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

27 February 2018

Please ask for:
Jane Fulton
Committee Manager

Dear Member

Full Council Meeting – 7 March 2018 – Bundle 2

Please find attached further papers to be considered at the Council Meeting on 7 March 2018:

Item 5 – [Minutes]
Please find ***attached*** the Minutes from the Special Meeting of the Council held on 21 February 2018.

Item 17 [Development Control – 14 February 2018]
Please find ***attached*** the Minutes from the meeting of the Development Control Committee held on 14 February 2018. There are no recommendations.

Item 18 – [Audit & Governance Committee – 22 February 2018]
Please find ***attached*** the Minutes from the Audit & Governance Committee held on 22 February 2018. There are recommendations at:

- Minute 440 [Treasury Management Strategy Statement & Annual Investment Strategy – 2018-19 – the Officer's report and Appendices is ***attached.***

Item 19 [Standards Committee – 22 February 2018]
Please find ***attached*** the Minutes from the meeting of the Standards Committee held on 22 February 2018. There are recommendations at:

- Minute 448 [Update to the Local Assessment Procedure – Police Protocol] – the Officer's report and Appendix is ***attached.***

/Cont'd Over ....

26 February 2018

Item 20 [Local Plan Sub-Committee – 26 February 2018]
Please find ***attached*** the Minutes from the meeting of the Local Plan Sub-Committee held on 26 February 2018. There are recommendations at:

- Minute 31 Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD)] – the Officer's report is ***attached.***
- Minute 33 [Authority Monitoring Report] – the Officer's report is ***attached.***

Item 22 [Environment & Leisure Working Group – 20 February 2018]
Please find ***attached*** the Minutes from the meeting of the Environment & Leisure Working Group held on 20 February 2018. There are no recommendations.

Item 26 [Pay Policy Statement – 2018/2019]
To consider the ***attached*** report.

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

Yours sincerely

Jane Fulton
Committee Manger

Enclosures

DEVELOPMENT CONTROL COMMITTEE

14 February 2018 at 2.30 p.m.

Present: Councillors Bower (Chairman), Hitchins (Vice-Chairman), Mrs Bence, Mrs Bower, Brooks, Cates, Charles (substituting for Councillor Haymes), Dillon, Gammon, Mrs Hall, Mrs Oakley, Miss Rhodes, Mrs Stainton and Wells.

417. APOLOGY FOR ABSENCE

An apology for absence had been received from Councillor Haymes.

418. DECLARATIONS OF INTEREST

There were no declarations of interest made.

419. MINUTES

The Minutes of the meeting held on 17 January 2018 were approved by the Committee and signed by the Chairman as a correct record.

420. PLANNING APPLICATION BE/114/17/PL, VARIATION TO CONDITIONS, OLDLANDS FARM, BERSTED

With the agreement of the Chairman, this matter was presented as an urgent item due to the length of time it had been in the system and an agreed extension of time allowing determination by 16 February 2018. An appraisal of the submitted sequential assessment and retail impact assessment had not been completed by the Local Planning Authority's consultants until 7 February 2018 and so had not met the agenda deadline.

The report setting out the detail of the application had been circulated to Members prior to the meeting. In addition, the officer's written report update was circulated at the meeting which detailed a response from County Highways that the variation of condition would not give rise to any increase in vehicular movement or give rise to any additional harm to highway safety.

This application was requesting variation to conditions 4 - Quantum of floorspace; 43 – Number of non-food bulky goods units; and 47 – Sale of goods imposed under BE/61/13 (Outline).

The Principal Planning Officer presented the report and advised the Committee that the variation being requested would not result in any additional retail floor space but would vary the existing non-food bulky goods retail permitted by BE/61/13/ to allow for the sale of discount convenience goods at the site. The Council had appointed an independent retail expert to assess the submitted retail impact assessment. This independent assessment confirmed that the proposed variation of condition would not result in a significant retail impact upon Bognor Regis town centre and would not give rise to any detrimental impact upon existing, committed or planned public and private investment in centres located within the catchment area of the proposal.

Following a concern raised that the highways infrastructure was not adequate to take the resultant constant flow of traffic from the increased retail offer of the proposal, the Committee

RESOLVED

That the application be approved as detailed the report.

421. PLANNING APPLICATIONS

Y/49/17/OUT – Outline application with some matters reserved for the demolition of all existing structures & redevelopment of the site with up to 45 dwellings [30% affordable (up to 14)] & 0.3 hectares of landscaped open space with vehicular access from Maypole Lane & pedestrian/cycle access only from North End Road. This application is a Departure from the Development Plan & may affect the setting of a listed building, Land at Street Buildings, North End Road, Yapton Having received a report on the matter, the Committee was also circulated with the officer's written report update which detailed the following:-

- A further letter of representation received from a resident objecting to the proposal on traffic grounds, which had already been addressed in the report.
- Amendments to the report and conditions following receipt of an executed Section 106 Unilateral Undertaking from the applicant.
- An updated Head of Terms document.

The Committee received a comprehensive presentation from the Principal Planning Officer on the detail of the proposal.

In discussing the matter, concerns were raised with regard to the fact that Southern Water had raised no objection subject to the imposition of conditions; that appeared to be contradictory in light of the objection that had been raised by Southern Water at a nearby site at a previous meeting when they had stated there was insufficient capacity in the area. It was therefore felt that clarification should be sought. Further comment was made with regard to transport and highway issues.

However, the Principal Planning Officer reiterated that the statutory consultees had raised no objection to the proposal.

The Committee

RESOLVED

That the application be approved as detailed in the report and the report update.

LU/267/17/PL – Change of use of ground floor from community centre (D2 Assembly & Leisure) to 2 No. flats (C3 Dwelling Houses), single storey rear extension with renewal of existing windows to match existing, remodelling of existing entrance of East elevation including new front & rear doors & new canopy, Chilgrove House, Kimberry, Littlehampton Having received a report on the matter, together with officer advice that this was a Council application, the Committee

RESOLVED

That the application be approved as detailed in the report.

LU/272/17/OUT – Outline application with some matters reserved for the erection of up to 9 No. dwellings, Inglecroft, Barn Close, Littlehampton Having received a report on the matter, together with the officer's written report update detailing :-

- Additional representations received regarding the access off Toddington Lane towards the application site being dangerous. County Highways had provided additional comments to clarify that its original objection had been withdrawn as, in light of the accident history, it was not considered that there would be an increase in the potential for accidents and therefore the proposal would not have a severe impact, as per the NPPF.
- A change to the recommendation to approve subject to conditions and not subject to a S106 Agreement as the Council's Landscapes Team did not require a contribution towards offsite play facilities.

Following a brief discussion, the Committee

RESOLVED

That the application be approved as detailed in the report and the report update.

FP/161/17/PL – Variation of condition 15 imposed under FP/133/08 relating to hours of servicing/deliveries, Tesco Express, 126 Felpham Way, Felpham Having received a report on the matter, The Committee also considered the officer's written report update detailing comments submitted by the applicant in respect of the proposal.

Following a presentation from the Planning Team Leader, Members participated in some discussion on the matter and expressed their concerns that the variation could result in deliveries taking place during peak travel times and so cause major disruption to the local road network. Views were expressed that delivery vehicles should have a specified parking space round the side of the premises and that Tesco should manage its parking and deliveries more efficiently as there were serious problems already due to the proximity of the mini roundabout to the site. It was felt that the internal parking layout was contributing to the problem but officer advice was given that the layout had been agreed in 2008 and the problem was one of how deliveries were managed rather than the layout that was already there.

A suggestion was made and agreed that a time limited approval would be the best way forward to monitor Tesco's Delivery Management Plan and the Committee therefore

RESOLVED

That the application be approved for one year as detailed in the report.

AL/122/17/PL – 2 No. dwellings (resubmission following AL/72/17/PL). This application is a Departure from the Development Plan, Land West of Fontwell Avenue, Eastergate Having received a report on the matter, the Committee expressed reservations with regard to access from the site onto Fontwell Avenue during the construction phase. It was felt imperative that a service road must be in place to enable construction vehicles to access and egress the site safely and it was therefore agreed that Condition 6 be amended to read :-

"No part of the development shall be first ~~occupied~~ **commenced** until such time as the vehicular access serving the development has been constructed in accordance with the approved drawing Ref SP01 Rev A, The access shall be permanently retained thereafter as per the approved details."

The Committee then

RESOLVED

That the application be approved as detailed in the report and subject to amendment of Condition 6 to read:-

"No part of the development shall be first commenced until such time as the vehicular access serving the development has been constructed in accordance with the approved drawing Ref SP01 Rev A, The access shall be permanently retained thereafter as per the approved details."

422. PLANNING APPEALS

The Committee noted the planning appeal that had been received.

(The meeting concluded at 4.35 p.m.)

AUDIT AND GOVERNANCE COMMITTEE

22 February 2018 at 9.30 am

Present: - Councillors Chapman (Chairman), Mrs Oakley (Vice-Chairman), Brooks, Cates and Mrs Porter.

431. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams to the meeting. He also welcomed John Thompson, from the Council's Independent Remuneration Panel.

The Chairman then extended a warm welcome to the new Engagement Lead/Audit Director from Ernst & Young, (Kevin Suter) as he had replaced Paul King.

432. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Blampied and Wheal.

433. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

434. MINUTES

The Minutes of the meeting held on 7 December 2017 were approved by the Committee as a correct record and signed by the Chairman subject to one small amendment which was to change the name of the Chairman of the meeting from Councillor Clayden to Councillor Chapman.

435. COUNCILLOR DOUGAL MACONACHIE

The Chairman stated that he wished the Committee to join him in giving a minute's silence to Councillor Dougal Maconachie who had sadly passed away on 21 December 2017. This was because he had been a Member of the Committee for many years and had continued to attend meetings of the Committee right up until till his sad passing. The Chairman praised Dougal for his work and input given to previous meetings of the Committee.

The Committee then sat in silence to his memory.

436. MEMBERS ALLOWANCES – PROGRESSING THE NEXT REVIEW AND EXTENSION OF APPOINTMENTS FOR THE INDEPENDENT PANEL

The Chairman again welcomed John Thompson from the Independent Remuneration Panel to the meeting and introduced this report.

The Chairman explained that as the Independent Remuneration Panel was about to embark on undertaking the next review of the Members' Allowances Scheme, it was necessary to inform the Committee of the timetable proposed for this work and to ask Members to agree to extending the terms of office for all three members of the Panel until 31 March 2020

The Committee

RESOLVED – That

(1) The approach to be taken by the Independent Panel for its next review in terms of the timetable proposed be noted; and

(2) The terms of office for all three members of the Panel be extended until 31 March 2020.

437. ERNST & YOUNG – AUDIT PLANNING REPORT

The Audit Director from Ernst & Young introduced the Audit Planning report to the Committee setting out how Ernst & Young would carry out their responsibilities as the Council's auditor for the 2017/2018 Accounts. 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 report identified areas of the audit that had been classified as significant risks. The risk of management override was highlighted as a risk of management perpetuating fraud because of its ability to manipulate accounting records and prepare fraudulent statements by overriding controls that otherwise appeared to be operating effectively. The Audit Director explained that an organisation would always be subject to this potential 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.

- Other areas of risk and audit focus were the Valuation of Land and Buildings and Pension Liability Valuation.
- 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.
- The revised Accounts and Audit Regulations introduced a significant change in statutory deadlines for the 2017/18 financial year. The timetable for the preparation and approval of accounts had been brought forward with draft accounts needing to be prepared by 31 May 2018 and the publication of accounts by 31 July 2018.
- It was outlined that these changes provided risks for both the preparers and the auditors of the financial statements – this was because the Council had less time to prepare the financial statements and supporting working papers and Ernst & Young had a more significant peak in their audit work and a shortened period to complete the audit. The risk to them was that as auditors to several other authorities, the revisions to the timetable allowed for no slippage in the delivery date for work. The Committee was reassured that measures were in place to mitigate the risks highlighted.

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

438. ERNST & YOUNG – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17

Ernst & Young presented the Certification of Claims and Returns Annual Report 2016/17, summarising the results of the certification work on Arun District Council's 2016-17 claims and returns.

The Audit Manager explained that Section 1 of the report highlighted the significant risks. The Housing Benefit Subsidy Claim had been checked and certified with a total value of £50,130.018. A qualification letter had been issued as an error in rent allowances caused by the incorrect income in the assessment of benefit entitlement had been found. As a result of this, Ernst & Young had had to extend their testing and identified four further cases where similar errors had occurred. This was then extrapolated from their findings to a total error value of £1,435. The Committee was reassured that most Councils were issued with some form of qualification letter. Ernst & Young stated that they wished to have placed on record their thanks to the Benefits Section for their assistance in this matter, which the Committee endorsed.

Looking at the 2016-17 certification, it was explained that the proposed final fee in respect of the additional work required to review and capture extended testing undertaken, due to the errors identified in the qualification letter for the housing benefits subsidy claim, had been sent to PSAA for final approval.

In looking forward to the work for 2017/18 period, the Audit Manager confirmed that the Certification work programme had been delegated to PSAA by the Secretary of State for Communities and Local Government. The Council's indicative fee for 2017-18 was £8,330.

Some questions were asked about housing benefit fraud and successful prosecutions with the Committee stating that it would be interested to receive a full update on housing benefit fraud at a future meeting of the Committee.

The Chairman thanked Ernst & Young and the Committee then noted the report and endorsed the comment on the performance of the Benefits Subsidy Team.

439. APPROVAL OF ACCOUNTING POLICIES – 2017/18

The Committee was asked to consider and agree the Accounting Policies that would be applied to the Statement of Accounts for 2017/18 which would be agreed by the Committee in July 2018.

The Committee then

RESOLVED

That the Accounting Policies could be applied to the Statement of Accounts for 2017.2018.

440. TREASURY MANAGEMENT STRATEGY STATEMENT & ANNUAL INVESTMENT STRATEGY – 2018/19

The Senior Accountant (Treasury) presented to the Committee the Annual Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19.

In presenting this report, the Senior Accountant (Treasury) drew Members' attention to the following key points:

- The report highlighted changes to last year's report and new inclusions. In December 2017, the Chartered Institute of Public Finance & Accountancy) CIPFA had issued revised Prudential and Treasury Management Codes which meant from 2019-20, all Councils would be required to prepare an additional report being a Capital Strategy report. This would ensure that all Members fully understood the overall Strategy, governance procedures and risk appetite entailed by this Strategy.
- The Senior Accountant (Treasury) hoped that Members had found the Link Asset Services (Treasury Advisors) workshop held on 7 December 2017, informative. This training adhered to the CIPFA code that ensured Members with responsibility for treasury management received adequate training.
- 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 £63M in 2018/19.
- It was noted that Link Asset Services, as the Council's treasury advisor, predicted interest rates to increase by another 0.25% in June 2018.
- The Committee was advised that changes in the treasury and prudential codes meant that the treasury management role for the Section 151 Officer had increased, the additions had been listed in the report at Appendix 10

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 2018/19 be approved;

(2) the Annual Investment Strategy for 2018/19 be approved, and;

(3) the Prudential Indicators for 2018/19, 2019/20 and 2020/21 as contained in appendix 1 and the body of the report, be approved.

441. CHANGE TO THE ORDER OF THE AGENDA

At the request of the Chief Internal Auditor, the Chairman proposed and the Committee agreed to a change in the order of the agenda in that Agenda Items 10 [Annual Internal Audit Plan – 2018/19, 11 [Progress Against the Audit Plan]; 12 [Summary of Findings from Reports Issued November 2017 to January 2018; and 13 [Workplan for the Audit & Governance Committee – 2018/19] be considered together.

442. ANNUAL INTERNAL AUDIT PLAN – 2018/19, PROGRESS AGAINST THE AUDIT PLAN, SUMMARY OF FINDINGS FROM REPORTS ISSUES NOVEMBER 2017 TO JANUARY 2018 AND WORKPLAN FOR THE AUDIT & GOVERNANCE COMMITTEE 2018-19.

The Committee received and noted the above reports from the Chief Internal Auditor.

Firstly, the Chief Internal Auditor presented the Annual Internal Audit Plan 2018/19.

It was noted that the current 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 important areas, as agreed with Senior Management/Members.

It was also noted that the Council had still to finalise all of the changes resulting from the Vision 2020 work. In view of this, as in previous years, an outline plan had been compiled which needed 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 2018/19 be approved.

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

The Committee then received and noted the Summary of Findings from Reports Issued November 2017 to January 2018.

Finally, the Committee in receiving and noting its Workplan for the new Municipal Year 2018/19 asked the Chairman if he could consider arranging for the Committee to receive updates on the following matters:

- Were the Council's Consultation exercises robust and valid?
- Could the Committee look at the tow hour free parking scheme in Bognor Regis?
- Could the Committee investigate what had happened to the sale of redundant sound equipment that used to be in the Council Chamber?

The Chairman advised the Committee that he would investigate the possibility of future updates and advise Members accordingly before the next scheduled meeting of the Committee.

443. INFORMATION/ADVISORY DOCUMENTS RECEIVED

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

- CIPFA Fraud & Corruption Tracker 2017 Summary Report.

(The meeting concluded at 10.37 am)

ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE
ON 1 MARCH 2018

PART A: REPORT

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

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)
DATE: January 2018 **EXTN:** 37861

EXECUTIVE SUMMARY:

The purpose of this report is to present the Treasury Management Strategy Statement and Annual Investment Strategy 2018/2019 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 2018/19;
(ii) approve the Annual Investment Strategy for 2018/19; and
(iii) approve the Prudential Indicators for 2018/19, 2019/2020 and 2020/21 as contained in appendix 1 and the body of the report.

1. BACKGROUND:

1.0 <u>Introduction</u>

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 borrowing, 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 currently 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 receive a mid-year report at its November 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 which the Audit and Governance Committee will receive at its July meetings prior to approval by Full Council.

1.2.4 **Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured. This decision not to complete this for the 2018/19 strategy is due to the timescale given, but it will be addressed in the 2019/20 strategy.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 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). All members were invited to attended a workshop presented by Link Asset Services (Treasury advisors) explaining the roles and responsibilities of elected members and giving them an economic update. The latest session was held on 7th December 2017.

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 Link 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 2018/19 to 2020/21 (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 21st February 2018.

Currently Arun's only borrowing relates to the HRA self-financing settlement. However, the Council now has a significant capital programme including HRA acquisition/new build, the new Littlehampton Leisure Centre and the purchase of temporary accommodation units. Much of this programme will be funded from capital receipts and revenue resources but it is likely that additional borrowing will be required at some point in the near future, however the source has not yet been identified. 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.

Capital Expenditure	Actual 2016/17 £,000	Current Estimate 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000
Non HRA	2,624	10,057	2,310	2,719	2,823
HRA	4,221	6,548	8,047	7,869	7,942
HRA settlement	-	-	-	-	-
Total	**6,845**	**16,605**	**10,0357**	**10,587**	**10,766**
Financed by:					
Capital receipts (1-4-1)	1,359	6,802	1,500	1,500	1,500
Capital grants	599	777	1,000	1,000	1,000
Capital reserves	2,555	2,696	3,017	2,839	2,912
Revenue	42	15	1,340	1,749	1,853
	4,555	**10,290**	**6,857**	**7,087**	**7,266**
Net financing need for the year	**2,290**	**6,315**	**3,500**	**3,500**	**3,500**

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, and so charges the economic consumption of capital assets as they are used.

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. In 2016/17 a new Grounds Maintenance Contract and Combined Cleansing Contract was entered into. Under IFRIC 4, it has been deemed that both contracts contain finance leases.

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

CFR at 31 March	**Actual 2016/17 £,000**	**Current Estimate 2017/18 £,000**	**Estimate 2018/19 £,000**	**Estimate 2019/20 £,000**	**Estimate 2020/21 £,000**
Capital Financing Requirement					
General Fund	-3,769	-3,982	-4,198	-4,394	-4,475
HRA	56,604	56,547	56,387	56,110	55,716
Total CFR	**52,835**	**52,565**	**52,189**	**51,716**	**51,241**
Movement in CFR	**(1,253)**	**(270)**	**(376)**	**(473)**	**(475)**

Movement in CFR represented by					
New leasing arrangements (GF)	1,251	0	0	0	0
HRA unfinanced	1,082	3,487	3,500	3,500	3,500
Less MRP/VRP	(3,586)	(3,757)	(3,876)	(3,973)	(3,975)
Movement in CFR	**(1,253)**	**(270)**	**(376)**	**(473)**	**(475)**

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 2018/19 HRA budget. If borrowing is taken out for general fund in 2018/19, 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	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Fund balances	17.6	15.3	14.0	12.10	11.10
Earmarked Reserves	13.9	11.4	10.1	6.9	3.9
Capital Receipts	13.2	8.8	2.6	2.2	2.0
Other	2.0	2.0	2.0	2.0	2.0
Total core funds	**46.7**	**37.5**	**28.7**	**23.2**	**19.0**
Under/over borrowing	13.94	14.50	13.30	9.80	11.0
Expected investments	**60.64**	**52.00**	**42.00**	**33.00**	**30.00**

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 2016/17 %	Current Estimate 2017/18 %	Estimate 2018/19 %	Estimate 2019/20 %	Estimate 2020/21 %
Non-HRA	-2.51	-1.91	-1.79	-1.79	-1.79
HRA	32.63	32.79	33.17	33.29	32.29

3 <u>Borrowing</u>

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 2017 and 31 December 2017 summarised below;

	2016/17 Actual £'000	2017/18 Actual at 31/12/17 £'000
Total Investments	60,641	69,509
Total Debt	53,180	53,180

The investments held at 31st December 2017 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 2018/19 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 now £53.18m). 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 Group Head of Corporate Support 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. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

The Council is requested to approve an operational boundary of £60M in Appendix 1 (2018/19).

3.2.2 The Authorised Limit for external debt.

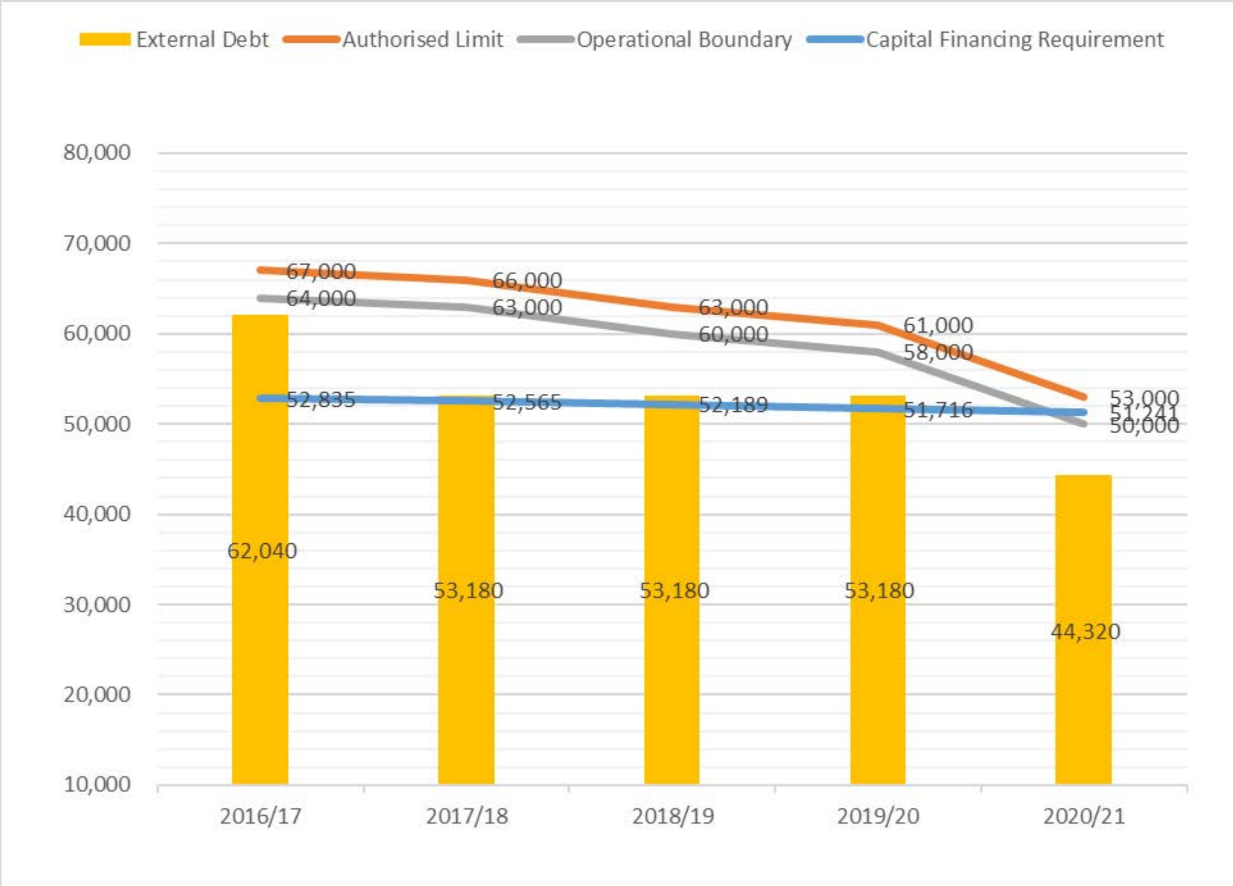
A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded 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 £63M (appendix 1 2018/19).

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.



The bars in the chart above show the actual external debt (£62M – 44M) and does not include and potential future borrowing.

3.3 Prospects for Interest Rates

3.3.1 The Council has appointed Link 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 Link Asset Services central view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

3.3.2 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

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 more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

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 balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

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

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. 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 the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of 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 As stated in 2.1, The Council has a significant capital programme including HRA acquisition/new build, the new Littlehampton Leisure Centre and the purchase of temporary accommodation units.

The level of expenditure and reduction in rental income within the HRA will almost certainly require additional borrowing. 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.

The source of any of this potential borrowing has not been identified at the time of writing. 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 £1,000,000 overdraft facility for this purpose, plus access to the money markets should it be needed.

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

3.4.2 **Treasury Management indicators for debt**

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	2018/19	2019/20	2020/21
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 2018/19			
	Actual at 31/03/18	**Lower**	**Upper**
Under 12 months	0%	0%	40%
12 months and within 24 months	16.66%	0%	40%
24 months and within 5 years	16.66%	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.

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

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 CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, portfolio 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 Non Treasury Investments

Although not classed as treasury management activities, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes.

These will be subject to to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

4.3 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 Link 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 Link 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. Lloyds being the incumbent bank which has no limit however the Council will only invest £11M in term deposits with them.

4.4 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 all 3 rating agencies. 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).

4.5 Fair value risk management (new for 18/19)

The Council is able to invest in variable Net Asset Value Instruments, or instruments that are revalued to Fair Value each accounting period, subject to the risk management provision below;

Investment	**Risk**	**Mitigating actions and risk management**
Money Market Funds	These funds are likely to be Low Volatility Net Asset value funds (LNAV)	Exposure is limited to £4m per fund
External Pooled funds, including the Local Authority Property Fund (CCLA)	The Council may incur a loss in the General fund if the Fair Value of these investments fall.	The Council's investment in external pooled funds. Each type has a set duration and value limit as in appendix 7

4.6 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 £5M 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 £67M (as at 31 December 2017). These funds are partially cash-flow derived and there is a core balance of approximately £53M 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 to 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 £14.8M, £13.2M, £10.2M and £8.5M at 31 March 2017 respectively.

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

	Amount £	Start Date	Maturity Date	Rate %
Close Brothers	1,000,000	26/01/16	10/04/19	1.00
Royal Bank of Scotland (RBS)	2,000,000	19/08/16	19/08/19	0.80/0.95/ 1.10
CCLA Property Fund	5,000,000			Between 4% & 5%
	8,000,000			

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

Investment returns expectations. . Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, as per Link Asset Services are as follows:

	Now
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

The Council's budgeted rate of return for 2018/19 is 1.14% based on 0.98% on funds that are already invested; 4.43% for the property fund (£5M); 0.66% for the remaining core balances; and 0.20% for short term cash flow derived balances. The total investment income budget for 2018/19 is £480,000. The budget is based on some investments of up to one year particularly in category's 4 & 7 and longer investments in Category 1, 2, 3 and 6. (Category 1 being the highest rated banks and 6 being part nationalised banks). Category 5; the Councils Bank (Lloyds) is a mixture of the above but also notice accounts have been introduced (32 Day Notice and 95 Day Notice) enabling the Council to achieve slightly enhanced rates compared to Money Market Funds (MMFs).

The Council currently uses two types of Pooled Funds, Property Funds and 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 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. Although these levels are picking up since the bank rate rise, they are at a low level (0.21 – 0.39%) . 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 Regulation was published in the EU Official Journal in July 2017 This formally begins the compliance process for new and existing funds. Whilst the Regulation comes into force on 21st July 2018 in relation to existing funds. There are 3 structural options of which the Council will look to place investments in 2 types;

- CNAV – Constant net asset value and
- LVNAV – Low volatility NAV

Most CNAV funds will become Low Volatility NAV (LVNAV) funds. LVNAV MMFs are permitted to maintain a constant dealing NAV provided that certain criteria are met, including that the market NAV of the fund does not deviate from the dealing NAV by more than 20 basis points.

As well as the Money Market Reform, the Markets in Financial Instruments Directive II (MiFID) came into force on 3 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 are all deemed "Retail" clients by default, but had the option to "opt-up" to "Professional" client status. In order to opt-up, the Council needed to meet qualitative and quantitative test criteria.

The Council chose to opt up, but is still waiting on decisions by some counterparties regarding being accepted as "professional" clients, however under MiFID II.

Investment treasury indicator and limit - total principal funds invested for greater than 365 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 > 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 365 days	22	18	15

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

4.7 Investment risk benchmarking

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

4.8 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.

4.9 Scheme of delegation

Please see Appendix 9.

4.10 Role of the section 151 officer

Please see Appendix 10.

Contact: Sian Southerton ext 37861 sian.southerton@arun.gov.uk

2. PROPOSAL(S):

To approve all 3 recommendations.

3. OPTIONS:

The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is follow the proposal.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		√
Relevant District Ward Councillors		√
Other groups/persons (please specify)	√ Treasury Advisors	

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:

Approval will enable the Council to comply with legislation and provide a Treasury Service

7. REASON FOR THE DECISION:

Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:

CIPFA’S Treasury Management in the Public Services: Code of Practice (2017)

(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2013) *(Link not available as copyright)*

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

Prudential and treasury indicators

APPENDIX 1

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2018/19	2019/20	2020/21
Extract from budget and rent setting report	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non – HRA	4,624	10,057**	2,310	2.719	2,823
HRA	4,221	6,548***	8,047*	7,869*	7,942*
TOTAL	6,845	16,605	10,357	10,587	10,766
Ratio of financing costs to net revenue stream					
Non – HRA	-2.51%	-1.91%	-1.79%	-1.79%	-1.79%
HRA	32.63%	32.79%	33.17%	33.29%	32.29%
Capital Financing Requirement as at 31 March					
Non – HRA	-3,769	-3,982	-4,198	-4,394	-4,475
HRA	56,604	56,547	56,387	56,110	55,716
TOTAL	52,835	52,565	52,189	51,716	51,241
Annual change in Cap. Financing Requirement					
Non – HRA	1,209	-213	-216	-196	-81
HRA	-2,462	-57	-160	-277	-394
TOTAL	-1,253	-270	-376	-473	-475

**The increase in HRA Capital expenditure is due to £5m per year for Stock Development (2018 – 2021)*
***The increase in Non-HRA Capital expenditure is due to the LLC New Build (£3.5m) and The Arcade (£2m)*
**** Increase due to Wick/Glenlogie development (£2m)*

2. TREASURY MANAGEMENT INDICATORS	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	67,000	66,000	63,000	61,000	53,000
Other long term liabilities	0	0	0	0	0
TOTAL	67,000	66,000	63,000	61,000	53,000
Operational Boundary for external debt					
Borrowing	64,000	63,000	60,000	58,000	50,000
other long term liabilities	0	0	0	0	0
TOTAL	64,000	63,000	60,000	58,000	50,000
Actual external debt	62,040	53,180	53,180	53,180	44,320
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 365 days (£m)	26	26	22	18	15
-	- -	-	-		

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 31/03/18	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	16.66%	0%	40%
24 months and within 5 years	16.66%	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

1. Introduction

1.1 CLG's Guidance on Minimum Revenue Provision (issued in 2012 but currently out for consultation) 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.

4. 2018/19 MRP Policy

For 2018/19 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.

- **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.

INVESTMENTS at 31st December 2017

Appendix 3

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	652	Santander	07/07/2017	11/01/2018	£2,000,000.00	0.70
Fixed Term Deposit	653	Goldman Sachs International	18/07/2017	11/01/2018	£1,000,000.00	0.595
Fixed Term Deposit	631	Goldman Sachs International	09/02/2017	08/02/2018	£2,000,000.00	0.905
Fixed Term Deposit	660	Qatar National Bank	10/11/2017	19/02/2018	£2,000,000.00	0.79
Fixed Term Deposit	661	Lloyds Bank PLC	10/11/2017	19/02/2018	£2,000,000.00	0.50
Fixed Term Deposit	632	Lloyds Bank PLC	08/03/2017	07/03/2018	£1,000,000.00	0.90
Fixed Term Deposit	633	Santander	08/03/2017	07/03/2018	£1,000,000.00	0.85
Fixed Term Deposit	635	Goldman Sachs International	28/03/2017	27/03/2018	£2,000,000.00	0.985
Fixed Term Deposit	662	Qatar National Bank	01/12/2017	12/04/2018	£2,000,000.00	0.84
Fixed Term Deposit	636	Goldman Sachs International	13/04/2017	12/04/2018	£2,000,000.00	0.95
Fixed Term Deposit	657	Barclays	23/10/2017	12/04/2018	£1,000,000.00	0.405
Fixed Term Deposit	658	Coventry Building Society	25/10/2017	12/04/2018	£1,000,000.00	0.40
Fixed Term Deposit	659	Close Brothers Ltd	27/10/2017	12/04/2018	£1,000,000.00	0.56
Fixed Term Deposit	638	Goldman Sachs International	09/05/2017	08/05/2018	£2,000,000.00	0.94
Fixed Term Deposit	640	Qatar National Bank	10/05/2017	09/05/2018	£1,000,000.00	0.83
Fixed Term Deposit	639	Lloyds Bank PLC	11/05/2017	10/05/2018	£1,000,000.00	0.80
Fixed Term Deposit	641	Goldman Sachs International	24/05/2017	23/05/2018	£2,000,000.00	0.87
Fixed Term Deposit	642	Skipton Building Society	24/05/2017	23/05/2018	£1,000,000.00	0.76
Fixed Term Deposit	643	Santander	24/05/2017	23/05/2018	£1,000,000.00	0.85
Fixed Term Deposit	644	Santander	24/05/2017	23/05/2018	£2,000,000.00	0.85
Fixed Term Deposit	572	Royal Bank of Scotland	29/05/2015	31/05/2018	£2,000,000.00	1.70*
Fixed Term Deposit	645	Lloyds Bank PLC	06/06/2017	05/06/2018	£2,000,000.00	0.800
Fixed Term Deposit	646	Qatar National Bank	06/06/2017	05/06/2018	£2,000,000.00	0.81
Fixed Term Deposit	647	Skipton Building Society	06/06/2017	05/06/2018	£1,000,000.00	0.75
Fixed Term Deposit	648	Santander	15/06/2017	14/06/2018	£2,000,000.00	0.85
Fixed Term Deposit	621	Close Brothers Ltd	24/08/2016	24/08/2018	£2,000,000.00	1.210
Fixed Term Deposit	654	Close Brothers Ltd	15/09/2017	17/09/2018	£1,000,000.00	0.80
Fixed Term Deposit	656	Lloyds Bank PLC	16/10/2017	24/09/2018	£1,000,000.00	0.75
Fixed Term Deposit	629	Close Brothers Ltd	26/01/2017	04/01/2019	£1,000,000.00	1.05
Fixed Term Deposit	599	Royal Bank of Scotland	31/03/2016	18/02/2019	£2,000,000.00	1.35**
Fixed Term Deposit	634	Close Brothers Ltd	17/03/2017	15/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	637	Close Brothers Ltd	18/04/2017	10/04/2019	£1,000,000.00	1.00
Fixed Term Deposit	620	Royal Bank of Scotland	19/08/2016	19/08/2019	£2,000,000.00	0.95***
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	4.70
Money Market Fund	110000	Federated			£4,000,000.00	0.21
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£670,000.00	0.19
Callable deposit	88889	Lloyds Bank PLC			£5,839,443.77	0.15
Callable deposit	44446	Lloyds 95DN			£4,000,000.00	0.45
					£69,509,443.77	

*Yr 1- 1%, Yr 2 - 1.35%, Yr 3 - 1.70%
**Yr 1 -1.20%, Yr 2-1.35%, Yr 3-1.50%
*** Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%

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.

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

APPENDIX 5

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central

bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

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: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.

- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- 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 could also exit without any such agreements in the event of a breakdown of negotiations.
- 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 full 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.

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		✓	Long term AAA	£4M	5 years

(category 10)					
Debt Management Agency Deposit Facility (category 9)	✓	✓	--	No limit	Liquid
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV or LVNAV) (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).

APPENDIX 7

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

DBS Bank Ltd (SING)
HSBC Bank plc (UK)
Oversea-Chinese Banking Corp Ltd (SING)
Svenska Handelsbanken (SW)
United Overseas Bank Ltd (SING)
First Abu Dhabi Bank (U.A.E)

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)
Bank of Nova Scotia (CAN)
Standard Charted Bank (UK)
Qatar National Bank (Qatar)

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

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

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

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

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

<u>Category 5 - Council's Bank</u>
NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Banking Group (Bank of Scotland / Lloyds)

<u>Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years</u>
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)

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

CCLA Investment Management Ltd (Public sector deposit fund)	AAAmmf	Stable NAV
Deutsche Banking Group	Aaa -mf	Stable NAV
Federated Investors Ltd (Fitch Ratings)	AAAmmf	Stable NAV
Fidelity Investments International (Moody's Rating)	Aaa -mf	Stable NAV
Standard Life (Fitch Ratings)	AAAmmf	Stable NAV
Northern Trust	Aaa -mf	Stable NAV

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

Category 9 - Debt Management Office
Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years
Maximum investment £4 million

Category 11 – Property Funds - 25 Years
Maximum investment £6 million

CCLA

Appendix 8

Approved countries for investments

Based on a majority rule of available ratings.

AAA

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

AA+

- Finland
- Hong Kong

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Qatar

Based on a majority rule of available ratings

APPENDIX 9

Treasury management scheme of delegation

(i) Full Council

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

(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 Group Head of Corporate Support.

(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 monitoring and outturn reports
- receiving and reviewing reports on treasury management policies, practices and activities

APPENDIX 10

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.

Changes in the Treasury and prudential codes mean a major extension of the S151 officer role as below, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees (We are unclear as to whether CIPFA requires this to be implemented in 2018/19. We are concerned that many local authorities could have difficulty in complying fully with this requirement at this late stage in the 2018/19 budget cycle.)
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority

- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

STANDARDS COMMITTEE

22 February 2018 at 6.00 p.m.

Present: - Councillors English (Chairman), Mrs Bence (Vice-Chairman – on election), Dillon, Edwards, and Mrs Rapnik.

Independent Persons – Mr B Green and Mr J Thompson.

[Note: Cllr English was absent from the meeting during consideration of the matters referred to in Minute 444 to Minute 449 (Part). Councillor Mrs Bence chaired the meeting in his absence].

444. ELECTION OF VICE-CHAIRMAN

The Committee

RESOLVED

That Councillor Mrs Bence be elected Vice-Chairman for the meeting.

445. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Dr Walsh, Tyler and Wheal.

446. DECLARATIONS OF INTEREST

Councillor Edwards declared a Personal Interest in Agenda Item 7 – Assessment Panel Decision - Allegation against Felpham Parish Councillors - as he was a Member of the Parish Council at the time of the complaint.

447. MINUTES

The Minutes of the meeting held on 19 October 2017 were approved by the Committee as a correct record and signed by the Vice Chairman.

448. UPDATE TO THE LOCAL ASSESSMENT PROCEDURE – POLICE PROTOCOL

The Committee received a report from the Group Head of Council Advise & Monitoring Officer reminding Members that at its last meeting, the Committee had supported the introduction of a revised Local Assessment Procedure for complaints made under the Members Code of Conduct. This had been subsequently adopted by Full Council on 8 November 2017.

An outstanding element of this new Procedure was a protocol to allow complaints to be immediately referred to the Police when a potential criminal offence was involved. The Group Head of Council Advice & Monitoring Officer explained that work had been undertaken in consultation with the Acting Chief Inspector for the Arun & Chichester Division of the Sussex Police and a draft Police Protocol had been produced for the Committee to consider so that this could be incorporated into the Local Assessment Procedure. It was outlined that what was being proposed was a simple protocol making it very clear what the basis for reporting to the Police would be and who the contact would be between.

The other outstanding request of the Committee had been for a Habitual/Vexatious Complaints Policy to be introduced. The Group Head of Council Advice & Monitoring Officer reported that from the research she had undertaken, the introduction of this Policy this was not something that many Councils recommended. In addition, the recently adopted revised Local Assessment Procedure provided sufficient discretion to the Monitoring Officer, in consultation with an Independent Person, to deal with complaints of this nature and so it was proposed that no further action on introducing this Policy be taken.

Having considered the draft Protocol, the Committee

RECOMMEND TO FULL COUNCIL – That

(1) the Police Protocol, as set out in Appendix 1, be approved and incorporated into the Local Assessment Procedure; and

(2) the Group Head of Council Advice & Monitoring Officer be given authority to make the necessary consequential updates to the Local Assessment Procedure.

The Committee also

RESOLVED

That no further action be undertaken to introduce a Habitual/Vexatious Complaints Policy.

449. ASSESSMENT PANEL DECISION – ALLEGATION AGAINST FELPHAM PARISH COUNCILLORS

The Committee received and noted a report from the Group Head of Council Advice & Monitoring Officer advising Members of the outcome of the Assessment Panel's investigation into allegations against two Felpham Parish Councillors, Councillors Michael Harvey and Graham Matthews.

In submitting this report, the Group Head of Council Advice & Monitoring Officer advised the Committee that concern had been expressed by one of the Councillors named in this complaint in that their details were still public and being reported over a year after the complaint was made, even when no breach had been found by the Assessment Panel. Their concerns were understood as this complaint had taken some months to be resolved. It was anticipated that such delays would not reoccur now that a revised Local Assessment Procedure had been agreed by the Council.

These concerns had been raised with the Chairman and it was suggested that the Committee re-consider the period for publication of these decisions. A period of 12 months had been proposed by the Assessment Panel which would run until 13 September 2018. It was suggested that this period should be reduced and there be no further publication of these decisions.

Having discussed this suggestion, the Committee

RESOLVED

That the publication period for these assessments be ceased with immediate effect.

450. SIGNING UP TO THE NEW CODE OF CONDUCT BY ARUN DISTRICT COUNCILLORS

The Committee received a verbal update from the Group Head of Council Advice & Monitoring Officer on the actions taken since the revised Code of Conduct had been adopted by Full Council on 8 November 2017.

The Committee noted that all Arun District Councillors had now signed up to the revised Code of Conduct following its adoption on 8 November 2017 and had completed their Register of Interests. Councillors would now be asked to review their register on an annual basis with the next review planned for November 2018; and then from May each year thereafter.

The Committee recorded its thanks to Shirley Zeman, PA to the Chief Executive and Group Heads, for all of her hard work in compiling the new Register.

451. SIGNING UP TO THE NEW CODE OF CONDUCT BY PARISH COUNCILS IN THE ARUN DISTRICT

The Committee received a verbal update from the Group Head of Council Advice & Monitoring Officer on the actions taken since the revised Code of Conduct had been adopted by Full Council on 8 November 2017.

The Group Head of Council Advice & Monitoring Officer updated the Committee on the liaison that had taken place with all Town and Parish Councils within the Arun District to encourage their sign up to the revised Code of Conduct.

To date, 15 Parish Councils had signed up to the new Code; and 2 Councils, namely Bersted and Middleton-on-Sea, had decided not to adopt the revised Code and continue to work to the previous arrangements. The remaining Town and Parish Councils were still to confirm the action they intended to take. The Group Head of Council Advice & Monitoring Officer clarified that any complaints against Town and Parish Councillors received would be assessed against the Code of Conduct adopted by their own Council, but the complaint investigation would follow Arun District Council's Local Assessment Procedures.

The Group Head of Council Advice & Monitoring Officer advised Members that the intention was to update the Council's website to confirm which Code each Parish Council had adopted when this review had been concluded to make it simpler for the public to make any complaints.

The Committee noted that a further update would be made to the next meeting, including a note of all Councils that had agreed to adopt Arun District Council's Code of Conduct and those who had not.

452. EXEMPT INFORMATION

The Committee

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 and Part 5 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

453. REGISTER OF ASSESSMENTS OF COMPLAINTS AGAINST COUNCILLORS (Exempt – Paragraph 1 – Information Relating to Any Individual)

The Committee received a report from the Group Head of Council Advice & Monitoring Officer which updated Members on the complaints against Councillors received since January 2015.

For this meeting a full copy of the Register had been attached to the report as Appendix A and the Committee worked through some of the complaints which were listed as either not being completed or where there was a need to review any lessons learnt.

The Committee discussed complaint reference 5808 which they agreed not to progress as the Subject Member was no longer a Parish Councillor and the complaint was received too long ago to allow for an effective and meaningful investigation.

The Committee then noted the content of the report.

(The meeting concluded at 6.31 pm)

AGENDA ITEM NO. 6

ARUN DISTRICT COUNCIL

REPORT TO STANDARDS COMMITTEE
ON 22 FEBRUARY 2018

SUBJECT:	**Update to the Local Assessment Procedure – Police Protocol**

REPORT AUTHOR:	Liz Futcher – Group Head of Council Advice & Monitoring Officer
DATE:	February 2018
EXTN:	01903 737610

EXECUTIVE SUMMARY:
At its last meeting, the Committee supported the introduction of a revised Local Assessment Procedure for complaints made under the Members Code of Conduct that was subsequently adopted by Full Council on 8 November 2017. An outstanding element of this new Procedure was a protocol to allow complaints to be immediately referred to the Police where they involve a potential criminal offence.

This report explains the work undertaken since that meeting and proposes the introduction of a Police Protocol that has been agreed with the Chief Inspector for the Arun & Chichester Division of Sussex Police to be added to the Local Assessment Procedure.

RECOMMENDATIONS:

It is recommended to Full Council that:

1. the Police Protocol, as set out in Appendix 1 to the report, be approved and incorporated into the Local Assessment Procedure;
2. no further action be undertaken to introduce a Habitual/Vexatious Complaints Policy; and
3. the Group Head of Council Advice & Monitoring Officer be given authority to make the necessary consequential updates to the Local Assessment Procedure.

1.0 BACKGROUND

1.1 At its last meeting on 19 October 2017, the Committee supported the introduction of a revised Local Assessment Procedure that was subsequently approved by Full Council on 8 November 2017 together with a revised Members Code of Conduct. An outstanding element of this Procedure was the need to establish arrangements with the Police where a complaint was made under the Code of Conduct that involved a potential criminal offence. This work has now been concluded and proposals are presented for consideration at this meeting.

2.0 PROPOSALS

2.1 A review of practices elsewhere has been undertaken and the arrangements adopted by the North Lincolnshire Councils and Humberside Police are being mirrored in the proposal being put forward.

2.2 It is a simple protocol making it clear what the basis for reporting to the Police would be and who the contact will be between. Appendix 1 to the report sets out the Protocol which it is proposed would be added as Appendix 4 to the Local Assessment Procedure. This has been agreed with the Acting Chief Inspector of the Arun & Chichester Division of Sussex Police.

2.3 The other outstanding request of the Committee had been for a Habitual/Vexatious Complaints Policy to be introduced. From the research undertaken, this does not seem to be something recommended by many Councils. In addition, the revised Local Assessment Procedure, now adopted, provides sufficient discretion to the Monitoring Officer, in consultation with an Independent Person, to deal with complaints of this nature. It is therefore proposed that no further action is taken on introducing this Policy.

2.5 The Committee's views are welcomed on these proposals.

3.0 OPTIONS:

1. To approve the Police Protocol and take no further action on introducing a Habitual/Vexatious Complaints Policy.
2. To not support the Protocol and propose alternative arrangements.
3. To request that a Habitual/Vexatious Complaints Policy is introduced.

4.0 CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify) • Acting Chief Inspector, Arun & Chichester Division, Sussex Police	✓	
5.0 ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail 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)		✓

6.0 IMPLICATIONS:

The Council needs to ensure that it has a Local Assessment Procedure in place that allows appropriate investigation of any potential offences under the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

7.0 REASON FOR THE DECISION:

To conclude outstanding work on the review of the Local Assessment Procedure that considers complaints made under the Members Code of Conduct.

8.0 BACKGROUND PAPERS:

Council's Constitution
https://www.arun.gov.uk/constitution

The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012)
http://www.legislation.gov.uk/uksi/2012/1464/regulation/1/made

APPENDIX 4 – LOCAL ASSESSMENT PROCEDURE

PROTOCOL
BETWEEN
ARUN DISTRICT COUNCIL'S MONITORING OFFICER
AND
SUSSEX POLICE
(ARUN & CHICHESTER DIVISION)

This protocol is in place for the reporting of potential criminal offences arising under Section 34 of the Localism Act 2011 concerning the registration and/or disclosure of disclosable pecuniary interests as defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. The protocol will work on the following basis:

1. In the event that Arun's Monitoring Officer receives a complaint regarding a potential disclosable pecuniary interest offence, they will make immediate contact with Sussex Police through the Arun & Chichester District Commander. The current contact is:

Name	Kris Ottery, Acting Chief Inspector
Email	Kris.Ottery@sussex.pnn.police.uk
Tel	101 Ext. 580223

2. Similarly if Sussex Police receives a complaint, they will inform the Monitoring Officer at Arun District Council. The current contact is:

Name	Liz Futcher, Group Head of Council Advice & Monitoring Officer
Email	liz.futcher@arun.gov.uk
Tel	01903 737610

3. Sussex Police will register the complaint and conduct an initial assessment but may approach Arun's Monitoring Officer for background information on the complaint.

4. If Sussex Police decide not to prosecute the matter, they will normally pass the relevant evidence to Arun's Monitoring Officer so that consideration can be given to an investigation under the Members Code of Conduct Local Assessment Procedure. In the event that Arun District Council's Standards Committee decides to pursue an investigation through the Local Assessment Procedure, they will inform Sussex Police of their decision.

5. Both Arun's Monitoring Officer and Sussex Police will endeavour to keep complainants regularly updated as to the progress of their complaint.

LOCAL PLAN SUBCOMMITTEE

26 February 2018 at 6.00 p.m.

Present : Councillors Bower (Chairman), Charles (Vice-Chairman), Ambler, Bicknell, Mrs Brown, Chapman, Cooper, Elkins, Mrs Hall and Haymes.

27. Welcome

The Chairman was pleased to introduce Mr Kevin Owen to the meeting as the recently appointed Planning Policy Team Leader.

28. Apologies for Absence

Apologies for absence had been received from Councillors Mrs Bence, Northeast, Smith and Mrs Stainton.

29. Declarations of Interest

There were no declarations of interest made.

30. Minutes

The Minutes of the meeting held on 20 November 2017 were approved by the Subcommittee and signed by the Chairman as a correct record.

31. Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD)

The Group Head of Planning advised the Subcommittee that the purpose of the report on the table was to (i) agree an interim position with regard to the provision of open space and play equipment within new residential developments in the District (as set out in the report); and (ii) for work to commence on preparing and adopting the Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD) which would provide an extra layer of detail to support future planning applications. He also requested that the second recommendation in the report be deleted as Full Council's approval was not required as the funds had already been allocated for this work; this was duly agreed.

Following brief consideration of the matter, the Subcommittee

RECOMMEND TO FULL COUNCIL

That the interim position, as set out in the report, be formally agreed until the Open Space, Playing Pitch and Built Sports Facilities Supplementary Document is adopted.

32. Consultation on Main Modifications of the Local Plan

(During the course of consideration of this item, Councillor Elkins declared a personal interest as a member of Felpham Parish Council.)

As the consultation period had not closed until 5.00 p.m. on 23 February 2018, Members had been circulated with, prior to the meeting, an updated summary of the consultation responses received since publication of the agenda. This had also been uploaded to the Council's website.

In considering the report and update report, the Principal Planning Officer's efforts were recognised and commended in circulating the update prior to the meeting. A request was made that Members be made aware of the names of respondents as a matter of interest.

In presenting the report, the Group Head of Planning advised that 85 individual representations had now been received and logged, which was substantially less than in previous rounds. In line with Full Council's recommendation in November 2017, the consultation responses, together with a short summary by the Council, would be submitted to the Inspector by the end of February 2017 to inform his review on the soundness of the Arun District Local Plan. A final report would then come back from the Inspector setting out his final conclusions and any recommendations that were required to be implemented. Subject to this report being favourable, a fully revised version of the Local Plan would be prepared incorporating his Main Modifications (and Additional Modifications), with a final version being presented to the Subcommittee prior to being recommended on to Full Council for adoption.

In considering the report, comments were made and responded to by the Group Head of Planning around the following:-

- Employment land at Angmering
- Strategic Gap on the land north of the A259
- Had any significant challenges to the Plan been raised? No, but officers would be making comment on some of the representations, particularly with regard to a secondary school and would be asking the Inspector to accept the change that was being suggested by West Sussex County Council.
- Chapter 13 – Design. Member comment was made that the representation submitted around internal space standards was entirely sensible. Officer advice was given that this was a national issue and Local Plans should not contain more onerous standards; that was why

the Council's policy had changed. However, further Member comment was made that the DCN (District Councils Network) was taking up the issue and it was hoped that common sense would prevail.
- It was confirmed that there was no issue with the Duty to Co-operate on Housing with Worthing.

The Subcommittee then

RESOLVED

That the update on the Local Plan process, including the summaries of the Main Modification Consultation, be noted.

33. Authority Monitoring Report 2016/17

In presenting this report, the Group Head of Planning, advised that, hopefully, this would be the last year of a "policy off" position and that next year the Housing Land Supply assessment would be a "policy on" position.

Following a question being asked relating to housing numbers and engagement with parishes and a response from the Group Head of Planning, the Subcommittee

RECOMMEND TO FULL COUNCIL

That the Authority Monitoring Report 2016/17 be adopted. .

(The meeting concluded at 6.35 pm)

ARUN DISTRICT COUNCIL

LOCAL PLAN SUB-COMMITTEE – 26 FEBRUARY 2018

Subject: Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD)

Report by : Kathryn Banks, Principal Planning Officer
Report date : 9th February 2018

EXECUTIVE SUMMARY

The Open Space and Recreation Standards Supplementary Planning Guidance (SPG) 2000, is the Council's current adopted guidance with regards to the provision of open space and play equipment within new residential developments. The standards are based broadly upon the National Playing Field's Associations (NPFA) "Six Acre Standard" which has been superseded by the Fields In Trust (FIT) "Beyond the Six Acre Standard". During the suspension of the Local Plan 2011-31 Examination in Public, the Council's open space, sport and recreation evidence base was updated. This suite documents currently forms the basis for planning application negotiations between the Council and developers and has been informally used by officers for a number of years.

There is a commitment in the Local Plan to prepare an SPD which sets out the methodology and provides a robust mechanism for providing open space, playing pitches and built sports facilities. Officers are working to scope out the Council's specific requirements for the SPD with a view to commissioning consultants to prepare the SPD on behalf of the Council. There are funds within the existing Local Plan budget earmarked for this piece of work.

Officers are requesting Local Plan Sub Committee to recommend to Full Council to formally agree the interim position until the Council has prepared and adopted the Open Space, Playing Pitches and Built Sports Facilities SPD; and to draw down funds to enable this work to be undertaken.

RECOMMENDATIONS

The following actions are recommended:

1. Local Plan Sub Committee recommends to Full Council to formally agree the interim position set out in this report until the Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD) is adopted.
2. Local Plan Sub Committee recommends to Full Council that funds allocated

within the existing Local Plan budget for the preparation of an Open Space, Playing Pitch and Built Sports Facilities Supplementary Planning Document (SPD) are drawn down, as appropriate, to enable the appointment of consultants to prepare the SPD.

1.0 BACKGROUND

1.1 The Open Space and Recreation Standards Supplementary Planning Guidance (SPG), which was adopted in October 2000, is the Council's current adopted supplementary planning guidance with regards to the provision of open space and play equipment within new residential developments. The SPG should be read in conjunction with Policy GEN20 of the Arun Local Plan 2003 "Provision of Public Open Space within New Development." Policy GEN20 is a saved Policy until such time it is replaced by new policies in an adopted development plan document or is no longer compliant with national and regional planning policy.

1.2 The Council's Open Space and Recreation standards are based broadly upon the National Playing Field's Associations (NPFA) "Six Acre Standard" which requires that 2.4 hectares of open space are provided for every 1,000 people i.e. 24 square metres of open space per person. However, the Council's standards differ, in that they seek, in certain circumstances, informal open space and, where appropriate to that development, informal "sports" style recreation equipment (such as goal units), rather than provision for formal sports. Where a development is larger than 200 dwellings, then formal pitch provision will be sought on-site.

1.3 The NFPA is now known as Fields In Trust (FIT) which produced new guidance for outdoor sport and play called "Beyond the Six Acre Standard" and which superseded the "Six Acre Standard" in 2015. The guidance has been produced to reflect a new planning policy landscape, in particular the presumption in favour of sustainable development, the promotion of its economic, social and environmental roles and the seeking of positive improvements in the quality of the environment, and people's quality of life. The revised guidance introduces benchmarking for informal open space - places for recreation, not involving organised sport and play - and includes parks and gardens, and natural and semi-natural habitats. The guidance also no longer differentiates between urban and rural areas.

1.4 During the suspension of the Local Plan 2011-31 Examination in Public, consultants Knights Kavanagh and Page (KKP) undertook an update of the Council's open space, sport and recreation evidence base. This was following objections from Sport England regarding the Open Space, Sport and Recreation Policy OSR DM1 and the Technical Appendix, to which they considered the evidence base out of date.

1.5 Policy OSR DM1 has now been updated within the Local Plan 2011-2031 and a commitment has been made within the Local Plan to prepare a Supplementary Planning Document (SPD) that sets out the methodology for providing open space, playing pitches and built sports facilities.

2.0 INTERIM POSITION

2.1 It is understood that this suite of documents – The Open Space and Recreation Standards Supplementary Planning Guidance, 2000; the Fields In Trust "Beyond the Six Acre Standard", 2015; and the KKP evidence base work, currently form the basis for planning application negotiations between the Council and developers with regards to open space, playing pitches and built sports facilities provision. This has formed an informal position used by officers for a number of years.

2.2 The combined use of these documents ensures that negotiations and decisions are based on the most up to date guidance, information and evidence.

2.3 Officers are, therefore, requesting Local Plan Sub Committee to recommend to Full Council to formally agree this as an interim position until the Council has prepared and adopted the Open Space, Playing Pitches and Built Sports Facilities SPD.

3.0 OPEN SPACE, PLAYING PITCHES AND BUILT SPORTS FACILITIES SUPPLEMENTARY PLANNING DOCUMENT

3.1 There is a commitment in the Local Plan to prepare an SPD which sets out the methodology and provides a robust mechanism for providing open space, playing pitches and built sports facilities.

3.2 Essentially, the SPD will need to review the guidance from the current SPG, the Fields In Trust work and the Council's most recent evidence base undertaken by KKP in order to provide clear guidance for the allocation of open space, playing pitches and built sports facilities which enables the calculation of developer contributions, for both residential and, where viable, commercial developments.

3.3 The Planning Policy team is, therefore, working closely with the Council's Neighbourhood Services and Community Wellbeing teams to scope out the Council's specific requirements for the SPD. This work is currently ongoing. This is with a view to commissioning consultants to prepare the SPD on behalf of the Council.

3.4 There are funds within the existing Local Plan budget earmarked for this piece of work. Officers are, therefore, asking Local Plan Sub Committee to recommend to Full Council to draw down these funds, as appropriate, to enable this work to be undertaken.

4.0 NEXT STEPS AND TIMETABLE

4.1 Officers will prepare a brief for the work and issue a tender in line with the Council's procurement policy.

4.2 The current timetable for this work is anticipated as follows:

- Preparation of draft SPD – Spring 2018
- Public consultation – Summer 2018
- Adoption – Autumn 2018

4.3 Officers will bring this item back to Local Plan Sub Committee at appropriate stages throughout the preparation of the SPD.

Contact: Kathryn Banks, ext. 37579 kathryn.banks@arun.gov.uk

ARUN DISTRICT COUNCIL

LOCAL PLAN SUB-COMMITTEE – 26 FEBRUARY 2018

Subject : Authority Monitoring Report 2016/17

Report by : Martyn White

Report date : 2nd February 2018

EXECUTIVE SUMMARY

This report presents the Arun Local Planning Authority's Monitoring Report 2016/17. The full report is provided as Background Paper 1.

RECOMMENDATION

The following actions are recommended:

1. That Local Plan Sub Committee recommends that Full Council adopts the Authority Monitoring Report 2016/17

1. Arun Local Planning Authority's Monitoring Report

1.1 The preparation of an Authorities Monitoring Report (AMR) is a requirement under Regulation 34 of the Town and Country Planning (Local Planning) (England) Regulations 2012. The reports present data on an annual basis such as the progress being made on Development Plan Documents (DPD) within the local planning authorities Local Development Scheme; the use of planning policies and housing land supply figures.

1.2 The Arun Local Planning Authority's Monitoring Report for 2016/17 has been prepared, and includes a range of updates and progress reports, including the following:

- Progress on the Local Plan and Development Plan Documents against the timetable set out in the Arun Local Development Scheme 2016/17
- Neighbourhood Plan Update
- Duty to Cooperate Update
- 5 year Housing Land Supply
- Local Plan Policy Usage
- Housing Delivery
- Commercial Land Delivery
- Traveller Sites
- Sussex Biodiversity Annual Monitoring Report

1.3 The most up to date version of the AMR (based on the reporting year: 1st April 2016 and 31st March 2017), is available on the web site and can be accessed by clicking on the link below. The AMR, 2016/7 presents a range of data, in accordance with the regulations. In particular it includes a Housing Land Supply Report; an update on Local Plan and Neighbourhood Plan progress and housing delivery.

1.4 Background Paper 1: Arun Local Planning Authority's Monitoring Report 2016/17 Available on the website: http://www.arun.gov.uk/authority-monitoring-report

ENVIRONMENT & LEISURE WORKING GROUP

20 February 2018 at 6.00 p.m.

Present: - Councillors Hitchins (Chairman), Warren (Vice-Chairman), Ambler, Mrs Bence, Brooks, Buckland, Cates, Dingemans, English, Mrs Neno, Oliver-Redgate and Dr Walsh.

Councillors Brooks and Dr Walsh were absent from the meeting during discussion of the matters referred to at Minute 34.

Councillors Charles (part) and Wotherspoon were also present at the meeting.

29. APOLOGY FOR ABSENCE

An apology for absence had been received from Councillor Reynolds.

30. DECLARATIONS OF INTEREST

The following declaration of interest was made:-

- Councillor Buckland declared a personal interest in any item on the agenda that might arise in connection with his roles as a member of Littlehampton Town Council and West Sussex County Council.

31. MINUTES

The Minutes of the meeting held on 19 December 2017 were approved and signed by the Chairman as a correct record.

In the course of consideration a concern was raised with regard to recommendation 20 under Minute 26 – Strategic Vision for the Future of Public Convenience Services in Arun – which had been forwarded to Cabinet for resolution at its meeting on 12 February 2018. Members were advised to raise these concerns at the meeting of Full Council on 7 March 2018 under the relevant Cabinet Minute.

32. UPDATE ON LITTLEHAMPTON LEISURE CENTRE

In considering the written report update, the Working Group received a further verbal update from the Principal Landscape Officer as follows:-

- Work on the sewer pipe diversion had now been successfully completed by Southern Water – reinstatement was still to be completed as there had been a delay due to waiting for the land to dry out.
- Piling had been completed.
- A Non Material Planning Amendment was being submitted to the Local Planning Authority as the gas metre had to be relocated nearer to Sea Road.
- Stakeholder engagement continued to be extremely positive and two coffee mornings had been arranged for visits to the site.
- Dates were being arranged for Members to visit the site in the near future.

The Principal Landscape Officer then gave a slide presentation to illustrate the current status of the development and Members were pleased to note the progress.

With regard to paragraph 2.3 of the report and the options being explored to reduce the glare in the pool hall, comment was made that it was hoped that the natural light would not be so diminished as to replicate what had happened in the existing pool hall. The Group Head of Community Wellbeing advised that they were having to work within the guidelines of the Health & Safety Executive and Sport England to reduce the glare but were well aware of the concerns around this and were liaising with the architects and Freedom Leisure to resolve the matter satisfactorily for all parties.

The Working Group noted the updates and the Chairman thanked the Principal Landscape Officer for her presentation.

33. MOVING THE VISITOR INFORMATION POINT IN BOGNOR REGIS

(In the course of consideration of this item, Councillor Brooks declared a personal interest as a voting member of Arun Arts and a member of Bognor Regis Town Council.)

The Group Head of Economy presented this information report which advised on the relocation of the Visitor Information Point (VIP) from the Bognor Regis Observer offices at 1-2 Place St Maur to the foyer of the Regis Centre, for the reasons outlined in the report. Tribute was paid to the Tourism Business Development Officer, Margaret Murphy, for the huge amount of work and effort she had put into relocating the VIP into a venue that enabled much better access for visitors and residents alike. The self-service provision would be further improved in the future.

The Working Group welcomed the move and, whilst acknowledging and thanking the staff at Sussex Newspapers for their co-operation and support of the facility, felt that the move would be of great benefit due to its greater accessibility.

In the course of a brief discussion, a request was made for improvements to be made to the Sussex By the Sea website as that was a major medium for attracting visitors to the District.

The Working Group noted the report.

34. VARIATION TO PARKING CHARGES

(During the course of discussion on this item, Councillor English declared a personal interest as he was a user of the Culver Road car park, Felpham.)

The Group Head of Neighbourhood Services presented this report which sought authority for the Cabinet Member for Neighbourhood Services to put forward for consultation a proposed increase in seasonal car parking charges, to be introduced after 1 April 2018 and as outlined at Appendix A to the report. Members were advised that the proposed increase was in line with the rate of inflation.

In the course of consideration of this item, views were expressed that car parking charges should not be increased and it was confirmed by the Outdoor Services Manager that the town centre car parks remained unaffected whilst the seasonal car parks would be subject to increased charges.

There was a general consensus of opinion that the 1 hour parking charges should remain unchanged as local residents were the main users of that tariff. It was felt that short term charges did affect local residents in the main and that was a way of providing some benefit to them. This was formally proposed and seconded and, on being put to the vote, was agreed.

Further general discussion took place around other aspects of car parking relating to the Retail Price Index; Council's budget; car park improvements; and ring fencing of car park income.

A request was made and agreed that the Working Group would be circulated with the results of the public consultation to be undertaken.

The Working Group then

RECOMMEND TO THE CABINET MEMBER FOR NEIGHBOURHOOD SERVICES

That the proposed parking charges, as set out at Appendix A to the report, are put out for consultation with a view to introducing these charges after 1 April 2018 and that there be no increase to the first hour charge.

35. <u>ARUN DISTRICT COUNCIL TREE POLICY</u>

Prior to consideration of the matter, it was confirmed that the Tree Policy referred to those trees on Arun District Council land which were the responsibility of the Council.

The Tree and Landscape Manager presented the report which provided the detail of a comprehensive Tree Policy for a 10 year period from 2018 to 2028 in order to provide a transparent and consistent framework, formulated on a risk based approach, for all decision making in relation to Council owned trees.

In discussing the draft policy, the following suggestions were made by Members:-

- More detail should be provided in the policy with regard to the positive aspects of looking after and maintaining trees in the District. The Tree Policy for Petersfield was cited as a good example.
- Training standards should be listed under paragraph 2.3.5 of the policy.
- Under Section 3 – Environmental Policy – it was agreed to include "Soaking up Water".

Comment was also made with regard to when a tree was on Council owned land but was owned by, for example, a tenant and where responsibility lay with ensuring that the tree presented no hazard to the public. The Group Head of Neighbourhood Services advised that the tenant was bound by the Tenancy Agreement but, in exceptional circumstances, the Council could undertake remedial work.

Following further general comment, the Working Group

RECOMMEND TO CABINET

That the Council's Tree Policy 2018-2028 be adopted, subject to the amendments made.

(The meeting concluded at 7.35 pm)

AGENDA ITEM NO. 26

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF FULL COUNCIL ON 7 MARCH 2018

PART A : OFFICER REPORT

SUBJECT: Pay Policy Statement 2018-2019

REPORT AUTHOR: Alan Peach – Group Head for Corporate Support **DATE:** 26 February 2018 **EXTN:** 37558

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 2018/2019 (attached) and asks Members to approve it.

RECOMMENDATIONS:

a) To approve the Pay Policy Statement 2018/2019 for publication on the Arun website by 1 April 2018.

b) To give delegated responsibility to the Group Head of Corporate Support to make changes to the Pay Policy Statement which arise from new legislation concerning employee severance payments should it be introduced later this year.

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 2018.

1.2 The draft Pay Policy Statement for 2018 – 2019 (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. This legislation was expected to be introduced during 2017; however, to date we are still waiting for an announcement of when this legislation will be published.

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 2018/2019 for publication on the Arun website by 1 April 2018.

b) To give delegated responsibility to the Group Head of Corporate Support to make changes to the Pay Policy Statement which arise from new legislation concerning employee severance payments should it be approved later this year.

3. OPTIONS:

a) Agree the Pay Policy Statement for 2018/2019 to be published on the Arun website by 1 April 2018

b) Not approve the Pay Policy Statement for 2018/2019

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 2018 – 2019

1. Purpose

1.1 This Pay Policy 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 2018 – 2019, 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 Trade Unions for all posts except 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. National negotiations for the forthcoming financial year are still ongoing and agreement is yet to be reached.

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 of elected councillors from the main political parties and determines the pay of the Chief Executive on appointment and annually thereafter, based on the terms of reference set out in Part 3 (Responsibility for Functions) of the Council's Constitution 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 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 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 should changes to legislation occur.

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 Group Head grades are determined in part with reference to other comparable posts within local authorities both regionally and nationally. Group Head 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 2018/2019 budget is £35,176 and the highest paid employee £144,102. This includes all allowances and employers pension contributions at 17.8%. The pay multiple between the two is 4.1. This is based on current pay scales, including the proposed 2% pay award. National pay negotiations are ongoing.

10.2 The lowest paid employee is at £10,774 and the highest paid employee £144,102. This includes allowances and employers pension contribution at 17.8%. The pay multiple between the two is 13.38*. This is based on current pay scales, including the proposed 2% pay award. National pay negotiations are ongoing.

*note that this includes apprentice pay. The multiplier excluding apprentice pay is 7.72.

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 Staff for Counting of Votes

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 £12.00 per hour, or part.
c)	Deputy Returning Officer's services	£42.00 (responsibility supplement for each electoral area) plus the fee for Counting Assistant's services
d)	Fee in respect of Count Supervisors attendance at training up to	£40.00

B.3 Staff for Clerical Assistance

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

Travelling and Subsistence Expenses

a) Journeys necessarily made for any purposes approved by the Returning Officer in relation to the election proceedings	Actual cost of rail fare (second class) or other forms of 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	£10.00
Fixed Fee for Poll Clerks/Counting Assistants	£7.00
For those being paid mileage rate	.45p per mile

B.5 Ballot Boxes and Stamping Instruments

a) Cleaning and preparation of equipment before issue from storage place	£3.00 for each polling place

B.6 Poll Cards

For hand delivery of poll cards	18p per card

B.7 All other expenses necessary for the proper conduct of the election proceedings, including the following particular matters:-

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.