting.

464. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors; Edwards, Mrs Maconachie, D Maconachie and Wheal. Apologies were also received from Paul King, Audit Director, of Ernst & Young.

465. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the Government’s example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions on the new local code of conduct.
- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a member declares a “Prejudicial Interest”, this will, in the interests of clarity for the public, be recorded in the minutes as a Prejudicial and Pecuniary Interest.

There were no Declarations of Interest made.

466. MINUTES

The Minutes of the meeting held on 8 December 2016 were approved by the Committee as a correct record and signed by the Chairman.

467. ERNST & YOUNG – CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2015/16

Ernst & Young presented the Certification of Claims and Returns Annual Report 2015/16, summarising the results of the certification work on Arun District Council's 2015-16 claims and returns.

The scope of the certification work was outlined and attention was drawn to the work that had been undertaken in respect of the 2015/16 requirement to certify the Council's housing benefit subsidy claim. This was reported to the Committee at the meeting held on 8 December 2016 where the Audit Director had outlined that this certification had been undertaken without the need for a qualification letter, which was a rarity these days as most Councils were issued with some form of qualification letter. The Audit Manager confirmed his view that this was a notable achievement for the Council and the Chairman again thanked the Council's Officers for their good work and for the excellent result. The Chief Internal Auditor confirmed that praise for this staff achievement had also been included within the Council's Corporate Management Team Minutes.

In looking forward to the work for 2016/17 period, the Audit Manager confirmed that the Certification work programme remained the same as 2015/16. There were no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remained in the work programme. It was noted that 2017/18 would be the final year in which these certification arrangements would apply as from 2018/19 the Council would be responsible for appointing an Auditor for the certification work.

A potential change was highlighted by the Audit Manager concerning the future certification of the housing benefit subsidy claims. It was noted that discussions would take place between the Council and Ernst & Young with respect to the opportunity for the Council to undertake the majority of testing for the housing benefit subsidy claims certification work. The Head of Finance & Property confirmed that the Council would need to make a decision based on the amount of staff resource that would be required to undertake this work against the anticipated reduction in certification fees.

The Chairman thanked Ernst & Young and the Committee then noted the report.

468. ERNST & YOUNG – AUDIT PLAN PROGRESS REPORT AND SECTOR UPDATE

The Committee received the Ernst & Young Audit Plan which set out how Ernst & Young would carry out their responsibilities as the Council's auditor for the 206/17 Accounts. An Ernst & Young Audit Progress Report was also presented to the Committee which provided an overview of the final position of the 2015/16 audit and initial plans for the 2016/17 audit. The plan summarised Ernst & Young's initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks.

The following areas were highlighted:

- The Financial Statement Risk was notified as risk of management override. This was the risk of management perpetuating fraud because of its ability to manipulate accounting records and prepare fraudulent statements by overriding controls that otherwise appear to be operating effectively. The Audit Manager explained that an organisation would always be subject to this risk and so it could not be removed from the Audit Plan. Arun District Council was not seen to have a high risk in this area.
- In turning to the Progress Report, the Audit Manager confirmed that the 2015/16 Audit Results Report (reported to the September 2016 meeting of the Committee), the Annual Audit Letter (reported to the December 2016 meeting of the Committee) and the Annual Report on the certification of claims reported at this meeting completed the work programme in relation to the 2015/16 Financial Year.
- The value for money risk assessment was ongoing with no significant risks being identified. It was confirmed that value for money guidance had not changed.
- Members were referred to the 2016/17 timetable showing the key stages of the 2016/17 audit. This included value for money work. The Audit Manager expected that the complete scope of the audit strategy for 2016/17 would be available from early March 2017.

Following a number of questions responded to at the meeting the Chairman thanked Ernst & Young and the Committee noted the report.

469. TREASURY MANAGEMENT STRATEGY STATEMENT & ANNUAL INVESTMENT STRATEGY – 2017/18

The Senior Accountant (Treasury) presented to the Committee the Annual Treasury Management Strategy Statement and the Annual Investment Strategy for 2016/17.

In presenting this report, the Senior Accountant (Treasury) confirmed that the strategy had not changed significantly from previous years and drew Members' attention to the following key points:

- The Senior Accountant (Treasury) hoped that Members had found the Capita Asset Services workshop (Treasury Advisors), held on 8 December 2016, informative. This training adhered to the CIPFA (Chartered Institute of Public Finance & Accountancy) code that ensured Members with responsibility for treasury management received adequate training.
- Members were referred to the actual/estimated figures on year end resources from 2015 to 2020. It was noted that the expected investments were falling due to debt repayments and the Capital programme.
- The Council's Treasury Investment and debt portfolio position at 31 March 2016 and 31 December 2016 was summarised. The 2016/17 figure of £74M will significantly reduce under as at 31 March 2017 due to a debt repayment of £8.86m on 28 March 2017.
- The Authorised Limit for external debt was outlined and Members were referred to a chart that detailed the Council's projection of Capital Financing Requirements and borrowing. The Council would be asked to approve an Authorised Limit of £66M in 2017/18.
- Members were reminded that the Council was currently changing banks from HSBC to Lloyds and therefore investment limits associated with these counterparties had changed. It was noted that Lloyds would be the incumbent bank from 1 April 2017 and would have no investment limit however the Council would initially invest £11M in terms of deposits with them.
- The Senior Accountant (Treasury) informed Members that The Money Market Reform was still being discussed and the European Union was developing proposals that could mean funds moving from Constant Net Asset Value (CNAV) to a Variable Net Asset Value (VNAV). Unlike CNAV, every pound invested under VNAV did not necessarily offer a pound in return. It was advised that this should not impact upon the Council in 2017/18 but Finance would monitor the issue.

In discussing the report, the Committee was of the view that the training that was provided by Capita Asset Services was informative and should be made compulsory Members. The Head of Finance & Property stated that he would seek constitutional advice on this matter so that the Committee could make an informed decision at a future meeting.

The Chairman thanked the Senior Accountant (Treasury) for her comprehensive report.

The Committee then

RECOMMEND TO FULL COUNCIL – That

(1) the Treasury Management Strategy for 2017/18 be approved;

(2) the Annual Investment Strategy for 2017/18 be approved, and;

(3) the Prudential Indicators for 2017/18, 2018/2019 and 2019/20 as contained in appendix 1 and the body of the report, be approved.

470. <u>ANNUAL INTERNAL AUDIT PLAN 2017/18 and PROGRESS AGAINST THE AUDIT PLAN 2016/17</u>

With the agreement of the Committee the Chief Internal Auditor presented the Annual Internal Audit Plan 2017/18 and Progress against the Audit Plan 2016/17 as one item.

It was noted that the reduction in audit staff resources would mean less audit work would be possible and a risk-based audit methodology would continue to prioritise resource to the important areas, as agreed with Senior Management/Members.

It was pointed out that a detailed plan would not be presented to the Committee for agreement, as in previous years, as the Council had not yet decided what changes would be made under the Vision 2020 work. In view of this, the Committee was requested to agree only an outline plan which would need to remain flexible through the year so that resources could be assigned to specific tasks. The Chief Internal Auditor advised that as there was a substantial degree of uncertainty around the amount of audit work that would be required and on what this would be focussed, the Committee would be updated by means of the progress report on a quarterly basis.

In discussing the Plan, Members asked a number of questions which were answered by the Chief Internal Auditor.

The Committee then

RESOLVED

that the outline Annual Internal Audit Plan for 2017/18 be approved.

The Committee turned to the report from the Chief Internal Auditor, which monitored the delivery of progress made against the agreed Audit Plan.

Members were reminded that a revised Audit Plan was presented to the Committee on 29 September 2016 due to the reduction in available audit resources. The aim was to ensure that mandatory audit work was completed and, where practical, work on the highest risk areas identified in the original plan was progressed.

Members were advised that in previous quarters a supplementary status report had been provided on areas where audit involvement was principally liaison / progress monitoring. No report was being provided at this meeting, as there was little change in the short period since the last meeting in December 2016.

It was noted that as at January 2017, the new Director structure had been implemented and the new Group Heads announced. The Group Heads would take up their posts from 1 April 2017. This would involve significant changes in management responsibility for functions and lower level structures had yet to be agreed.

Members asked questions which were answered by the Chief Internal Auditor. The Committee then noted the update contained in the report.

471. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the information/advisory documents as follows:

- CIPFA (The Chartered Institute of Public Finance & Accountancy) – Audit Committee Update Issue 21 – ‘Helping audit committees to be effective’
- TEICCAF (The European Institute for Combatting Corruption And Fraud) – Fraud survey report ‘Protecting the English Public Purse 2016’.

As this was the last meeting of the Committee for the Municipal Year 2016/17 the Chairman thanked Members, Officers and Ernst & Young for their hard work and support throughout the year.

(The meeting concluded at 10.12 am)

AGENDA ITEM NO. 7

ARUN DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE
23 FEBRUARY 2017

Decision Paper

Subject : Treasury Management Strategy Statement and Annual Investment Strategy 2017/18

Report by : Sian Southerton - Senior Accountant (Treasury)

Report date : January 2017

EXECUTIVE SUMMARY

The purpose of this report is to present the Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018 and to enable the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS

The Committee is requested to recommend Full Council to:

(i) approve the Treasury Management Strategy for 2017/18;
(ii) approve the Annual Investment Strategy for 2017/18; and
(iii) approve the Prudential Indicators for 2017/18, 2018/2019 and 2019/20 as contained in appendix 1 and the body of the report.

1.0 Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasions any previous debt taken out may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management 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 Reporting Arrangements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

1.2.1 **Prudential and Treasury Indicators and Treasury Strategy** (this report) - The first and most important report covers:

- the capital plans (including prudential indicators) (2.0);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time) (2.3);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators (3.0); and
- an investment strategy (the parameters on how investments are to be managed) (4.0).

1.2.2 **A Mid Year Treasury Management Report** – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. The Audit and Governance Committee will also receive update reports at its September and December meetings prior to approval by Full Council.

1.2.3 **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

1.3.1 **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

1.3.2 Treasury management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG Investment Guidance. CLG Minimum Revenue Provision (MRP) Guidance was also reviewed to confirm that in Arun's circumstances a MRP was not currently necessary and a Voluntary Repayment Provision (VRP) is sufficient as Arun's debt is all HRA. However there is a possibility that the Council may wish to borrow for General Fund purposes at some point in the future and the MRP policy written as part of the 2016/17 Strategy is still in place with no revisions at this time. The policy will need to be reviewed at such time as the need to borrow has been agreed. There may also be further HRA borrowing relating to the current acquisition/new build programme.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training. (This especially applies to members responsible for scrutiny). Members of the Audit and Governance Committee, Cabinet and Overview Select Committee were invited to attended a workshop presented by Capita Asset Services (Treasury advisors) explaining the roles and responsibilities of elected members and giving them an economic update. The latest session was held on 8th December 2016.

The training needs of treasury management officers are reviewed periodically and senior officers attend seminars at least once a year.

1.5 Treasury management consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

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

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.

2.0 **The Capital Prudential Indicators 2017/18 to 2019/20** (Appendix 1)

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure.

This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Council's capital expenditure is considered as part of the budget setting process and a report for approval is going to Full Council on 22nd February 2017.

The strategy assumes that there will be a need to borrow varying amounts over the 3 years from 2017/18 to 2019/20 to finance capital expenditure, however the source has not yet been identified. The projected net annual financing requirement is therefore shown in the table below. The need to borrow is reviewed annually as part of the Treasury Management Strategy and budget setting process and will be dependent on the HRA Business Plan and the Capital programme.

The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing). Although borrowing may need to be taken out in addition to the use of capital receipts for the Littlehampton Leisure Centre new build, at the time of writing, no plans or decisions have been made to the value or timing of this borrowing and have therefore not been included.

Capital Expenditure	**Actual 2015/16 £,000**	**Current Estimate 2016/17 £,000**	**Estimate 2017/18 £,000**	**Estimate 2018/19 £,000**	**Estimate 2019/20 £,000**
Non HRA	1,950	1,327	17,306	2,096	2,700
HRA	2,096	4,628	5,778	2,942	2,282
HRA settlement	-	-	-	-	-
Total	**4,046**	**5,955**	**23,084**	**5,038**	**4,982**
Financed by:					
Capital receipts	0	1,233	10,166	216	18
Capital grants	1,521	600	1,000	1,000	1,000
Capital reserves	2,096	3,028	2,207	2,207	2,207
Revenue	429	44	3,126	1,111	1,715
	4,046	**4,905**	**16,499**	**4,534**	**4,940**
Net financing need for the year	**0**	**1,050**	**6,585**	**504**	**42**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections in Appendix 1 also shown below:

CFR at 31 March	**Actual 2015/16 £,000**	**Current Estimate 2016/17 £,000**	**Estimate 2017/18 £,000**	**Estimate 2018/19 £,000**	**Estimate 2019/20 £,000**
Capital Financing Requirement					
CFR – General Fund	(4,978)	(4,978)	(1,293)	(1,703)	(2,113)
CFR – housing	2,342	2,342	2,342	2,342	2,342
HRA Settlement	56,724	53,180	49,636	46,092	42,548
HRA - Acquisition / new build	0	1,015	3,387	3,756	3,662
Total CFR	**54,088**	**51,559**	**54,072**	**50,487**	**46,439**
Movement in CFR	**(3,544)**	**(2,529)**	**2,513**	**(3,585)**	**(4,048)**

Movement in CFR represented by					
Net financing need for the year (above)	0	1050	6,585	504	42
Less MRP/**VRP**	(3,544)	(3,579)	(4,072)	(4,089)	(4,090)
Movement in CFR	**(3,544)**	**(2,529)**	**2,513**	**(3,585)**	**(4,048)**

2.3 Minimum revenue provision (MRP) policy statement

Councils are required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year (Appendix 2). A variety of options are provided to councils, so long as there is a prudent provision. Four options for prudent MRP provision are set out in the CLG Guidance.

Where the CFR (as calculated for the normal purposes of the prudential Code) is nil or negative on the last day of a financial year, this indicates that the authority's provision for debt is equal to or greater than the debt incurred.

The Council does not currently have any General Fund debt and therefore is not statutorily required to make Minimum Revenue Provision (MRP) in respect of its CFR, however, it is considered prudent to make VRP in respect of the PWLB maturity loans funding the HRA self-financing settlement payment. The table shows the VRP reducing the CFR. The VRP is incorporated in the HRA Business Plan and in the 2017/18 HRA budget. If borrowing is taken out for general fund in 2017/18, the MRP policy will need to be reviewed.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	**2015/16 Actual £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**
Fund balances	18.1	15.8	16.2	16.0	14.3
Earmarked Reserves	13.2	9.7	5.0	4.0	3.0
Capital Receipts	11.8	12.4	4.1	5.9	5.9
Other	2.1	0	0	0	0
Total core funds	**45.2**	**37.9**	**25.30**	**25.9**	**23.2**
Under/over borrowing	10.9	12.1	10.7	10.1	5.8
Expected investments	**56.1**	**50.0**	**36.0**	**36.0**	**29.0**

2.5 Affordability Prudential Indicators

The report covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators contained in Appendix 1

a. Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	Actual 2015/16 %	Current Estimate 2016/17 %	Estimate 2017/18 %	Estimate 2018/19 %	Estimate 2019/20 %
Non-HRA	-2.34	-2.42	-1.91	-1.91	-1.91
HRA	32.30	34.71	32.79	33.44	33.34

b. Incremental impact of capital investment decisions on council tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

c. Incremental impact of capital investment decisions on the band D council tax

	Actual 2015/16 £	Current Estimate 2016/17 £	Estimate 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £
Council tax - band D	2.6	5.45	26.37	-33.49	9.98

d. Estimate of Incremental impact of capital investment decisions on housing rent levels

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

e. Incremental impact of capital investment decisions on housing rent levels

	2015/16 Actual £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Weekly housing rent levels	20.26*	-0.95	0.10	0.37	0.05

** Increase due to HRA aquision / new build*

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

3 Borrowing Strategy

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's Treasury Investment and debt portfolio position at 31 March 2016 and 31 December 2016 summarised below;

	2015/16 Actual £'000	2016/17 Actual at 31/12/16 £'000
Total Investments	56,113	74,471
Total Debt	62,040	62,040

The investments held at 31st December 2016 are shown in Appendix 3.

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Council is technically in an over borrowed position as the only borrowing relates to the HRA Self-Financing settlement (£70.9m). Prior to this borrowing being undertaken, the Council had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a consequence of these factors, the Council's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The Head of Finance and Property reports that the Council complied with the prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 The Operational Boundary.

This is the limit beyond which external debt is not normally expected to exceed. The Council is requested to approve an operational boundary of £63M in Appendix 1 (2017/18).

3.2.2 **The Authorised Limit for external debt.**

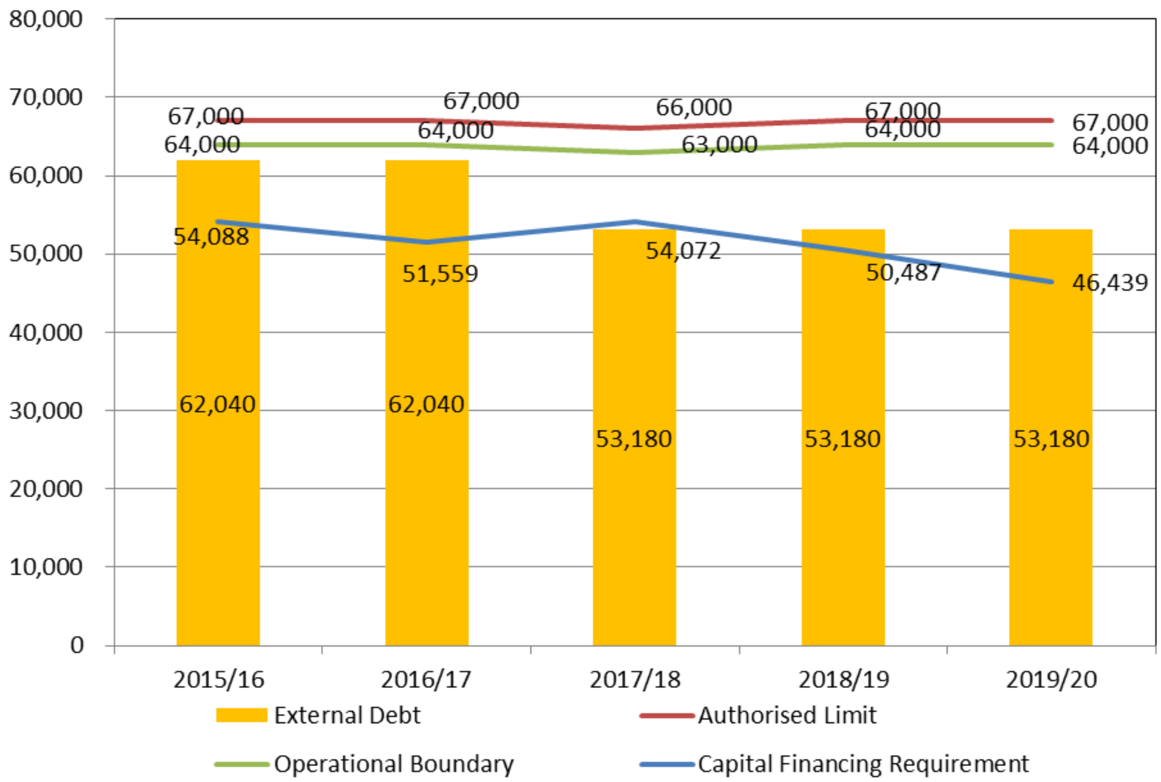
A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

(i) This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

(ii) The Council is asked to approve an Authorised Limit of £66M (appendix 1 2017/18).

3.2.3 Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime of £81.63M.

3.2.4 The chart below shows the Councils projection of CFR and borrowing.



3.3 Prospects for Interest Rates

3.3.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix 4 draws together two views of the forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Capita Asset Services central view. This forecast suggests the first increase in Bank Rate to be in June 2019.

	Dec-16	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	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	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%	2.30%	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%	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%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

3.3.2 The Monetary Policy Committee, (MPC), cut 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. A first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (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.

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.

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 about 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.

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.

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.

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).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

A more detailed economic commentary is set out at appendix 5 if required.

3.4 Borrowing Strategy

3.4.1 The Council has an increased capital programme and may look to borrow for general fund in 2017/18 onwards. The level of expenditure and reduction in rental income within the HRA will almost certainly require additional borrowing, and this will be reflected in the HRA 10 year financial model which will form an integral part of the Business Plan. The HRA business plan will include a programme of new build/stock acquisition, in addition to ongoing maintenance and decent homes programme.

There may also be a requirement to borrow for other new projects / opportunities but this would need to be dependent on a viable business case which fully justifies the investment.

The Council's borrowing strategy will give consideration to new borrowing in the following order or priority;

1) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing, however, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years;
2) PWLB borrowing – the Certainty Rate is available to the Council at 0.2% below the normal terms;
3) Short dated borrowing from the money markets, most probably other local authorities;

There may however, be occasional need to borrow for liquidity purposes. The Council has a £100,000 overdraft facility which will increase to £1,000,000 from 1 April 2017 for this purpose, plus access to the money markets.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

3.4.2 **Treasury Management Limits on Activity**

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the treasury indicators and limits in Appendix 1 also shown below:

£m	2017/18	2018/19	2019/20
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%

Maturity structure of fixed interest rate borrowing 2017/18			
	Actual at 31/03/17	**Lower**	**Upper**
Under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	33.32%	0%	50%
5 years and within 10 years	0%	0%	60%
10 years and above	66.68%	0%	100%

3.5 Policy of Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.6 Debt Rescheduling

The only loans that the Council currently hold are those taken to fund the housing reform payment. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates there may be potential opportunities to generate savings by repaying long term debt prematurely, however any savings in future years will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums or discounts incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council at the earliest meeting following its action.

4 Annual Investment Strategy

4.1 Investment Policy

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 the 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, then return.

In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings

Ratings will not be the sole determinant of the quality of an institution and 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.

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

The Council does not strictly adhere to the advisor’s suggested lending list and durations, but does take account of the advice offered before making any investment decisions. The Council will take advantage of attractive rates available from counterparties of high creditworthiness for longer periods while interest rates remain low and the forecast for a rate hike is in the distant future.

Investment instruments identified for use in the financial year are listed in Appendix 6 under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

4.2 Creditworthiness policy

The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

The Council achieves a high credit quality by using a minimum rating criteria (where rated). It does not use the approach suggested by CIPFA of using the lowest common denominator method of selecting counterparties as some rating agencies are more aggressive in giving low ratings than others. The Council applies a majority rule where a counterparty would be removed immediately from the lending list if 2 or more rating agencies downgrade the counterparty below the minimum criteria. The Council's minimum criteria can be seen in Appendix 7.

This Council supplements credit ratings using the creditworthiness service provided by Capita Asset Services. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS (Credit Default Swaps) against the iTraxx benchmark to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

All credit ratings are monitored weekly and the Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

The current list of approved counterparties is included in Appendix 7. The Council is currently changing banks from HSBC to Lloyds and therefore the limits associated with these counterparties have changed as shown in appendix 7. HSBC is shown in category 1 and Lloyds in category 5. Lloyds being the incumbent bank from 1st April 2017 has no limit however the Council will only invest £11M in term deposits with them.

4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 7. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

The exception to this policy is the UK, which is currently rated AA by two rating agencies and AA+ by the other one. If the UK's credit rating should fall below the minimum criteria set above, investment will continue to be made in UK financial institutions if after careful consideration it is deemed appropriate to do so.

The code recommends that Councils take country limits into consideration in order to spread risk. In practice most investments tend to be made in the UK due to the restricted number of quality counterparties available to the Council and it is not proposed to set country limits at this time.

The Council does not currently use sector limits e.g. banks v. building societies due to the limited number of quality counterparties available. The Council has a limit of between £4M and £12M (see Appendix 6 and 7 for investment categories) which can be invested with a single counterparty (or group) depending on the credit quality of the counterparty.

Every effort will be made to spread the maturity profile of investments to compensate for the lack of sector or country spreads (due to limited counterparties).

4.4 Investment Strategy

The Council does not utilise external fund managers, but reserves the option to do so in the future should this be deemed to be appropriate. Should consideration be given to exercising this option in the future, the relevant Committee will be advised of the reason for doing so.

The Council’s funds are therefore all managed in-house although £4M is invested in a property fund run by CCLA (Churches, Charities and Local Authorities). The average level of funds available for investment purposes is currently £66M. These funds are partially cash-flow derived and there is a core balance of approximately £52M which is available for investments over a year (maximum 5 years or 25 years for property funds). The core balance is comprised of funds that are available due a number of factors including the setting aside of funds to repay the HRA loans (£3.5M) for when they become repayable, the Earmarked Reserves, Capital Receipt, General Fund and HRA balances which were £13.2M, £11.8M, £12.3M and £7.9M at 31 March 2016 respectively.

The Council currently has the following investments which span the financial year:

	Amount £	Start Date	Maturity Date	Rate %
Royal Bank of Scotland (RBS)	2,000,000	29/05/15	31/05/18	1/1.35/1.70
Close Brothers	2,000,000	24/08/16	24/08/18	1.21
Royal Bank of Scotland (RBS)	2,000,000	31/03/16	18/02/19	1.20/1.35
Royal Bank of Scotland (RBS)	2,000,000	19/08/16	19/08/19	0.80/0.95/ 1.10
Close Brothers	1,000,000	26/01/16	04/01/19	1.05
CCLA Property Fund	4,000,000			Between 4% & 5%
	13,000,000			

There are no forward commitments (deals) for the financial year.

Investment returns expectations. . Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

	Now
2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

The Council's budgeted rate of return for 2017/18 is 1.02% based on 1.83% on funds that are already invested; 0.65% for the remaining core balances; and 0.30% for short term cash flow derived balances. The total investment income budget for 2017/18 is £530,000. The budget is based on some investments of up to one year particularly in category 4 and longer investments in Category 1, 2, 3 and 6. (Category 1 being the highest rated banks and 6 being part nationalised banks). This strategy has resulted in higher returns for the Council over the last few years whilst interest rates have been low.

The Council currently uses two types of Pooled Funds, Property Funds and Money Market Funds (MMFs). Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. MMFs are used for short term investments of daily surplus cash as they provide instant liquidity with high quality counterparties at a return comparable to (if not better than) other fixed deposits of short term duration, however these rates are at a very low level now (0.18 – 0.29%) . The MMFs are "triple A" rated, liquid and have a constant net asset value (CNAV) – the latter of which means that typically for every pound of principal invested you will get a pound back. It is not guaranteed, but offers better protection than using the VNAV (Variable net asset value) MMFs. The Money Market Reform is still being dicussed and the EU is working on developing proposals which may require these funds to move from CNAV to VNAV. These reforms are still unlikely to be ready for implementation in 2017/18 and could be a further 2 years for full implementation.

As well as the Money Market Reform, the Markets in Financial Instruments Directive II (MiFID) is set to commence on 3rd January 2018. MiFID is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues those instruments are traded. Under the new regime, Local Authorities will be deemed "Retail" clients by default. They will have the option to "opt-up" to "Professional" client status, or remain as "Retail". In order to opt-up, the Council will need to meet qualitative and quantitative test criteria.

It is important to note that the option to opt-up is not a one off exercise. It will need to be undertaken with each counterparty and the decision to maintain "Retail" status will significantly limit the investment options available, compared to "Professional" status.
The decision may rest on what options are available under each status, and which is most appropriate and there may be instances where the Council is deemed "Professional" by some counterparties, but "Retail by others.

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicators and limits in appendix 1 (shown below):

Maximum principal sums invested > 364 days			
£m	**2017/18**	**2018/19**	**2019/20**
Principal sums invested > 364 days	26	24	22

For its cash flow generated balances, the Council will seek to utilise notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking
This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID uncompounded.

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

4.7 Scheme of delegation
Please see Appendix 9.

4.8 Role of the section 151 officer
Please see Appendix 10.

Background Papers:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2011) *(Link not available as copyright)*

The Prudential Code for Capital Finance in Local Authorities (2011) Guidance notes (2013) *(Link not available as copyright)*

The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

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Prudential and treasury indicators

APPENDIX 1

1. PRUDENTIAL INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
Extract from budget and rent setting report	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non – HRA	1,950	1,327	17,306	2,096	2,700
HRA	2,096	4,628	5,778	2,942	2,282
TOTAL	4,046	5,955	23,084	5,038	4,982
Ratio of financing costs to net revenue stream					
Non – HRA	-2.34%	-1.77%	-1.91%	-1.91%	-1.91%
HRA	32.30%	32.70%	32.79%	33.44%	33.34%
Capital Financing Requirement as at 31 March					
Non – HRA	-4,978	-4,978	-1,293	-1,703	-2,113
HRA	59,066	56,537	55,365	52,190	48,552
TOTAL	54,088	51,559	54,072	50,487	46,439
Annual change in Cap. Financing Requirement					
Non – HRA	0	0	3,685	-410	-410
HRA	-3,544	-2,529	-1,172	-3,175	-3,638
TOTAL	-3,544	-2,529	2,513	-3,585	-4,048
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum	2.60	5.45	26.37**	-33.49	9.98
Increase in average housing rent per week	20.26*	-0.95	0.10	0.37	0.05

*Increase due to £3.3m for HRA acquisition/new build
**Increase due to L'ton L Centre build

2. TREASURY MANAGEMENT INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	67,000	67,000	66,000	67,000	67,000
Other long term liabilities	0	0	0	0	0
TOTAL	67,000	67,000	66,000	67,000	67,000
Operational Boundary for external debt					
Borrowing	64,000	64,000	63,000	64,000	64,000
other long term liabilities	0	0	0	0	0
TOTAL	64,000	64,000	63,000	64,000	64,000
Actual external debt	62,040	62,040	53,180	53,180	53,180
Maximum HRA Debt Limit	81,630	81,630	81,630	81,630	81,630
Upper limit for fixed and variable interest rate exposure (£m):					
Fixed interest rate exposure	100%	100%	100%	100%	100%
Variable interest rate exposure	40%	40%	40%	40%	40%
Upper limit for total principal sums invested for over 364 days (£m)	26	26	26	24	22

Maturity structure of fixed rate borrowing - upper & Lower limits	**Actual at 31/03/17**	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	33.32%	0%	50%
5 years and within 10 years	0%	0%	60%
10 years and above	66.68%	0%	100%

APPENDIX 2

Minimum Revenue Provision Policy for 2016/17

1. Introduction

1.1 CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Where the Council finances capital expenditure by debt it must set aside resources to repay that debt in later years. The amount charged to revenue for the repayment of this debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.

1.2. From 2007/08 onwards there has been no statutory minimum and the requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance gives local authorities more freedom to determine what would be a prudent level of MRP.

1.3. The CLG guidance requires the authority to approve an annual MRP statement, and recommends 4 options for calculating a prudent amount of MRP, for approval by Full Council in advance of the year to which it applies. Any subsequent revisions to that policy should also be approved by Full Council.

2. Details of DCLG Guidance on MRP

2.1. The statutory guidance issued by DCLG sets out the broad aims of a prudent MRP Policy as being "to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." It then identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.

2.2. The four MRP options available are:

- **Option 1**: Regulatory Method - is the previous statutory method, which is calculated as 4% of the Council's General Fund Capital Financing Requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.

- **Option 2**: CFR Method - Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DCLG to provide a simpler calculation for those councils for whom it would have a minimal impact, but the draft guidance does not expect it to be used by councils for whom it would significantly increase MRP.

- **Option 3**: Asset Life Method – MRP is charged over the expected useful life of the asset either in equal instalments or using an annuity method whereby the MRP increases in later years.

- **Option 4**: Depreciation Method - MRP is charged over the expected life of the asset in accordance with depreciation accounting. This would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year.

  The guidance clearly states this does not preclude other prudent methods to provide for the repayment of debt principal.

2.3 Under the statutory guidance, it is recommended that local authorities use Options 3 or 4 for all prudential borrowing and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.

2.4. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also mentions that Option 3 could be used for this type of debt.

2.5 The guidance also allows authorities to take a MRP Holiday where assets do not become operational for perhaps 2 or 3 years or longer. It proposes that MRP would not be charged until the year following the one in which the asset became operational.

3. Details of Statute - Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

3.1 In deciding on the appropriate level of MRP to charge and the most appropriate method of financing the capital programme, the Council needs to have regard to the wider legislation regarding the use of capital receipts.

3.2 Statute gives local authorities the option to apply capital receipts to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.

3.3 Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years.

4. 2016/17 MRP Policy

For 2016/17 it is recommended the Council adopt the following MRP policy:

- MRP will be charged utilising **option 3** for assets which have been funded from prudential borrowing.
- MRP will only be charged in the year following the asset becoming operational.
- If capital receipts are utilised to repay debt in year, the value of MRP chargeable will be reduced by the value of the receipts utilised.

- Whether an annuity or equal instalment method is adopted for option 3 will be dependent on the most financially beneficial method as determined by the Chief Financial Officer
- For PFI and Finance lease liabilities an MRP charge will be made to match the value of any liabilities that have not been funded from capital receipts.
- The Chief Finance Officer will determine annually the most prudent use of Capital Receipts, taking into account forecasts for future expenditure and the generation of further receipts.
- There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments relating to debt inherited due to HRA self-financing settlement and provision has been made within the business plan to show that it can pay down the remaining debt over the life of the business plan.
- Any major revisions to this policy will be presented to Full Council for approval.

INVESTMENTS at 31st December 2016

Appendix 3

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	536	Royal Bank of Scotland	21/01/2014	23/01/2017	£2,000,000.00	1.5000**
Fixed Term Deposit	618	Goldman Sachs International	22/07/2016	23/01/2017	£2,000,000.00	0.62
Fixed Term Deposit	585	Close Brothers Ltd	24/07/2015	26/01/2017	£1,000,000.00	1.51
Fixed Term Deposit	587	Close Brothers Ltd	07/08/2015	10/02/2017	£1,000,000.00	1.53
Fixed Term Deposit	598	Nationwide Building Society	16/02/2016	14/02/2017	£1,000,000.00	0.95
Fixed Term Deposit	623	Goldman Sachs International	14/09/2016	14/03/2017	£2,000,000.00	0.635
Fixed Term Deposit	591	Close Brothers Ltd	17/09/2015	17/03/2017	£1,000,000.00	1.53
Fixed Term Deposit	625	Goldman Sachs International	06/10/2016	28/03/2017	£2,000,000.00	0.70
Fixed Term Deposit	626	Lloyds Bank PLC	26/10/2016	28/03/2017	£3,000,000.00	0.60
Fixed Term Deposit	619	Barclays Commercial Bank	22/07/2016	28/03/2017	£2,000,000.00	0.637
Fixed Term Deposit	627	Barclays Commercial Bank	02/11/2016	13/04/2017	£2,000,000.00	0.42
Fixed Term Deposit	600	Lloyds Bank PLC	18/04/2016	13/04/2017	£1,000,000.00	1.05
Fixed Term Deposit	601	Close Brothers Ltd	18/04/2016	18/04/2017	£1,000,000.00	1.00
Fixed Term Deposit	602	Skipton Building Society	29/04/2016	28/04/2017	£1,000,000.00	1.02
Fixed Term Deposit	603	Lloyds Bank PLC	12/05/2016	11/05/2017	£1,000,000.00	1.05
Fixed Term Deposit	605	Skipton Building Society	25/05/2016	24/05/2017	£1,000,000.00	1.02
Fixed Term Deposit	606	Goldman Sachs International	24/05/2016	24/05/2017	£2,000,000.00	1.045
Fixed Term Deposit	607	Santander	25/05/2016	24/05/2017	£1,000,000.00	1.00
Fixed Term Deposit	608	Santander	25/05/2016	24/05/2017	£2,000,000.00	1.00
Fixed Term Deposit	579	Svenska Handelsbanken	05/06/2015	05/06/2017	£2,000,000.00	1.15
Fixed Term Deposit	553	Lloyds Bank PLC	06/06/2014	06/06/2017	£2,000,000.00	1.55
Fixed Term Deposit	611	Santander	16/06/2016	15/06/2017	£2,000,000.00	1.00
Fixed Term Deposit	612	Nationwide Building Society	06/07/2016	05/07/2017	£1,000,000.00	0.75
Fixed Term Deposit	613	Leeds Building Society	06/07/2016	05/07/2017	£1,000,000.00	0.75
Fixed Term Deposit	614	Qatar National Bank	06/07/2016	05/07/2017	£2,000,000.00	0.82
Fixed Term Deposit	615	Barclays Commercial Bank	06/07/2016	05/07/2017	£2,000,000.00	0.78
Fixed Term Deposit	616	Lloyds Bank PLC	08/07/2016	07/07/2017	£1,000,000.00	1.05
Fixed Term Deposit	617	Santander	08/07/2016	07/07/2017	£2,000,000.00	1.00
Fixed Term Deposit	609	Qatar National Bank	06/06/2016	07/08/2017	£2,000,000.00	1.16
Fixed Term Deposit	589	RBS	21/08/2015	21/08/2017	£1,000,000.00	1.42****
Fixed Term Deposit	622	Lloyds Bank PLC	09/09/2016	08/09/2017	£1,000,000.00	1.00
Fixed Term Deposit	624	Lloyds Bank PLC	05/10/2016	04/10/2017	£1,000,000.00	1.00
Fixed Term Deposit	572	Royal Bank of Scotland	29/05/2015	31/05/2018	£2,000,000.00	1.35*
Fixed Term Deposit	621	Close Brothers Ltd	24/08/2016	24/08/2018	£2,000,000.00	1.210
Fixed Term Deposit	599	Royal Bank of Scotland	31/03/2016	18/02/2019	£2,000,000.00	1.2***
Fixed Term Deposit	620	Royal Bank of Scotland	19/08/2016	19/08/2019	£2,000,000.00	0.8*****
Property Fund	140000	CCLA (Churches, Charities and LA's)			£4,000,000.00	4.40^
Money Market Fund	110000	Federated			£3,950,000.00	0.32
Money Market Fund	100500	CCLA - PSDF			£2,920,000.00	0.30
Call account	88888	HSBC			£6,605,796.49	0.03
					£74,475,796.49	

*Yr 1- 1%, Yr 2 - 1.35%, Yr 3 - 1.70%
**Floor 1.50% Cap 2.5% Libor flat
***Yr 1 -1.20%, Yr 2-1.35%, Yr 3-1.50%
**** Yr 1 - 1.1%, Yr 2 - 1.42%
***** Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%
^Approximate rate

Interest Rate Forecast 2017/2020

APPENDIX 4

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

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%

Economic Background

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 shock 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 shock of the result of the referendum in June. 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, Mark Carney, 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 MPC meeting date – 15.12.16).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, (outside of the UK), 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 upwards 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 Fed. 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 Fed. therefore 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 Trump's election promise of a major increase in expenditure on infrastructure is 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.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major 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.

<u>EZ.</u> In the Eurozone, **the ECB** commenced, in March 2015, its massive €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. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the

eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also ‘too big, and too important to their national economies, to be allowed to fail’.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy’s core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major 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** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major 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 significant 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 cause significant problems for those 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.

Specified and Non-Specified Investments **APPENDIX 6**

	specified	non-specified	Minimum Credit Criteria Fitch (and equivalent) / Minimum Criteria	Maximum Investment per Institution	Max. maturity period
Term deposits – Local Authorities (category 1)	✓	✓	--	£12M	5 years
Term deposits – banks and building societies (category 1)	✓	✓	Short-term F1+ Long-term AA-	£12M	5 years
Term deposits – banks and building societies (category 2)	✓	✓	Short-term F1 Long-term A+	£11M	3 years
Term deposits – banks and building societies (category 3)	✓	✓	Short-term F1 Long-term A-	£8M	2 years
Term deposits – building societies (Category 4)	✓	✓	Assets in Excess of £10 billion	£4M	1 year
Council's bank (for term deposits use appropriate category 1 to 3) (category 5)	✓	✓	n/a	No limit *Although category limit for term deposits*	As category 1 to 3
Term deposits – UK part nationalised banks (category 6)	✓	✓	Short-term F3 Long term BBB-	£11M	3 years
Callable deposits	✓	✓	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6
Forward deposits	✓	✓	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6
Bonds Issued by multilateral development banks (category 10)		✓	Long term AAA	£4M	5 years
Debt Management Agency Deposit Facility	✓	✓	--	No limit	Liquid

(category 9)					
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (category 7)	✓		AAA mmf	£4M	liquid
Enhanced Money Market Funds (Category 8)	✓		AAA mmf	£4M	Liquid
Property funds (Category 11)		✓	--	£6M	25 years

Specified Investments (these are considered low risk assets where the possibility of loss of principal or investment income is small):
All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

Non-Specified Investments: All such investments will be sterling denominated, with maturities in excess of 1 year, meeting the minimum 'high' rating criteria where applicable. A maximum of 60% will be in aggregate in non-specified investments.

Part nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high creditworthiness. In particular, as they are no longer separate institutions in their own right, however, these institutions have effectively taken on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. It is therefore proposed to continue to keep the category of UK part nationalised banks for both specified and unspecified investments (category 6).

LIST OF AUTHORISED COUNTERPARTIES

Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**AA-**	**F1+**
	Moody	**Aa3**	**P-1**
	S&P	**AA-**	**A-1+**

All Local Authorities

Bank of Nova Scotia (CAN)
DBS Bank Ltd (SING)
HSBC Bank plc (UK)
Oversea-Chinese Banking Corp Ltd (SING)
Svenska Handelsbanken (SW)
United Overseas Bank Ltd (SING)
National Bank of Abu Dhabi (U.A.E)
Qatar National Bank (Qatar)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**A+**	**F1**
	Moody	**A1**	**P-2**
	S&P	**A+**	**A-1**

Goldman Sachs International Bank (UK)
Standard Charted Bank (UK)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**A-**	**F1**
	Moody	**A3**	**P-2**
	S&P	**A-**	**A-1**

Barclays Bank plc (UK)
Deutsche Bank (GER)
Nationwide Building Society (UK)
Santander (UK)
Close Brothers (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
Leeds Building Society (UK)
Skipton Building Society (UK)
Yorkshire Building Society (UK)

Category 5 - Council's Bank
NO LIMIT – appropriate category 1 to 3

Lloyds Banking Group (Bank of Scotland / Lloyds)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years
banks effectively nationalised by UK government

		Long Term	Short Term
Min Criteria	**Fitch**	**BBB-**	**F3**
	Moody	**Baa3**	**P-3**
	S&P	**BBB-**	**A-3**

Royal Bank of Scotland plc/National Westminster Bank plc (Uk)(Nationalised)

<u>Category 7 - Collective Investment Schemes structured as Open Ended Investment</u> Companies (OEICs) MONEY MARKET FUNDS and Government Liquidity Funds
Limit of £4million for each institution

CCLA Investment Management Ltd (Public sector deposit fund)
Deutsche Banking Group
Federated Investors Ltd (Fitch Ratings)
Fidelity Investments International (Moody's Rating)
Standard Life (Fitch Ratings)

Northern Trust

<u>Category 8 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</u> – Enhanced Money Market Funds
Limit of £4million for each institution

<u>Category 9 - Debt Management Office</u>
Debt management Account - NO LIMIT (UK Govt)

Maximum investment £4 million

<u>Category 10 – Bonds issued by multilateral development banks – 5 Years</u>
Maximum investment £4 million

<u>Category 11 – Property Funds – 25 Years</u>
Maximum investment £6 million

APPENDIX 8

Approved countries for investments

Based on a majority rule of available ratings.

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands (S&P AA+)
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A. (S&P AA+)

AA+

- Finland
- Hong Kong

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K. (Moody Aa1)

Treasury management scheme of delegation

(i) Full Council

- approval of annual strategy
- budget consideration and approval
- receiving and reviewing regular monitoring reports on treasury management and outturn report

(ii) Cabinet Member for Corporate Governance

- amendments to the annual treasury management strategy once approved by Full Council between its review in consultation with the Head of Finance and Property.

(iii) Audit and Governance Committee (responsibility for scrutiny)

- reviewing the treasury management policy and procedures and making recommendations to Full Council (the responsible body).
- Scrutiny of annual strategy prior to adoption by Full Council
- Scrutiny of regular monitoring reports and outturn report
- receiving and reviewing reports on treasury management policies, practices and activities

The treasury management role of the section 151 officer

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.

BOGNOR REGIS REGENERATION SUBCOMMITTEE

27 February 2017 at 6.00 pm

Present: - Councillors Hitchins (Chairman), Ambler, Bence, Bower, Mrs Brown, Dillon (Substituting for Councillor Mrs Madeley), Mrs Maconachie, D. Maconachie and Wells.

Councillors Brooks, Oppler and Mrs Rapnik were also present at the meeting.

15. APOLOGY

An apology for absence had been received from Councillor Mrs Madeley.

16. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the government's example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions of the new local code of conduct.
- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a Member declares a "Prejudicial Interest" this will, in the interests of clarity for the public, be recorded in the Minutes as a Prejudicial and Pecuniary Interest.

Councillors Bower, Dillon, Hitchins, Mrs Maconachie, Maconachie and Wells declared a personal interest in Agenda Item 5, The Regis Centre and Hothamton Car parks Feasibility Studies Update, as members of the Development Control Committee and reserved their right in terms of planning applications as they might arise.

Councillor Dillon also declared a personal interest in Agenda Item 5 as he worked as a volunteer for Arun Arts.

17. MINUTES

The Minutes of the meeting held on 12 September 2016 were approved by the Subcommittee as a correct record and signed by the Chairman.

(Prior to consideration of the following item, Councillors Bower, Dillon, Hitchins, Mrs Maconachie, Maconachie and Wells had declared a personal interest and remained in the meeting and took part in the debate and vote.)

18. THE REGIS CENTRE AND HOTHAMTON CAR PARKS FEASIBILITY STUDIES UPDATE

The Chairman introduced this item by advising that the Council had consulted widely over the years regarding the regeneration of Bognor Regis and had listened to and taken on board, where possible, the comments and input from various groups and individuals. A wish list had been made up of the need for a hotel, a glass fronted building, all year round tourist attraction, iconic land mark building, a new theatre and a form of development that would stand out from the crowd that would increase footfall and bring people back to the town time and time again. He was pleased to advise those present that the Council's Consultants, Urban Delivery, in partnership with a number of other companies, had now prepared the Bognor Regis Masterplan Options Report which set out options for the Council to consider in order to achieve regeneration of the Regis Centre and Hothamton sites. He welcomed Mr Simon Davis to the meeting, who was in attendance to give a detailed presentation on the aspirations for the town and he requested Members to save their questions until the end.

Mr Davis appraised the meeting in detail of the conceptual designs at the Regis Centre site for either a new or refurbished theatre with a winter garden and indoor space for year round activities for all ages, together with a hotel, residential accommodation and retail outlets. He then moved on to the Hothamton site where it was envisaged that the New Park option to provide significant public realm improvements would greatly enhance the site and provide a new childrens' play area, with new development in the form of residential and retail and rearranged parking. This option proposed utilising the site of the existing health centre but could also proceed without it. The alternative of Perimeter Development Option could establish new development around the perimeter of the site and replace the current parking spaces within a decked facility, with retail uses being accommodated at ground floor level and residential, student and other forms of residential use at upper floors. The existing childrens' play area and sunken gardens would be refurbished as part of the project.

Mr Davis said that the summary report sought to give a feel for what it was hoped could be achieved and he stressed that there was nothing wrong with being ambitious. A lot more work would have to be undertaken to progress matters.

Members thanked Mr Davis for his presentation and used words such as exciting, brilliant, ambitious, and were generally extremely positive with the proposals. Notes of caution were raised with regard to the future use of Bognor Regis Town Hall and its possible inclusion in the proposals and the need to ensure the young were adequately catered for in the new scheme. However, it was highlighted that what was on the table were concepts and nothing concrete was being agreed at this stage, other than to continue with progressing the work based on these concepts to enable an assessment to be made with regard to viability and deliverability.

The Head of Economic Regeneration then presented her report, as set out in the agenda, and advised Members on the reasoning behind the recommendations therein. She stated that a review of the theatre had shown it to be a good facility and that, with support, it could be viable in the future and so should be retained. To improve the leisure offer for the town and following extensive research, it was felt that incorporating a winter garden with the theatre would provide a unique experience for residents and visitors alike, particularly as it would be an all weather, all year round facility. It was acknowledged that it would be challenging to make the scheme viable but there were options to access external funding and that would be the next stage of the process. In addition, specialist legal and technical advice needed to be sought to ensure the best approach was taken.

The Council would be working with a range of partners and stakeholders so they could advise on the functioning of the new building. The proposals in front of Members had gone a long way to reflect the views and key themes of the 10 community groups the consultants had met with and a number of individuals that had come forward in the previous consultation and it was hoped they would continue to participate in the process.

A concern was raised that the Subcommittee must be kept informed as the proposals were worked up and it was proposed and duly seconded that an additional recommendation be worded to reflect that view. The Director of Place provided wording, which was agreed by Members as follows:-

“That progress reports be provided to the Bognor Regis Regeneration Subcommittee at regular intervals, focussing on the intended decision making process and timetables”.

The Subcommittee then

RECOMMEND TO FULL COUNCIL – That

1) The Gardens by the Sea / Winter Gardens concept as described in the 2017 Bognor Regis Masterplan Options Report and the conclusions described in the 2017 Regis Centre & Hothamton Masterplans Market, Viability & Delivery Report, be supported;

2) Option 2 for the Regis Centre site (New Theatre Option) is the preferred Masterplan option. Officers may progress this proposal to develop a more thorough understanding of the opportunities and risks of implementing such a proposal, the appropriate scale and phasing, and the potential funding packages and delivery vehicle approaches that might support it. Option 1 (Refurbishment of Theatre) will remain as an alternative option should the scale of the funding package for Option 2 be unachievable;

3) Option 1 for the Hothamton Car Park site is the preferred Masterplan option and officers progress this proposal, taking into consideration the potential funding and delivery vehicle approaches that might support it, ready to market the site;

4) The Council supports the principle of including the area of the Esplanade between Clarence Road and Place St Maur within any new public realm scheme for the wider regeneration of the site;

5) The Council supports the Bognor Regis Place Branding initiative developed in partnership with other agencies;

6) Authority be given to the Director of Place to begin discussions, early in the project development process, with specialist advisors and key external partners of the proposed theatre, cultural hub and Winter Gardens, and in consultation with the Head of Corporate Support Group, to ensure the operational business plan and governance arrangements (legal structure) are fully considered and will influence the functionality and scope of the new building(s) and potential funding opportunities;

7) Authority be given to the Director of Place to enter into discussions with the NHS Trust / Community Health Partnerships to include the Health Centre site within the Hothamton car park site development area, subject to a satisfactory agreement being found;

8) Authority be given to the Director of Place to engage with the Bognor Regis Town Council regarding the future use of the Bognor Regis Town Hall and investigate options to include this building within the development site;

9) Authority be given to the Director of Place to enter into discussion with West Sussex County Council, as the highway authority, to consider any highway implications and costs associated with the above and to prepare concept plans for any proposed works;

10) In furtherance to the supplementary estimate agreed and resolution made at the Council meeting on 20 July 2016 (Minute 145), the Director of Place is authorised, in consultation with the Leader of the Council, and subject to the Council's Procurement Standing Orders, to draw down and authorise expenditure, for the commissioning of any of the necessary reports and professional advice required to progress the implementation of the 2017 Masterplan options; and

11) progress reports be provided to the Bognor Regis Regeneration Subcommittee at regular intervals, focussing on the intended decision making process and timetables.

(*Councillor Wells wished his vote to be recorded that he abstained at recommendations (2) and (4) and voted against at recommendation (8).)*

19. <u>BUSINESS SUPPORT AND ENTERPRISE IN ARUN</u>

The Business Development Manager presented this report which advised on the detail of the help and support the Council provided to businesses in the District.

With regard to Worklessness, she was pleased to advise that the scheme had been spectacularly successful over the last three years. However, the DWP (Department of Work and Pensions) was about to change the way they funded such work but that a bid had been made to the West Sussex Strategic Fund for additional funding to carry on that work for the next two years.

She went on to advise the meeting that the LEAP Project, for which the Council had agreed funding to the University of Chichester to deliver, was also producing excellent results. To date:

74 people had been engaged on the support programme
41 delegates had attended Start up Saturday
52 delegates attended the Business Boot Camp
55 delegates had attended workshops
36 people were taking part in the peer to peer work groups
35 people had received one to one business coaching.

The other part of the LEAP Project was small business grants and to date 63 businesses had received grants of up to £2,000 and 16 apprenticeships had been created.

The Subcommittee was pleased to note the report.

(Prior to consideration of the following item, Councillor Wells declared a personal interest due to his involvement with the Pier Trust.)

20. BOGNOR REGIS REGENERATION POSITION STATEMENT

In considering this matter, a question was asked with regard to when Rolls Royce would be erecting its name and logo on its buildings following the granting of planning permission. The Head of Economic Regeneration stated that she would make enquiries and inform Members accordingly.

The Subcommittee noted the remainder of the report.

(The meeting concluded at 7.30 p.m.)

AGENDA ITEM NO 5

ARUN DISTRICT COUNCIL

BOGNOR REGIS REGENERATION SUB COMMITTEE
27 FEBRUARY 2017

PART A : REPORT

SUBJECT:

THE REGIS CENTRE AND HOTHAMTON CAR PARKS FEASIBILITY STUDIES UPDATE

REPORT AUTHOR: Denise Vine **DATE:** 15 February 2017 **EXTN:** 37846

EXECUTIVE SUMMARY:

This is an update report on the feasibility studies recently prepared considering development options on the Regis Centre and Hothamton Car Park sites. The report summarises the conclusions of the 2017 Regis Centre & Hothamton Masterplans Market, Viability & Delivery Report and presents Masterplan Options for both sites.

RECOMMENDATIONS:

It is recommended to Full Council that:

1) The Gardens by the Sea / Winter Gardens concept as described in the 2017 Bognor Regis Masterplan Options Report and the conclusions described in the 2017 Regis Centre & Hothamton Masterplans Market, Viability & Delivery Report, be supported.

2) Option 2 for the Regis Centre site (New Theatre Option) is the preferred Masterplan option. Officers may progress this proposal to develop a more thorough understanding of the opportunities and risks of implementing such a proposal, the appropriate scale and phasing, and the potential funding packages and delivery vehicle approaches that might support it. Option 1 (Refurbishment of Theatre) will remain as an alternative option should the scale of the funding package for Option 2 be unachievable.

3) Option 1 for the Hothamton Car Park site is the preferred Masterplan option and officers progress this proposal, taking into consideration the potential funding and delivery vehicle approaches that might support it, ready to market the site.

4) The Council supports the principle of including the area of the Esplanade between Clarence Road and Place St Maur within any new public realm scheme for the wider regeneration of the site.

5) The Council supports the Bognor Regis Place Branding initiative developed in

partnership with other agencies.

6) Authority be given to the Director of Place to begin discussions, early in the project development process, with specialist advisors and key external partners of the proposed theatre, cultural hub and Winter Gardens, and in consultation with the Head of Corporate Support Group, to ensure the operational business plan and governance arrangements (legal structure) are fully considered and will influence the functionality and scope of the new building(s) and potential funding opportunities.

7) Authority be given to the Director of Place to enter into discussions with the NHS Trust / Community Health Partnerships to include the Health Centre site within the Hothamton car park site development area, subject to a satisfactory agreement being found.

8) Authority be given to the Director of Place to engage with the Bognor Regis Town Council regarding the future use of the Bognor Regis Town Hall and investigate options to include this building within the development site.

9) Authority be given to the Director of Place to enter into discussion with West Sussex County Council, as the highway authority, to consider any highway implications and costs associated with the above and to prepare concept plans for any proposed works.

10) In furtherance to the supplementary estimate agreed and resolution made at the Council meeting on 20 July 2016 (Minute 145), the Director of Place is authorised, in consultation with the Leader of the Council, and subject to the Council's Procurement Standing Orders, to draw down and authorise expenditure, for the commissioning of any of the necessary reports and professional advice required to progress the implementation of the 2017 Masterplan options.

1.0 BACKGROUND

1.1 At the 20 July 2016 Full Council meeting Members approved a supplementary estimate of up to £260,000 to cover the collective costs of commissioning detailed Feasibility Studies for the redevelopment of the Regis Centre and Hothamton Car Park sites.

1.2 The purpose of these studies was to investigate the feasibility (including financial) and proof of concept of the proposed elements to regenerate these sites. The proposed development packages and uses for the sites were set-out in detail and agreed in the 11 November 2015 Full Council report.

1.3 The new development proposals were also required to reflect the 2003 Bognor Regis Masterplan guiding principles:

- Creating a series of integrated character areas themed around particular activities.
- Strengthening the physical and visual links between the promenade and

town centre.
- Encouraging a better shopping experience.
- Improving the perceived quality of the townscape and public realm through improvements to key building facades, streets and spaces.
- Creating a better balance between vehicles, pedestrians and cyclists.
- Providing a quality visitor experience to encourage more visitor activity and secure more investment for the tourism product.
- Creating a sense of arrival at the town.

2.0 INTRODUCTION

2.1 In October 2016 consultants were appointed to prepare detailed feasibility studies for the redevelopment of the Regis Centre and Hothamton Car Park sites. They were instructed to consider the development options for each site that would provide the key elements the Council desired to see included in the development (as set out in the report to Full Council on 11 November 2015), the financial viability of each proposal and the delivery options available to the Council for achieving development.

2.2 These studies have now been completed and the purpose of this report is to provide a summary of the key findings and update Members on the study's conclusions. This report also sets out the proposed next steps to take the projects forward. It should be read in conjunction with the 2017 Bognor Regis Masterplan Options Report at Appendix A - circulated separately to the agenda. Members of the Sub-Committee have also been provided with the full 2017 Regis Centre & Hothamton Masterplans Market, Viability & Delivery Report. The information in this report is of a confidential or exempt nature and is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

3.0 FEASIBILITY STUDY REQUIREMENTS

3.1 Consultants, Urban Delivery, were commissioned, after a competitive tendering process, to prepare the Feasibility Studies for both sites. They were required to consider both sites as individual development opportunities. A range of key activities were required to be completed as part of this commission for each site.

3.2 The Regis Centre site was to be split into two development tranches and included a number of development packages. The study was required to provide;

- <u>Design and Masterplanning Options</u>
  - ➢ To test the capacity of the site to provide a commercially viable and deliverable scheme.
  - ➢ Produce an indicative scheme design and layout.
  - ➢ Include indicative valuations of the site, for each option, reflecting the Freehold and Leasehold interests

- <u>Visitor Attraction Proof of Concept (popularity and appeal)</u>
  - ➢ To test options for the type of visitor attraction and recommend a preferred option.

  - Ensure the visitor attraction is appropriately included in the scheme design.
  - Suggest a delivery model for the preferred option.
  - Outline capital cost for the delivery of the visitor attraction.
  - Provide an indicative operational business plan for the attraction

- <u>Engagement with stakeholders and those with land property interest</u>
    - Hold meetings with interested groups and consider these views within the proposals

- <u>Theatre Option Review</u>
  - Expanding upon the previous ARUP study, provide a business case for the economic and operational (long term) sustainability of a replacement theatre within the development, including a review of suggested operating models and any revenue implications in taking this forward.

- <u>Viability analysis</u>
  - A detailed viability assessment for the scheme to test the proposed ideas. In particular considering if all the desired outcomes i.e. if the theatre, visitor attraction, replacement car parking and public realm can be funded through surpluses made on the residential elements.
  - Testing the various options, provide an indicative land/site value to the Council.

- <u>Delivery options review</u>
  - Further research into the most appropriate scheme and delivery route the Council should take to progress delivery of the project and a project plan. For example planning brief versus planning permission approach.
  - A more detailed appraisal of the cost and risks of each delivery route.
  - A clearer estimate of the Council's own costs and resources needed for each approach to deliver the scheme.

3.3 The Hothamton Car Park site study was required to provide:

- Viability appraisal of the proposed development including replacement car parking
- Demand assessment for new student accommodation locally.
- Appraisal of the mix of development and potential demand for different uses
- Benefits versus complications of including the site of the current Health Centre within the redevelopment
- Appraisal of future options available to the Council regarding the ownership of their land
- Consideration of the potential delivery routes available to the Council and the cost to the Council of implementing each of these delivery routes.
- A formal review of the procurement options available to the Council including potential 'Frameworks' for both the professional services and any construction it may deliver itself.
- Developing designs to RIBA Stage 1-2.
- An assessment of the costs to take the project through planning, pre-construction and construction phases.

4. FEASIBILITY STUDY OPTIONS AND PROPOSALS

4.1 The study has considered two options each for the Regis Centre and Hothamton sites, these are:

- The Regis Centre Option 1 – refurbished theatre option
- The Regis Centre Option 2 – new theatre option
- Hothamton Option 1 – new linear park option
- Hothamton Option 2– perimeter development option

4.2 The options are described in detail in the 2017 Bognor Regis Masterplan Options Report in Appendix A circulated separately to the agenda.

<u>Regis centre site and car park</u>

4.3 Two development options have been considered for this site.

4.4 Option 1 involves the refurbishment of the existing theatre, a smaller 'Winter Gardens', additional new facilities, new hotel with relocated bar/restaurant, residential block with A3, restaurants and cafés, on the ground floor. There would also be refurbished gardens along the Esplanade and changes to the roadway. The surface car parking would be retained and could host events / markets. It would have a new public art feature such as a spire location marker.

4.5 Option 2 would provide larger Winter Gardens with a new larger theatre (425 – 450 seats), decked car park, new hotel with relocated bar/restaurant, residential block with A3, restaurants and cafés, on the ground floor It proposes refurbished gardens along the Esplanade, roof gardens / performance space, changes to the roadway and improved access to the beach. It also proposes that the site has a new public art feature such as a tall spire to act as a location marker.

<u>Hothamton car park site</u>

4.6 Option 1 (New Linear Park) proposes the establishment of a significant piece of new public realm incorporating replacement parking spaces, some retail and other outdoor uses. There would be residential on the western side of the site and some retail on the ground floor.

4.7 Option 2 (Perimeter development) would provide new development around the perimeter of the site and decked parking. A3 catering / A1 retail uses could be accommodated at ground floor and residential on the upper floors. The existing children's play area and Sunken Gardens Park would be refurbished.

5.0 THEATRE

5.1 A review has been done of the Alexandra Theatre which considers its suitability as a venue and its financial viability. Research completed by ARUP in 2012 was used as the base data and developments since that study was completed are reflected in the report.

5.2 The Theatre has implemented many of the recommendations suggested in the Arup 2012 report such as the need for dedicated resources to better market the theatre, a new and more useful box office system and to increase regular hires of the studio and gallery space to community groups. The theatre management has also continued to develop its good working relationship with the University of Chichester and is developing a relationship with Chichester Festival Theatre to increase the provision of family events.

5.3 As a consequence of these and other changes the Theatre has successfully progressed and there is tangible evidence of this with both growing ticket sales and audience capacity increasing significantly year on year. Customer satisfaction levels are high but the main complaint from visitors is the poor condition of the building and lack of facilities.

5.4 The Theatre is clearly a great asset to the town and is well placed to adapt to future opportunities and uses if a suitable financial and governance model can be applied.

5.5 Both The Regis Centre development options include the theatre within the schemes. Option 1 suggests an adaption and refurbishment of the existing building with a new but smaller Winter Gardens built around it. This has the advantage of being less costly to develop and would be less disruptive to the theatres events programme. However, compromises would have to be made to the design and layout of the theatre and rehearsal / exhibition spaces as the design would be restricted to mostly the existing building footprint and origination. The food and retail elements would also have to be located where space was available rather than the most design and aesthetically appropriate location.

5.6 Option 2 proposes a complete rebuilding of the theatre incorporating it within the new and larger Winter Gardens. This would provide the opportunity to create a bespoke and more flexible facility, which could include new studio and improved rehearsal areas and front of house facilities and that would meet all current and anticipated future needs. The theatre would be fully integrated into the Winter Gardens space and part of the cultural hub. It would also help to achieve better financial sustainability of the theatre through a slightly bigger seating capacity (425-450 seats) and better and more extensive food and beverage sales. This is, however, likely to be a more costly development and would require finding alternative premises for the theatre company during construction.

5.7 **The study concludes that either option would serve the theatre well and ensure the provision is retained for the town and is sustainable. The impact of a new theatre (rather than refurbished) with larger Winter Gardens (Option 2) is clearly greater and would provide an original and defining visitor attraction for the town. This should be weighed against the reduced development costs and lesser disruption that Option 1 offers.**

6.0 NEW LEISURE OFFER AND VISITOR ATTRACTION

6.1 A fundamental requirement of the redevelopment of these sites is the inclusion of a new visitor attraction. Tourism is a key sector for the town and the proposals must enhance the local offer. As part of the study the consultants were required to test the type of visitor attraction that might be suitable and recommend what could be included in the scheme.

6.2 The study has considered the leisure mix that would best suit and be appropriate for both the sites. It has been mindful of the need for an all year / all-weather facility that will appeal to a wide audience including local residents, visitors and different ages.

6.3 They have explored the opportunities to create a truly compelling and unique visitor destination that will be of such a scale to have a regional presence and encourage people to visit time and again. The study has reviewed how Bognor Regis competes with it near tourism neighbours and the scale and impact of the current offer.

6.4 A space for a leisure attraction or 'Leisure Box' has previously been suggested as an appropriate structure to be included on the Regis Centre site which could include leisure attractions such as an aquarium, 10-pin bowling, branded attraction or extreme sports centre.

6.5 The study however, suggests appeal for such activities is waning as visitors and consumers become more demanding and sophisticated in their tastes. Consumers prefer a single destination offer where retail, leisure and hospitality are merged into one. Consumers now want newer, different and more interesting places to visit.

6.6 **The study concludes that Bognor Regis is unlikely to attract branded attractions such as Sealife, Lego Discovery Centre or Madame Tussauds or smaller independent operators as the site(s) and town (population size etc.) would not meet their minimum selection criteria.**

6.7 **They have concluded however, that Bognor Regis has the opportunity to create an extremely individual and interesting scheme on the Regis Centre site that would draw and sustain significant audiences.**

6.8 Their proposal includes an exciting cultural and leisure mix that makes best use of the growing success of the Alexandra Theatre. The **Winter Gardens** complex will be an attraction in its own right and comfortably sit alongside and support the theatre and cultural hub. It will provide events and exhibition space, a leisure attraction, educational resource, entertainment platform, interesting catering and retail offer as well as wonderful botanical / horticultural displays.

6.9 The leisure offer on the Hothamton site would focus on significantly improved public realm and the creation of a substantial boulevard or avenue of trees – **a linear park** – which will also provide parking spaces. This new open space feature or 'green lung' will serve as a new recreation and relaxation focus where people may gather and enjoy their leisure pursuits and deliver a new intuitive pedestrian "green corridor" route from the town centre / railway station area through to the pier end of the seafront.

7.0 FINANCIAL VIABILITY

7.1 **Regis Centre Option 1 – Refurbished Theatre** – this appraisal assumes the project will be split into three elements; the theatre, Winter Gardens and associated retail uses; improvements to the public realm and residential and commercial uses. The theatre, Winter Gardens and public realm improvements would be funded from public funds such as Coast to Capital Local Enterprise Partnership and Coastal Communities Fund. The cost is likely to exceed £15,000,000. Private sector partners would deliver the residential and commercially led development which appears to be financially viable. The land value generated can off-set some of the non-commercial / viable elements. The study recommends that for this option the Council retains the car park income and that the A3 rental income is retained by the Winter Gardens / Theatre management company.

7.2 **Regis Centre Option 2 – New Theatre** – as with the above option it is assumed this project will be split into the same three elements. However, because it will involve the complete rebuild of the theatre and larger, more impressive Winter Gardens, the public sector investment will be that much greater. The cost is likely to exceed £50,000,000 when the landscaping is included. The residential (with an additional storey) and commercial elements of the completed schemes are financially viable. The percentage surplus generates a land value that can off-set some of the non-commercially viable elements. The study recommends that for this option the Council retains the car park income and that the A3 rental income is retained by the Winter Gardens / Theatre management company.

7.3 The study concludes that funding would need to come from a variety of sources including some public funding streams, such as Coast to Capital Local Enterprise Partnership, Coastal Communities Fund, the Council, loans at Public Works Loan Board rates or public sector equity investment in a delivery vehicle.

7.4 The study has considered how the delivery of the developments might be phased to optimise values. The relocation of the pub, together with the addition of hotel on the Regis site may suit being delivered at an early stage. Thought also needs to be given to how the theatre can remain operational during its construction or refurbishment phase

7.5 **Hothamton site Option1 – Linear Park** – it is assumed this project will be split into two elements, the Linear Park and car park and the residential and retail uses. The cost of acquiring the health centre site has not been included but the site is included in the development area. The public realm / Linear Park and car parking cost is likely to exceed £2,500,000. The Council would retain the income for the car parking. The residential and commercial elements are financially viable and would generate a 17% to 25% profit to a developer. The percentage surplus generates a land value that can off-set the cost of delivering the new Linear Park.

7.6 **Hothamton site Option 2** – it is assumed in this option that the site will be developed as a purely commercial venture. The Council will only retain the existing park and play area, which will be refurbished, and the public car park income. The cost of the acquisition of the health centre is not included in the appraisal but the site is included in the development area. This option is financially viable and would generate adequate profit to a developer. There would be nil land value to the Council.

7.7 The Hothamton site, Option 2, could be delivered as a first phase single project. Alternatively, if the Council were to forward fund the new park and replacement parking as in Option 1, the improved environment of the linear park would then optimise the residential values.

7.8 The development appraisal has been prepared using a recognised industry standard package (Argus Developer). Although these models offer reasonable forecasts they are highly sensitive to change and a number of scenarios have been considered in the testing.

7.9 The Council's provision of Affordable Housing policies, as set out in the emerging draft Local Plan, has been applied. Both options for the Hothamton site can provide a mix of tenures and sizes.

7.10 No provision for Affordable Housing has been made on the Regis Centre site development as the overall project, if it is to include such a large public amenity as the Winter Gardens, is not financially viable without public sector funding.

7.11 A provisional S106 contribution equivalent to £3,000 per dwelling has therefore been included.

7.12 Both the Regis Centre proposals (Options 1 & 2) involve a significant level of public sector investment. It is proposed that officers, in the first instance, progress Regis Centre Option 2. The Regis Centre site is a prime seafront development site and it is important that this once in a generation opportunity meets people's high expectation. The proposal is ambitious and aspirational and we believe has the potential to change the fortunes of the town and revive Bognor Regis's place as a premier seaside destination. Not only will such an impactful scheme get the attention of the public and investors by its scale, it also says that Bognor Regis (and the community) deserves the best and we should work to achieve it. As a next step officers will develop a more thorough understanding of the opportunities and risks of implementing such a proposal, the possible scale and phasing, and the potential funding packages and delivery vehicle approaches that might support it.

7.13 Regis Centre Option 1 will remain as an alternative option should the scale of the funding package for Option 2 be unachievable.

7.14 Hothamton Option 1 also suggests up-front public sector financing to accelerate and influence the development. It is therefore proposed that officers will progress this option, taking into consideration the potential funding and delivery vehicle approaches that might best support it, ready to market the site and review the likelihood of the public sector investment being fully recouped.

8.0 GOVERNANCE AND OPERATIONAL BUSINESS PLAN

8.1 The study considers the governance and business planning for the sites. The sites can be delivered individually or through a combination of disposal options. From an operational viewpoint the study suggests that the theatre and Winter Gardens are delivered as a single united facility. The study highlights the importance of establishing the governance and operational arrangements before a delivery vehicle or other form of delivery option is considered. This will help the Council to determine the best approach to securing the land, finance, developer(s)/investor(s) as well as the other public partners needed to deliver both the infrastructure and development needed to unlock the full regeneration potential of these important parts of Bognor Regis.

8.2 **The study recommends that a Board is quickly established, which includes representatives of the Council and potential partners such as Arun Arts, University of Chichester, the C2C LEP and an organisation such as the Royal Horticultural Society to ensure the functionality of the new buildings meet partners / user's needs and that there is a clear understanding of the longer-term operational and maintenance requirements of the facility and the business plan to support this.**

8.3 At this time we do not propose to create a Board but we would wish to engage with all the relevant stakeholders and partners in an informal way as proposed in Recommendation 6.

9.0 DELIVERY VEHICLE OPTIONS

9.1 The study has reviewed each of the delivery vehicle options the Council could use. These are;

I. Council direct development
II. Initial development agreements
III. Strategic development agreement
IV. Individual joint venture vehicle (share company or LLP probably for both sites within one vehicle) and
V. Flexible Joint Venture (Share Company or LLP)

9.2 The study considers the key opportunities and weaknesses with each approach.

9.3 A number of key actions and decisions are required to make the project ready to deliver and to put it in a position to secure long-term investor / developer partners.

9.4 **The study concludes that if the Council supports the concepts in the 2017 Bognor Regis Masterplan Options Report its next step should be to review the possible delivery vehicle options as listed in the study with consultants and legal advisors so that each option can be 'tested' to identify the best mechanism to deliver and manage the facilities.**

9.5 As the concepts evolve a further report will be brought back to a future sub-committee meeting with the detailed development proposals for each site and recommending the most appropriate delivery vehicle option(s) to implement the schemes.

9.6 The Council is mindful of the great interest and enthusiasm that has been expressed by a number of groups and individuals during the 2015 consultation exercise and their commitment to see regeneration in the town. The Council will continue to engage with these groups as the Garden By the Sea concept is developed and moves towards implementation and procurement opportunities.

10.0 SEAFRONT DELIVERY PLAN

10.1 The Seafront Delivery Plan was approved at Full Council in July 2016. It draws together all existing strategy, policy and consultation material relating to Bognor Regis seafront. It sets out a clear framework and guide for future actions to deliver improvements, as funding becomes available, in a phased and holistic manner on the Promenade and immediate areas.

10.2 It is a spatial delivery plan that proposes thematic zones along the seafront, and the elements that make up each zone. It enables phased delivery of enhanced facilities for visitors to the seafront which will create a stronger and higher quality offer.

10.3 Officers are in the process of commissioning a style guide for the proposed new buildings on the Promenade. The style and materials will be complementary and attune with the development proposals on the Regis Centre.

10.4 The zones opposite the Regis Centre i.e. Gateway to the Town, Activities and Stalls fit comfortably with the new proposals. The zones, however, are not intended to be rigid geographically or thematically and can evolve over time as circumstances change.

11.0 TRAFFIC OPTIONS STUDY FOR THE ESPLANADE

11.1 Further to the resolution at Full Council on 20 July 2015, a study has been commissioned to consider options for traffic flows, parking and traffic calming on the Esplanade. The study enables a strategic view to be taken in respect of regeneration on both the Regis Centre site and seafront and how the Esplanade could be adjusted in the future to complement future activities in these areas.

11.2 The study findings are now being considered and will be reported to a future meeting of the Sub-Committee

12.0 PLACE BRANDING

12.1 A place brand is a comprehensive marketing campaign that affords an area a completely new and community-led identity, then communicates that story to its target markets.

12.2 A place brand can achieve:

- unification of public sector organisations, business, residents, community groups and faiths under one brand identity and tone of voice
- improved internal and external perceptions
- increased business inquiries and investment

- increased visitor numbers
- attract and retain talent
- platform for future development
- springboard for marketing activity that will help the town achieve its goals
- enable a coordinated approach to place making and improvements to the public realm
- empower people and raise aspirations – espouse opportunity and big thinking

12.3 Hemingway Design has been commissioned to develop a place brand campaign for Bognor Regis. This is a joint commission between the University of Chichester, West Sussex County Council and Arun District Council. All three organisations have significant regeneration projects taking place in Bognor Regis and by combining resources have been able to facilitate this work in the most cost efficient way.

12.4 The Hemingway Design Place Branding programme will launch in March 2017 and its aims are to:

- deliver a clear articulation of what Bognor Regis stands for; one that truly resonates with and unites its residents, businesses and institutions
- develop a new identity for Bognor Regis that will promote the town as a place to live, work, invest, visit and restore a sense of civic pride.
- provide a verbal and visual toolkit that will enable all sectors of the local community to communicate the brand messages with ease and pride

12.5 Hemingway Design has also been part of the Urban Delivery project team working on the Regis Centre and Hothamton Feasibility Studies.

13.0 ECONOMIC IMPACT

13.1 As part of the Feasibility Study, an Economic Impact Assessment has been prepared for both sites based on the masterplan proposals. The study considers the economic impact of development on the Regis Centre and Hothamton sites.

13.2 DIRECT AND INDIRECT EMPLOYMENT ESTIMATES

A summary of the estimated employment impact is set out below:

Employment Impact Summary (100% jobs occupancy)	FTE	GVA impact (10 year, £m PV)
Gross direct jobs - operational	212	
Gross direct - construction	93	
Gross direct jobs – total	305	
Net direct jobs	**150**	**£24.7**
Indirect jobs	32	£6.6
Total net jobs (direct + indirect)	**182**	**£31.3**

- Up to 305 FTE gross direct jobs generated, based on standard employment densities, assuming 100% occupancy;

- Up to 182 FTE net new jobs created, taking into account leakage, displacement and local multiplier estimates (including 150 direct net new jobs and 32 additional indirect jobs in the wider economy);
- Assuming 10 year persistence of employment benefits, a Gross Value Added (GVA) benefit to the Arun economy of over £31.3 million (present value), assuming GVA per head of £26,165 (GVA per head for West Sussex in 2013, ONS Regional GVA).

13.3 IMPACT ON NET SPENDING AND LOCAL GOVERNMENT INCOME

A summary of the estimated impact on net spending is set out below:

	Annual (£'000s)	10 year benefit, £'000s PV	
		Non-discounted	PV
New local spending			
Net new employee salary spend	1,060	10,630	9,150
New resident spend	1,250	12,520	10,780
Composite multiplier	*900*	*9,020*	*7,760*

14.0 CONSULTATION:

14.1 As part of the feasibility study process the consultants contacted or met with all the various organisations and community groups (including the Sir Richard Hotham project) that had contributed their ideas for the development of the sites as part of the 2015 consultation exercise. These were noted and used where possible to influence the overall concept and design proposals. Recurring themes mentioned in these meetings and that have been reflected the new proposals include:

- The need for an all year round, all weather tourist attraction that will be of interest and appeal to a wide range of people and ages.
- A land-mark / iconic structure that will set Bognor Regis apart and attract new visitors year on year
- A venue that will make best use of its unique seafront location and views
- A new or refurbished theatre venue and cultural hub that supports the community needs as well as offering a broad range of entertainment, music events, exhibitions and cultural interests.
- Good quality restaurants and bars that will also support an evening economy
- A scheme that links the town to the seafront
- Car parking
- Some residential
- A new hotel
- Improvements to the open spaces and public areas, pedestrian friendly roads and also better links between the key assets

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		**NO**
Relevant District Ward Councillors		**NO**
Other groups/persons (please specify)	**YES as explained above**	
15. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	YES	
Legal		NO
Human Rights/Equality Impact Assessment	N/A	
Community Safety including Section 17 of Crime & Disorder Act	N/A	
Sustainability		NO
Asset Management/Property/Land	YES	
Technology		NO
Safeguarding		NO
Other (please explain)		

16. IMPLICATIONS:

A significant number of elements in these schemes, such as the new theatre, Winter Gardens and major improvements to the public realm are heavily reliant of external funding. The next step of the project is to fully investigate the external funding opportunities and potential partnerships that could deliver these elements.

17. REASON FOR THE DECISION:

The Council has held a long term aspiration to progress development on both the Regis Centre and Hothamton Car Park sites. The Council has also wished to deliver a scheme that would have the support of the community and provide significant benefit and regeneration to the town. Frequent consultations have been conducted over the years and these have influenced the elements of the scheme(s).

This masterplan fully meets this brief and the consultation feedback. The proposals are ambitious and aspirational and have the potential to change the fortunes of the town and revive Bognor Regis's place as a premier seaside destination.

If the Gardens by the Sea concept is supported the Council will be able to progress, in a meaningful, coordinated and focused way, the regeneration of these sites which have been halted for many years.

18. BACKGROUND PAPERS:

1 - Report to Full Council 20th July 2016
Agenda Item 37 (Minute 145) – The Regeneration of the Regis Centre and Hothampton Car Park sites. Link below
http://www1.arun.gov.uk/PublicViewer/Tempfiles/e96be9e6b825461.pdf

2 - Report to Full Council 20th July 2016
Agenda item 7 - Bognor Regis Seafront Improvements
Link below
http://www1.arun.gov.uk/PublicViewer/Tempfiles/e96be9e6b825461.pdf

3 - Report to Full Council 11th November 2015
Agenda Item 27 – The regeneration of the Regis Centre and Hothamton Car Park Sites:
Link below.
http://www1.arun.gov.uk/PublicViewer/Authenticated/CommitteeMeetingAddl.aspx?MeetingId=408&meetingName=Full%20Council%20-%20(2015-11-11)%23

4 - Bognor Regis 2015 Consultation

Link below

http://www.arun.gov.uk/bognorregisregeneration

AGENDA ITEM NO. 26

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF FULL COUNCIL ON 8 MARCH 2017

PART A : OFFICER REPORT

SUBJECT: Pay Policy Statement 2017-2018

REPORT AUTHOR: Jackie Follis – Head of HR and Customer Services DATE: 28 February 2017 **EXTN:** 37580

EXECUTIVE SUMMARY:

The Localism Act 2011, section 38(1) requires that local authorities prepare an annual Pay Policy Statement. This paper introduces the draft Pay Policy Statement for 2017/2018 (attached) and asks Members to approve it.

RECOMMENDATIONS:

a) To approve the Pay Policy Statement 2017/2018 for publication on the Arun website by 1 April 2017.

b) To give delegated responsibility to the Corporate Support Group Head to make changes to the Pay Policy Statement which arise from new legislation concerning employee severance payments.

1. BACKGROUND:

1.1 The Localism Act 2011, section 38(1) requires that local authorities prepare an annual Pay Policy Statement. This should set out an authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and it lowest paid employees. This statement must be prepared for each financial year, and must be approved by Full Council ready to be published by April 2017.

1.2 The draft Pay Policy Statement for 2017 – 2018 (The Statement) is attached as Appendix 1, along with two other relevant appendices.

1.3 The Statement sets out our processes for determining remuneration, and a number of related issues, including the use of bonuses (or not in our case), severance pay, enhancement of pension entitlement (not in our case), allowances etc. The contents of the Statement are matters of fact and simply set out current practice.

1.4 Section 8 provides some information on severance payments. The Statement informs readers that the Government is planning significant changes to employment legislation around severance payments, which will require us to review our arrangements. It is anticipated that this legislation will be published during 2017.

1.5 Section 10 of the Statement, "Relationship between remuneration of Chief Officers and employees who are not Chief Officers" sets out the relationship between the highest and lowest paid officers.

2. PROPOSAL(S):

a) To approve the Pay Policy Statement 2017/2018 for publication on the Arun website by 1 April 2017.

b) To give delegated responsibility to the Corporate Support Group Head to make changes to the Pay Policy Statement which arise from new legislation concerning employee severance payments.

3. OPTIONS:

a) Agree the Pay Policy Statement for 2017/2018 to be published on the Arun website by 1 April 2017

b) Not approve the Pay Policy Statement for 2017/2018

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify) Unison CMT Cabinet Member for Governance		

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial		✓
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓

Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

Requirement to publish under the Localism Act 2011

7. REASON FOR THE DECISION:

To comply with our obligations under the Localism Act 2011 in the interests of transparency

8. BACKGROUND PAPERS:

None

ARUN DISTRICT COUNCIL Pay Policy Statement Financial Year 2017 – 2018

1. Purpose

1.1 This Pay Policy Statement (Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and the Statement will be updated annually from April each year.

1.2 The Statement sets out Arun District Council's (ADC) policies relating to the pay of its workforce for the financial year 2017 – 2018, in particular:

- The remuneration of its Senior Management, third tier and above
- The remuneration of its "lowest paid employees"
- The relationship between the remuneration of its senior managers and employees who are not senior managers

2. Definitions

2.1 For the purpose of this Pay Policy the following definitions will apply:

"Pay/Remuneration" in addition to salary includes charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements and termination payments.

"Chief Officers" refers to the following roles within ADC:

- Chief Executive as Head of Paid Service
- Directors
- Group Heads

"Lowest Paid Employees" refers to apprentice level pay, apprentices are paid at a rate below that of the lowest paid staff who are not apprentices. The lowest paid staff who are not apprentices are employed at spinal column point 10 of the Council's pay framework. .

"Employee who is not a Chief Officer" refers to all staff who are not covered under the Chief Officer group above. This includes the "lowest paid employees".

3. Pay Framework and Remuneration Levels – General Approach

3.1 Remuneration at all levels needs to be sufficient to secure and retain suitably qualified, skilled and motivated employees who can fulfil the Council's business objectives in delivering services to the public. This has to be balanced by ensuring that remuneration is not, and is not perceived to be, excessive. ADC is very aware of the need to maintain this balance at a particularly challenging time for the public sector.

3.2 Other than the Chief Executive, cost of living increases are linked to national pay negotiations for the National Joint Council for Local Government Services.

3.3 Pay awards are considered annually by national negotiation with Trades Unions for all posts <u>except</u> that of the Chief Executive. The most recent pay award for all Officers other than the Chief Executive was 1% with effect from 1st April 2017

4. Remuneration of the Chief Executive and Chief Officers

4.1 It is essential for good governance that decisions on pay and reward for the Chief Executive are made in an open and accountable way and that there is a verified and accountable process for recommending the level of top salaries.

4.2 The remuneration of the Chief Executive is recommended by the Chief Executive Remuneration Committee and the decision is made by Full Council. This Committee comprises elected councillors from the main political parties and determines the pay of the Chief Executive on appointment and annually thereafter, following the rules set down in Part 3, Section 8.7 of the Constitution of the Council and additional guidance provided in the “National Salary Framework and Conditions of Service Handbook’ for Local Authority Chief Executives”. The Remuneration Committee will take account of recommendations concerning performance from the Chief Executive Appraisal Panel, details of which are also set down in Part 3, section 8.7 of the Constitution It will also review market data relevant to Chief Executive pay and any significant other considerations which arise. The Chief Executive does not receive any additional payment other than fees in connection with election duties in his role as Returning Officer or relocation expenses on appointment, in line with the Council policy on this. Election fees are set out annually in the ‘Scale of Returning Officer’s expenditure for Local Government Elections, Polls and Referendums’, attached as Appendix 2.

4.3 Remuneration for Senior Management posts at within the Council is determined by pre-defined criteria which takes into account a number of factors including the size, complexity and strategic impact of the role; impact of the role, etc. Annual cost of living increases are determined at a national level. These posts are linked to the National Joint Council for Local Government Services national pay negotiations.

4.4 Information on remuneration for this group of staff is published as part of the Annual Statement of Accounts which is published each year in June/July and can be found on the Council's website. Officers below this level will not be identified in this way.

4.5 A structure chart showing the membership and responsibilities of the Corporate Management Team is attached to this document as Appendix 3.

4.6 There is no provision for the payment of bonus payments to the Chief Executive, Directors or Group Heads. Other payments made will be in line with Council policies on allowances.

4.7 There is provision within the Council's Human Resources Guidance for the payment of "honoraria", in exceptional circumstances as defined in the guidance, to any staff employed by the Council. For Directors honoraria must be approved by the Chief Executive, in consultation with the Leader of the Council. For Group Heads, this must be approved by the relevant Director in consultation with the Chief Executive. For the Chief Executive this must be approved by the Remuneration Committee.

5 Posts below Chief Officer level - Salary Grades and grading framework

5.1 The current grade framework consists of 14 grades up to but not including Chief Officer level. Grades for these posts are determined by a locally agreed Job Profiling Scheme. This takes into account, in a consistent and transparent way, all the different elements of a post in making a grading decision.

5.2 The Council will consider the use of market supplements in exceptional circumstances, but these will only be implemented with the agreement of the Corporate Management Team and the Group Head, Corporate Support, following consultation with Unison. They will be time limited and subject to review.

5.3 There is no provision for the payment of bonus payments to staff in these grades.

5.4 There is provision within the Council's Human Resources Guidance for the payment of "honoraria", in exceptional circumstances as defined in the guidance, to any staff employed by the Council. Honoraria will only be awarded with the agreement of the Chief Executive and Director, in consultation with the Human Resources Manager.

6 Charges, Fees or Allowances

6.1 Any allowance or other payment will only be made to staff in connection with a particular role or the patterns of hours that they work.

6.2 Payments made to staff working during elections, polls and referendums will be in line with the Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums, as attached at Appendix 2

7 Pensions

7.1 All staff as a result of their employment with Arun District Council are eligible to join the Local Government Pension Scheme. Full details of the scheme can be found at www.lgps.org.uk.

8 Severance Payments

8.1 ADC pays redundancy payments based on actual salary and a 2.2 multiplier of the Statutory Redundancy Pay Table. There are significant changes to employment legislation being proposed which will result in a limit on the total exit payment which can be made to an individual member of staff. At the time of writing this Statement the detail is unknown. The Pay Policy Statement will be updated as necessary, this is likely to be within 2017 – 2018.

8.2 There is no local discretion to increase an employees total pension scheme membership or award additional pension except in exceptional circumstances where compassionate grounds apply.

9 New Starters Joining the Council

9.1 Employees new to the Council will normally be appointed to the first point of the salary range for their grade. A manager may consider a higher point in the grade in exceptional circumstances, this could for instance be where a new employee already operates at a level commensurate with a higher salary, or other circumstances. The appointing manager must agree any variation from the start of the scale with Human Resources and ensure that any such decision is consistent with that of other employees in a similar position.

9.2 Chief Officer grades are determined in part with reference to other comparable posts within local authorities both regionally and nationally. Chief Officer grades may be subject to periodic review.

10 Relationship between remuneration of "Chief Officers and "employees who are not Chief Officers"

10.1 The mean average remuneration for the 2017/2018 budget is £37,633 and the highest paid employee £152,880. This includes all allowances and employers pension contributions at 17.8%. The pay multiple between the two is 4.06. This is based on current pay scales, including the agreed 1% pay award.

10.2 The lowest paid employee is at £12,692 and the highest paid employee £152,880. This includes allowances and employers pension contribution and the pay multiple between the two is 12.05*. This is based on current pay scales, including the agreed 1% pay award.

*note that this includes apprentice pay. The multiplier excluding apprentice pay is 8.2.

Date approved by Full Council - 8 March 2017

SCALE OF RETURNING OFFICERS EXPENDITURE FOR LOCAL GOVERNMENT ELECTIONS, POLLS AND REFERENDUMS IN HELD WEST SUSSEX

PART A – PERSONAL FEE FOR RETURNING OFFICER'S SERVICES

A.1	Personal fee in respect of each electoral area for executing all the statutory duties of the Returning Officer for the conduct of the election, including the appointment of Deputy Returning Officers, the publication of prescribed notices, the distribution preparation, verification and adjudication of candidates' nomination papers and consents, the provision of polling stations and ballot papers (including the dispatch and receipt of postal ballot papers), the appointment of presiding officers, poll clerks and counting assistants, the dispatch of poll cards, the issue of notifications of secrecy, the supervision of the counting of votes and declaration of the result of poll, the submission of returns and the custody of records.	
	For all services in an uncontested election or for services up to the close of the withdrawals period in a contested election	£75.00
	For services after the close of the withdrawals period in a contested election	£30.00 for every 500 local government electors (or part 500)
	For a countermanded election:-	
	a) If countermanded before the close of the withdrawals period	£75.00
	b) If countermanded after the close of the withdrawals period	£75.00 plus £16.00

PART B – DISBURSEMENTS BY RETURNING OFFICER

B.1 <u>Staff for polling Stations</u>

a)	Presiding Officer's services	£200.00
b)	Supplementary fee to Presiding Officers for combined polls for district, parish or county elections	£43.00
c)	Poll Clerk's services (one clerk for each 1000 local government electors or part 1000 allocated to a polling station)	£120.00
d)	Supplementary fee to Poll Clerk for combined polls for district, parish or county elections	£28.00

e)	Services of part-time Poll Clerk (where not required for whole of polling hours)	Hourly rate (as proportion of normal fee) on basis of hours employed
f)	Supplementary fee to Presiding Officer who acts as Senior Presiding Officer at a polling place where there is more than one polling station	£9.00
g)	Polling Station Inspector	£200.00
h)	Fee in respect of attendance at training session for up to	£42.00

B.2 <u>Staff for Counting of Votes</u>

a)	Counting Assistant's services (for sorting and counting ballot papers)	£24.00 plus £8.00 per hour, or part, of duration of count proceedings or £24.00 plus £10.00 per hour, or part, of duration if count held overnight
b)	Counting Supervisor's services (for directing Counting Assistant's functions to ensure proper verification of ballot boxes)	£18.00 (responsibility supplement for each electoral area) plus the fee for Counting Assistant's services
c)	Deputy Returning Officer's services	£42.00 (responsibility supplement for each electoral area) plus the fee for Counting Assistant's services

B.3 <u>Staff for Clerical Assistance</u>

a)	General Assistance for purposes of preparation for the dispatch and receipt of postal ballot papers	£27.00 for every 50 ballot papers (or part of 50)
b)	General assistance for all other matters in district, parish or county elections (including completing, handling and dispatch of poll cards)	£8.00 for every 100 electors (or part 100); allowance to be reduced by 5% in parish elections where no poll cards are issued
c)	Staff payments in respect of despatch and opening of postal ballot papers	£27.00 per half day session or £8.00 per hour (or part hour) where hourly rate is applicable **or** £10.00 per hour (or part hour) where working after 5pm is involved **or** £12.00 per hour (or part hour) where weekend/bank holiday working is involved
d)	Postal Vote Supervisor (opening and despatch)	£15 plus payment of despatch/opening fee

<u>Travelling and Subsistence Expenses</u>

a)	Journeys necessarily made for any purposes approved by the Returning Officer in relation to	Actual cost of rail fare (second class) or other forms of

	the election proceedings	public transport. Top allowance on NJC Scale for use of private vehicle
	b) Travel Expenses paid to staff in connection with the election	
	Fixed Fee for Presiding Officer Fixed Fee for Poll Clerks/Counting Assistants	£10.00 £7.00
	For those being paid mileage rate	.45p per mile
B.5	<u>Ballot Boxes and Stamping Instruments</u>	
	a) Cleaning and preparation of equipment before issue from storage place	£3.00 for each polling place
B.6	<u>Poll Cards</u>	
	For hand delivery of poll cards	18p per card
B.7	<u>All other expenses necessary for the proper conduct of the election proceedings, including the following particular matters</u>:-	
	a) Provision, use and fitting up of accommodation for polling stations	
	b) Provision and transport of equipment for polling stations (e.g. voting compartments, tables and chairs)	
	c) Provision and publication of notices, poll cards, ballot papers, registers of electors and postal and proxy voters' lists	
	d) Provision of all other stationery and documents	
	e) Postage and telephone charges	
	f) Compensation for injury to persons or damage to property	

Notes

1 The prescribed amounts in the scale are payable in respect of each separate electoral area

2 "Electoral area" means any ward/parish/division for which a separate election is held

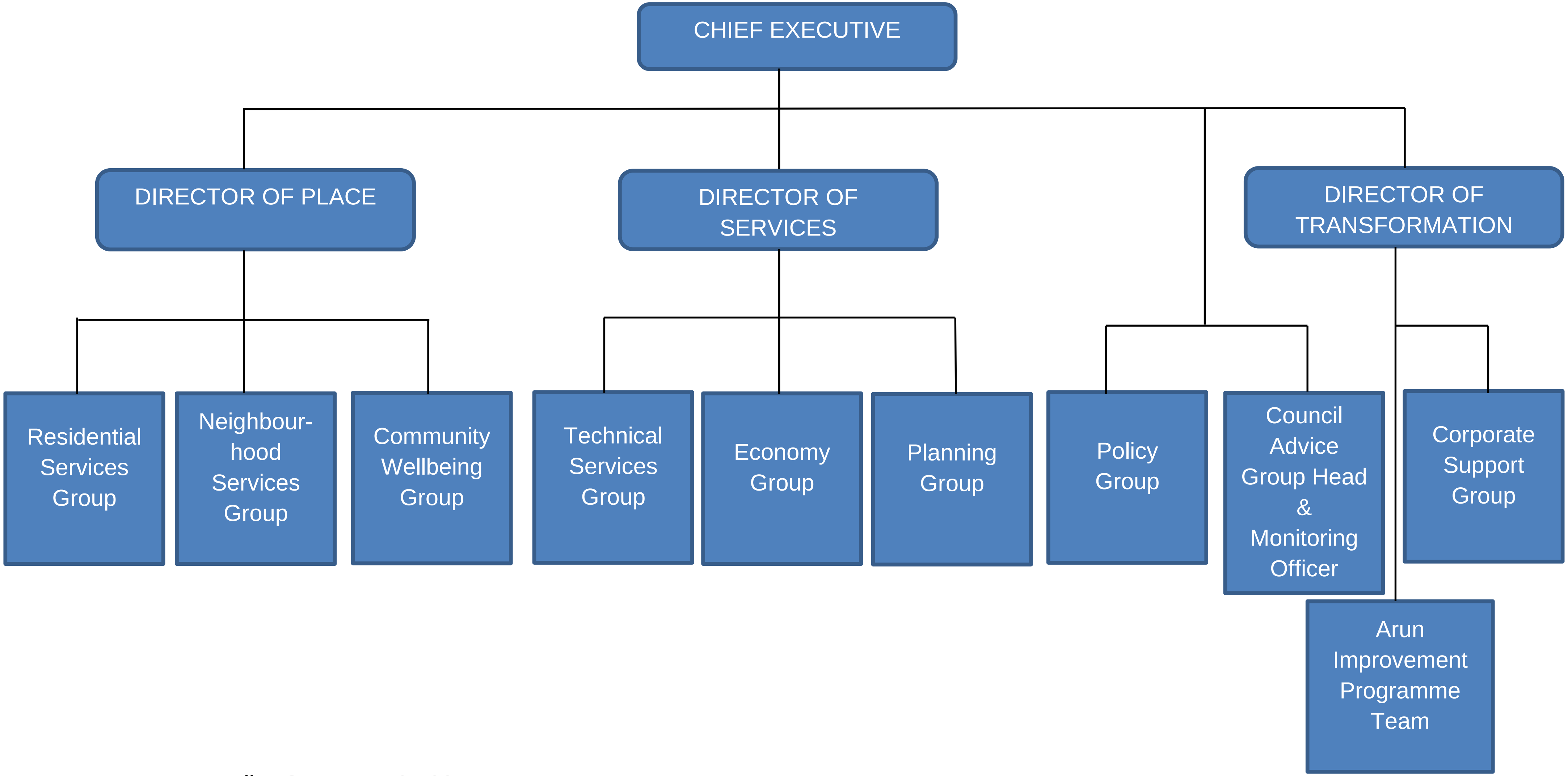
3 The prescribed amounts in the scale are maximum sums and Returning Officers may pay lesser amounts for those items in circumstances where they consider this to be specifically justified

4 "Elector" means a person registered as a local government elector in the register for the electoral area concerned.

5 Fees for Parish polls will be adjusted according to the workload and timing of the poll.

CORPORATE MANAGEMENT TEAM

APRIL 2017



For Pay Policy Statement 05.02.17