

Public Document Pack

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A meeting of the **Cabinet** will be held in Committee Room 2 - East Pallant House on **Tuesday 6 September 2016 at 09:30**

MEMBERS: Mr A Dignum (Chairman), Mrs E Lintill (Vice-Chairman), Mr R Barrow, Mr B Finch, Mrs P Hardwick, Mrs G Keegan and Mrs S Taylor

AGENDA

1 **Chairman's Announcements**

The chairman will make any specific announcements for this meeting and advise of any late items which due to special circumstances will be given urgent consideration under agenda item 12 b).

Apologies for absence which have been received will be noted at this point.

2 **Approval of Minutes** (pages 1 to 16)

The Cabinet will be asked to approve as a correct record the minutes of its meeting held on Tuesday 12 July 2016.

3 **Declarations of Interests**

Members are requested to make any declarations of disclosable pecuniary, personal and/or prejudicial interests which they might have in respect of agenda items for this meeting.

4 **Public Question Time**

In accordance with Chichester District Council's scheme for public question time and with reference to standing order 6 in Part 4 A and section 5.6 in Part 5 of the Chichester District Council *Constitution*, the Cabinet will receive any questions which have been submitted by members of the public in writing by noon on the previous working day. The total time allocated for public question time is 15 minutes subject to the chairman's discretion to extend that period.

RECOMMENDATIONS TO THE COUNCIL

5 **Surface Water and Foul Drainage Supplementary Planning Document** (pages 17 to 19)

The Cabinet is asked to consider the agenda report and its two appendices and to make a recommendation to the Council that it (1) adopts the Surface Water and Foul Drainage Supplementary Planning Document as set out in Appendix 1 to the report and (2) approves the proposed responses to the representations received as set out in Appendix 2 to the report.

6 **Avenue de Chartres Car Park - Major Refurbishment Scheme 2016-2017** (pages 20 t 27)

The Cabinet is asked to consider the agenda report and its two appendices (the second of which is confidential and available to members and relevant officers only*) and to make the following resolutions and recommendations namely that:

- (1) The Cabinet agrees to enter into a JCT Intermediate Form of Contract with Contractor A to undertake essential repairs and maintenance works as tendered for the sum of £483,049.
- (2) The Cabinet agrees to enter into a JCT Intermediate Form of Contract with Contractor A to provide resurfacing to the intermediate parking deck surface and connecting ramps tendered for the sum of £154,270.
- (3) The Cabinet recommends to the Council that it approves funding for the essential upgrade of the perimeter vehicle barriers, pedestrian railings and associated works to achieve compliance with current health and safety standards and that officers be authorised to invite invitations to tender for these works.
- (4) The Cabinet recommends to the Council that it approves funding to refurbish the five access towers and clean the concrete retaining wall and paved surfaces and that officers be authorised to invite invitations to tender for these works.
- (5) The Cabinet recommends to the Council that it authorises the re-profiling of the asset replacement programme to enable the replacement of the existing lighting installation with a more energy efficient LED system and that officers be authorised to invite invitations to tender for these works.
- (6) The Cabinet authorises the release of £530,000 identified within the Asset Replacement Programme for years 2016-2017 for Avenue de Chartres car park refurbishment works.
- (7) The Cabinet recommends that the Council authorises the release from capital reserves of £457,319 to fund the cost of this refurbishment not provided for within the Asset Replacement Programme.

[Note The issues in (1), (2) and (6) are key decisions but this agenda item is included within this section of the agenda because of the recommendations to the

Council in (3) to (5) and (7)]

*[**Note** Exempt category 3: information relating to the financial or business affairs of any particular person (including the authority holding that information)]

7 Deficit Reduction Plan (pages 28 to 37)

The Cabinet is asked to consider the agenda report and its two appendices and to:

- (1) Approve the Deficit Reduction Plan of £3.8m set out in Appendix 2 to the report for eliminating the budget deficit and
- (2) Recommend to the Council that it authorises the Head of Finance and Governance to submit a request to the Department of Communities and Local Government for a four-year settlement and that this Deficit Reduction Plan is used as the basis for that request.

[**Note** The issue in (1) is a key decision but the item is included within this section of the agenda because of the recommendation to the Council in (2)]

KEY DECISIONS

8 Bosham Parish Neighbourhood Plan Decision Statement (Pages 38 - 49)

The Cabinet is requested to consider the agenda report and its appendix and to make the following resolutions namely that:

- (1) The Decision Statement as set out in the appendix be published.
- (2) The examiner's recommendation that subject to modifications as set out in the Decision Statement the Bosham Parish Neighbourhood Development Plan proceeds to a referendum be approved.

9 Review of Character Appraisal and Management Proposals for Chichester Conservation Area and Implementation of Associated Recommendations (pages 50 to 56)

The Cabinet is asked to consider the agenda report and its five appendices and to make the following resolutions:

- (1) That the revised Character Appraisal and Management Proposals for Chichester Conservation Area, attached at Appendix 2 to this report, be approved as a material consideration in relevant planning decisions.
- (2) That, subject to further consultation with residents of Oving Road, Guilden Road, Green Lane, Russell Street, Cambrai Avenue, St James Road, Bognor Road, Whyke Lane and Whyke Road, the Head of Planning Services be authorised following consultation with the Cabinet Member for Housing and Planning and respective ward members to approve the implementation of the boundary changes shown on the maps at Appendix 3.
- (3) That the implementation of an "Immediate" Article 4 direction to cover minor

alterations, as set out in Appendix 4 to this report, to the principal elevations of dwellings within Chichester Conservation Area, as amended, be approved.

- (4) That the implementation of a “non-immediate” Article 4 direction to cover installation of solar panels on the principal elevations and roof pitches of buildings within the Chichester Conservation Area, as amended, as set out in Section 7 below be approved.
- (5) That decisions to confirm and implement the directions referred to in 3.3 and 3.4 above be taken by the Head of Planning Services following consultation with the Cabinet Member for Housing and Planning and ward members for the Chichester Conservation Area within six months of the Directions being made.
- (6) That an assessment of the Summersdale area to assess its potential for conservation area designation, raised by a number of respondents to the Chichester Conservation Area consultation, be undertaken in connection with the future review and appraisal of the Graylingwell Conservation Area.

[**Note** Appendices 1 and 5 may be viewed either on the committee papers pages of Chichester District Council’s web-site or as a deposited hard copy in the Members Room at East Pallant House and all other appendices appear in the separate appendices bundle for this agenda]

10 Overarching Investment Opportunities Protocol (pages 57 to 74)

The Cabinet is asked to consider the agenda report and its two appendices and to make the following resolution:

That the Cabinet endorses the Investment Opportunities Protocol as set out in Appendix 1 of this report, together with the Land and Property Sub-Strategy Investment Protocol at Appendix 2.

11 Treasury Management Out-turn and Progress Report (Pages 75 - 94)

The Cabinet is asked to consider the agenda report and its appendices and to make the following resolutions:

- (1) That the Cabinet notes the final Prudential Indicators for 2015-2016 to 2020-2021 as detailed in appendix 1 to the report.
- (2) That the Cabinet considers the treasury management out-turn performance for 2015-2016 and the treasury management performance for the three months to 30 June 2016.

OTHER DECISIONS

NONE

12 **Late Items**

- a) Items added to the agenda papers and made available for public inspection
- b) Items which the chairman has agreed should be taken as matters of urgency by reason of special circumstances to be reported at the meeting

13 **Exclusion of the Press and Public**

The Cabinet is asked to consider in respect of agenda item 14 below and, if required to be considered during the meeting, the second appendix to agenda item 6 above whether the public including the press should be excluded from the meeting on the grounds of exemption under Paras 1 to 7 in Part 1 of Schedule 12A to the *Local Government Act 1972* as indicated hereunder and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

- (1) **Appendix 2 to agenda item 6** – Para 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- (2) **Agenda Item 14** – Para 1: Information relating to any individual and Para 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[**Note** The report and appendices within this part of the agenda are attached for members of Chichester District Council and relevant officers only (printed on salmon paper)]

14 **Pay Policy** (pages 95 to 128)

The Cabinet is asked to consider the agenda report and its appendices and to make the following resolutions:

- (1) That the Cabinet approves the undertaking of a comprehensive review of posts against a set of agreed principles, on a service by service basis, (see option (f) paragraph 6.10), implemented with effect from March 2018 and that £25,000 is allocated from reserves to fund advice and consultancy associated with its implementation.
- (2) That the Cabinet approves the enhancement of the staff benefits package (see option (g) paragraphs 6.13 and 6.14) with effect from 1 April 2017 with a revenue budget of £14,000 allocated to fund the cost of providing discounted staff car parking.
- (3) That the Cabinet considers the request from the staff side made at the JECF meeting on 22 August 2016 (see paragraph 8.1) but is recommended not to approve the request.

NOTES

1. The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of 'exempt information' as defined in section 100A of and Schedule 12A to the *Local Government Act 1972*.
2. The press and public may view the report appendices which are not included with their copy of the agenda on the Council's website at [Chichester District Council - Minutes, agendas and reports](#). unless they contain exempt information.
3. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. [*Constitution* Standing Order 11.3]
4. A key decision means an executive decision which is likely to:
 - result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates or
 - be significant in terms of its effect on communities living or working in an area comprising one or more wards in the Council's area or
 - incur expenditure, generate income, or produce savings greater than £100,000.

Non-Cabinet member Councillors speaking at Cabinet

Standing Order 22.3 provides that members of the Council may, with the chairman's consent, speak at a Committee meeting of which they are not a member, or temporarily sit and speak at the Committee table on a particular item but shall then return to the public seating area.

The Leader of the Council intends to apply this standing order at Cabinet meetings by requesting that members should normally seek his consent in writing by email in advance of the meeting. They should do this by noon on the day before the meeting, outlining the substance of the matter that they wish to raise. The word "normally" is emphasised because there may be unforeseen circumstances where a member can assist the conduct of business by his or her contribution and where he would therefore retain his discretion to allow the contribution without notice.



Minutes of the meeting of the **Cabinet** held in Committee Room 2, East Pallant House on Tuesday 12 July 2016 at 9.30 am

Members Present: Mr A Dignum (Chairman), Mrs E Lintill (Vice-Chairman), Mr R Barrow, Mr B Finch, Mrs P Hardwick, Mrs G Keegan and Mrs S Taylor

Members not present:

In attendance by invitation:

Officers present all items: Mrs D Shepherd (Chief Executive), Mrs J Hotchkiss (Head of Commercial Services) and Mr P Coleman (Member Services Manager)

217 **Minutes**

RESOLVED

That the minutes of the meeting of the Cabinet held on Tuesday, 7 June 2016, be signed as a correct record.

218 **Urgent Items**

The Chairman (Leader of the Council) referred to the EU referendum result, unexpected by many, that had changed the nation's direction, led to a change of prime minister, and moved the country into uncharted territory. It was important that the Cabinet and Council provided leadership locally and carried on doing the best for services to residents. For the District Council this meant "business as usual" and, in particular, supporting the local economy and employment, and boosting local business confidence. This had implications for a number of items on the agenda for this meeting. The district had wonderful assets, and would get through whatever difficulties were presented by the transition to Brexit. Chichester District remained open for business.

219 **Declarations of Interests**

Mrs Keegan declared a personal and prejudicial interest in agenda item 8 (Chichester City Centre Management – Renewal of Chichester BID) (see minute 224 below), as being the Council's appointed representative on the Chichester City Centre Partnership. She did not vote on this matter.

Mr Dignum and Mr Finch declared personal and prejudicial interests in agenda item 13 (Council Tax Reduction Scheme and review of Council Tax locally defined discounts and premia for 2017/18) (see minute 229 below), as being members

respectively of Chichester City and Southbourne Parish Councils, which were beneficiaries of the Council's scheme of grants to parish councils to support their tax base. However, both members had been granted a dispensation by the Monitoring Officer, after consultation with the Chairman of the Council, enabling them to speak and to vote on the matter.

Mr Barrow declared a personal and prejudicial interest in agenda item 19 (Land in Ellis Square, Selsey – Land Disposal) (see minute 234 below), as having a close association with one of the would-be purchasers. He left the meeting during consideration of this item and took no part in the discussion and did not vote.

220 Public Question Time

No public questions had been submitted.

221 Chichester District Council Annual Report 2015-16

The Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mr Dignum introduced the report. He explained that the Annual Report was compiled by officers each year and the draft was agreed by Cabinet Members. It was a useful summary of the enormous range of services provided by the Council, and he commended all members, especially those newly-elected in 2015, to read it.

He proposed five amendments as follows:-

Page 13, 5th paragraph, second line: substitute 'ways of contacting us' for 'channels'.

Page 13 last paragraph: the reference to '1,000,000 vulnerable people and saved thousands of lives' now reads '1,000,000 vulnerable people and saved thousands of lives in the district and beyond'.

Page 14 first paragraph: the reference to '21,000 clients – from young carers to senior citizens' now reads '21,000 clients – from young carers to senior citizens, of which some 2,800 are Chichester district residents'.

Page 17 paragraph 2: reference to 'the Grange' now reads 'the Grange, Midhurst'.

Page 24 last paragraph, first bullet: reference to 'two responsible dog events' now reads two responsible dog-owner events'.

Mr Buckley (Corporate Improvement Officer) pointed out that the Annual Report did not cover 'business as usual' but focussed on significant projects and achievements.

With the Chairman's permission, Mr Macey asked for the number of Licensing Act 2003 and Gambling Act 2005 applications covered in LPIs 117 and 118 respectively on page 26. Mr Buckley agreed to reply in writing. [Note: The numbers are: LPI 117 – 915 applications; LPI 118 – 27 applications]

RECOMMENDED TO COUNCIL

That the Annual Report 2015-16 be approved, subject to the five amendments proposed by the Chairman.

222 Chichester in Partnership - Community Strategy 2016-2021

The Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Lintill introduced the report. She reminded the Cabinet that Chichester in Partnership (CIP) had been formed in 2002. The Local Government Act 2000 placed a duty on local authorities to prepare a Sustainable Community Strategy (SCS) to promote and improve the economic, social and environmental well-being of their areas, and contribute to the achievement of sustainable development. This was rescinded in 2012, but unlike other Local Strategic Partnerships (LSPs) CIP had continued to flourish, becoming more focussed, with action plans and strategies being developed, priorities set, outcomes planned and projects delivered. In December 2015 partners agreed to complete a light touch review of the SCS in consultation with the core and wider partnership. The result was a new strategy that was shorter and easier to read with fewer priorities. Each partner was being asked to take the revised SCS through its formal approval process.

The Overview and Scrutiny Committee reviewed the work of the CIP each year, and had recommended approval of the revised strategy. The Committee had also recommended that "consideration is given to establishing an emergency fund for Chichester in Partnership for the period 2016-2021 to ensure its ability to function in times of hardship."

In consequence of this, she proposed an amendment to the second recommendation in the report, which was duly carried.

RECOMMENDED TO COUNCIL

- (1) That the Community Strategy 2016-21 be adopted.
- (2) That a £10k funding reserve be made available, to be managed by the Cabinet Member for Community Services and the Head of Community Services as the Council's representatives to Chichester in Partnership, in order to attract match funding to support new or existing projects with proven benefits to vulnerable residents that would otherwise fail for lack of short term funding.

223 **A27 Contributions - Adoption of amendment to the Planning Obligations and Affordable Housing Supplementary Planning Document**

Referring to minute 119 of 5 January 2016, the Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Taylor introduced the report, reminding the Cabinet of their previous consideration of this matter and their approval for consultation of a proposed methodology for securing financial contributions from the major housing developments proposed in the Chichester Local Plan to mitigate their traffic impact on the A27 Chichester Bypass junctions. She drew attention to the scale of the financial cost of the mitigation package set out in Appendix 3 and to the method of calculation in the table in paragraph 1.6 of that Appendix, which required each development of more than 50 dwellings to pay a contribution per dwelling based on the estimated number of trips generated that would use the A27 junctions. Developers would be required to enter into a Section 106 agreement requiring them to enter into a Section 278 Agreement with Highways England to pay the contribution. The scheme was intended to mitigate the impact of new development, not to remedy current difficulties. She pointed out that, in the consultation, the developers had raised no objections in principle.

In answer to a question about the relationship of this scheme to the possible major improvement of the A27 Chichester By-pass, she explained that it was important to have the proposed methodology in place, because planning applications for development were already being made and Section 106 Agreements being negotiated. It would be some time before the final proposals for the A27 improvement were known. However, if that improvement came about it was likely that the developers' contributions would be used by Highways England to progress that scheme.

RESOLVED

That the proposed responses to the representations received, as set out in Appendix 1, be approved.

RECOMMENDED TO COUNCIL

- (1) That, because there are no adverse comments from the Statutory Bodies and for the reasons set out in the Criteria and screening opinion set out in Appendix 2 to the report, it be determined that a Strategic Environmental Assessment is not required in respect of the proposed amendment to the Planning Obligations and Affordable Housing Supplementary Planning Document (SPD); and
- (2) That the approach for securing A27 contributions proposed in the consultation be agreed, and that the amendments to the Planning Obligations and Affordable Housing Supplementary Planning Document (SPD) be formally adopted by including the additional wording set out in Appendix 3 to the Cabinet report.

224 Chichester City Centre Management - Renewal of Chichester BID

Referring to minutes 29 of 5 July 2011 and 142 of 9 February 2016, the Cabinet considered the report and appendices circulated with the agenda (copies attached to the official minutes).

In view of Mrs Keegan's declaration of a prejudicial interest, Mrs Lintill introduced the report. She explained that Chichester's City Centre Business Improvement District (BID) was one of over 200 BIDs in place across the country. Chichester BID had been established five years ago, its formation being driven by this Council's Economic Development Service in conjunction with the Chamber of Commerce.

A number of City Centre functions, formerly undertaken or overseen by the Council, had been transferred to the BID, including:

- City Centre management and events
- the annual Christmas lights
- the ChiBAC (Chichester Business Against Crime) initiative

Since 2012, Chichester BID had also provided a good deal of marketing and promotion of the City Centre, and improved its physical organisation and general safety and security

BIDs were business led partnerships created through a ballot process with all business ratepayers in the BID area voting on whether the BID goes ahead. By law a BID had to be renewed every five years, giving business ratepayers the opportunity to vote again to decide whether or not the BID should continue for a further term

Chichester's City Centre BID was nearing the end of its first five-year term and wished to seek renewal for a further term of five years. Accordingly, it had undertaken extensive consultation with local businesses and had prepared its Renewal Business Proposal for the next five years.

While the BID did not achieve everything it set out to do in its first term, overall it had been a success, and, for its second term, proposed to build on those successes.

If the BID was not renewed it would cease from 31st March 2017. A number of City Centre management, organisational and promotional functions would then stop or need to be re-allocated to other bodies, including Christmas lights and festivities, events and promotions, ChiBac and city centre safety, advocacy and support to businesses. Similarly, the additional activities proposed for the next five years would not happen.

The progress of the BID had been reviewed annually by the Overview and Scrutiny Committee, and at its meeting on 5 July the Committee had recommended the Cabinet to support the BID's renewal plans and that the level of support provided by the Council to the BID's strategic partnership be considered and that a brief report be requested to identify how joint objectives could be better delivered.

The BID's Renewal Business Proposal was in line with the Council's strategic objectives, and complemented its emerging strategy for the visitor economy and the Chichester Vision.

Mr Oates (Economic Development Manager) added that national experience was that BID's achieved reasonable success in their first term, and developed more strongly in their second term. The BID was proposing to be far more proactive in its next term and would focus on:

- Strategic partnerships with the Council, the Chamber and Visit Chichester
- Improved communications and advocacy on behalf of businesses
- Marketing and events across the year
- Developing the City's visitor economy
- Better support to businesses through data provision and other activity
- Public realm improvements and city centre safety

The BID proposed to increase the levy on the business community by 0.25% to 1.25 %, in order to increase marketing and develop the visitor economy. This additional funding would be ring-fenced for these purposes. As a result some £1.57m would be available to deliver the programme over five years.

The BID was undertaking a considerable programme of consultation with businesses. 120 businesses had been visited to date by the BID renewal team, the majority of whom had confirmed they would vote 'Yes'.

The BID was proposing the following timescale, although this would be for the Ballot Holder to determine:

- 14 September Notice of the ballot from the Ballot Holder to the Levy Payers
- 3 October Ballot papers sent out to eligible voters
- 21 October Deadline for appointments of proxy
- 3 November Ballot Day: voting closes at 5pm
- 4 November Ballot count and announcement of the result

The BID supported Objective 3 under the Economy section of the Corporate Plan, i.e. 'Promote the city and town centres as vibrant places to do business'.

The Chairman commented that renewal of the BID was worth supporting. It generated over £300,000 per annum for its activities, and the Council's contribution as a business ratepayer was only about £10,000. Its activities made the BID good partners for the Chichester Vision and Southern Gateway projects.

In answer to a question from Mr Barrow, Mr Oates explained that a successful ballot required a 'yes' vote from over 50% of businesses voting, and the total rateable value of those voting 'yes' must exceed that of those voting 'no'.

RESOLVED

- (1) That the 'Renewal Business Proposal' prepared by Chichester Business Improvement District (BID) be agreed by the Cabinet and, accordingly, renewal of the BID for further term of five years be supported.

(2) That the Ballot Holder (Chief Executive) be instructed to hold a BID ballot.

RECOMMENDED TO COUNCIL

That the Leader of the Council be authorised to vote in accordance with Cabinet's decision in relation to the ballot to renew the BID.

225 Treasury Management Policy 2016-2017 - Update

Referring to minute 131 of 26 January 2016, the Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Hardwick introduced the report, reminding the Cabinet that the Council had approved its Annual Investment Strategy on 26 January 2016. This Strategy provided for a diversification of Council investments into more secure and/ or higher yielding asset classes during 2016-17, including the Local Authority property fund, covered and corporate bonds. The Strategy now needed updating to reflect the change of the Council's banker to National Westminster Bank Plc. The revised Strategy allowed more headroom for management of cash balances and raised limits on the use of the Local Authority property fund. She added that this revised Strategy had been drawn up before the results of the EU referendum were known. This had affected the national economic context.

The Chairman thanked Mr Catlow (Group Accountant) for his contribution to drafting the revised Strategy.

Mr Catlow stated that the proposed changes to the Strategy enabled the Treasury Management Team more flexibility to invest. It was too early to assess the economic impact of the referendum, although it could be expected that interest rates would fall and remain low until at least 2020. He suggested that an update be presented to the Cabinet in September.

RECOMMENDED TO COUNCIL

That the revised Treasury Management Strategy 2016-17 be approved.

RESOLVED

That the Head of Finance and Governance Services be asked to update the Cabinet at its next meeting on any significant changes in market conditions that may affect this Strategy.

226 Review of the Constitution

Referring to minute 159 of 8 March 2016, the Cabinet considered the report and appendices circulated with the agenda (copies attached to the official minutes).

Mrs Hardwick introduced the report. She reminded the Cabinet that she had been appointed by the Council to chair a Task and Finish Group (TFG) to review the Council's Constitution and advise Cabinet and Council on any changes, in particular,

on how decisions are made and the effective operation of the Council's business. The TFG had met twice and its conclusions were summarised in paragraphs 4.4 and 4.5 and Section 6 of the report.

RECOMMENDED TO COUNCIL

That the revised Constitution, as set out in the background paper to the report, including the significant alterations described in section 6 of the report, be approved.

227 Public Spaces Protection Order Chichester City Centre

Referring to minute 186 of 12 April 2016, the Cabinet considered the report and appendices circulated with the agenda (copies attached to the official minutes).

Mr Barrow introduced the report, reminding the Cabinet of their previous consideration of this matter. The proposed Public Spaces Protection Order (PSPO) that had been the subject of consultation had covered two behaviours, namely street drinking and illegal street trading, and the city centre area covered by the existing Designated Public Place Order (DPPO).

The results of the public consultation were set out in Appendix 1. Almost half of respondents had agreed that street drinking needed to be tackled. However, only 30% had agreed that illegal street trading needed to be tackled, with 52% disagreeing.

However, he was concerned that respondents may not have understood exactly what illegal street trading was. East Street and North Street were consent streets. This meant that markets and other licensed activities were legal. Licensed pedlars were also not trading illegally, provided that they conformed to the conditions of their licence, which required them to be on the move. Illegal street trading was a matter of concern to Chichester City Council, and members of the District Council had previously complained and sought more effective enforcement. It was also unfair on those who traded legally.

Mr Foord (Licensing Manager) reported that the consultation had generally implied that the extent of the PSPO should be the same as the existing DPPO. He explained that the sanction for breach of the PSPO was a fixed penalty of £100 or a level 3 fine (up to £1,000) on prosecution in a Magistrates Court. He explained how a PSPO would apply to illegal street trading. In reply to a question about burden of proof, he replied that the PSPO had been carefully drafted to reflect experience elsewhere, being very specific so that proof could be provided by photographic evidence and timing with a stop watch.

In debate, Cabinet members felt that illegal street trading should be covered in the proposed PSPO, as a control mechanism which could be used where appropriate, but it was not the Council's intention that it should be applied in a heavy-handed way.

With the Chairman's permission, Mr Plowman asked whether consideration could be given to including Henty Field within the area of the PSPO. He was advised that this

would require further consultation and evidence. The PSPO would be reviewed in 2017, when the existing dog control orders needed to be replaced, and inclusion of Henty Field could be considered then.

RESOLVED

- (1) That a Public Spaces Protection Order be made relating to the behaviours and geographical area set out in appendices 2 and 3.
- (2) That the current delegation to the Head of Housing and Environment Services and the Head of Community Services be amended to authorise the use of all enforcement powers included in the Anti-Social Behaviour, Crime and Policing Act 2014, including the use of Community Protection Notices and Fixed Penalty Notices for breaches of a Public Spaces Protection Order.

228 Shared Services

Referring to minute 143 of 9 February 2016, the Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mr Finch introduced the report and thanked Mrs Dodsworth and Mrs Shepherd for their energy and leadership of this joint project. He personally was a champion of the shared services model, believing it was the best way to deliver and modernise support services for the benefit of residents and the career prospects of staff.

He reminded the Cabinet of their previous agreement to investigate the business case for shared services of Revenues and Benefits, ICT, Customer Services, HR & Payroll, Legal, Internal Audit and transactional Financial Services with Arun and Horsham District Councils. He and the Chief Executive had been members of the overseeing Steering Group. The detailed work had been undertaken by a Project Board with project leads/directors, project assurance officers and chief financial officers of the three councils. The work had been supported by consultants to provide challenge. All workstreams had worked well, which boded well for the future of partnership working.

An early decision had been taken not to pursue a shared transactional finance service, but outline business cases for the other six services suggested that across all three councils savings of around £2m a year could be achieved. Although it was not clear yet how these would fall for individual councils, Chichester could benefit by about £400,000 a year. It was now proposed to progress to a detailed business case and project implementation plan for an integrated model of all six services being shared, as described in Section 6 of the report. This required a contribution of £25,000 each from all three councils.

Mrs Dodsworth endorsed Mr Finch's comments and added that regular meetings were held with the local branch of Unison. The Overview and Scrutiny Committee had considered a report at their meeting on 5 July and supported the recommendation.

RESOLVED

- (1) That detailed business cases and implementation plans be developed for all of the six service proposals.
- (2) That a contribution of £25,000 from reserves be made towards the cost of a Project Manager and project support to develop the detailed business cases and implementation plan.

229 **Council Tax Reduction Scheme and review of Council Tax locally defined discounts and premia for 2017/18**

Referring to minutes 80 of 3 November and 103 of 1 December 2015, the Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Hardwick introduced the report, explaining that the Cabinet's approval was sought to:

- Consult on a new Council Tax Reduction Scheme, set out in full in Appendix 1.
- Consult on changes to the Council Tax Discount scheme in relation to properties in need of or undergoing structural repair (known as Prescribed Class D properties).
- Prepare plans to phase out the council tax reduction grants to parish councils from 2017/18.

She reminded the Cabinet that the national council tax benefit scheme had been replaced in 2013 by local council tax reduction (CTR) schemes. National rules still applied to pensioners, but local schemes affected working age claimants. This Council's scheme had been virtually unchanged since first localised in 2013. It provided an important safety net for people on low incomes, but it was important to review the scheme to ensure it was well targeted, minimised disincentives to work and provided the best value for money for the benefit of all tax payers. Therefore, in this year's obligatory annual consultation it was proposed to consult on some possible changes to the CTR scheme. These were set out in Appendix 1 and covered adjusting the qualifying property bands and adjusting the percentage reduction across recipients.

The separate consultation on changes to the 100% Council Tax Discount for properties in need of or undergoing structural repair would explore whether there was any sound justification for this class D discount, whether and in what way changing it would affect the supply of housing and whether there would be any welfare impacts in reducing the discount that might outweigh the economic benefits from increasing the revenue.

The grant to compensate parishes for tax base lost since 2013 as a result of localisation of CTR was under ongoing review as the District Council's own funding was falling away as Revenue Support Grant disappeared. The current intention was that, as central government support tapered away and was due to fall to zero after

2017/18, the Council should reflect this in a tapered reduction to the parish grants, with the grant ceasing from 2020.

The Chairman pointed out that the Council's income from Business Rates was also at risk.

In answer to a question, Mrs Christie (Revenues Manager) explained that there was no legal definition of what constituted structural repair, and current decision making relied on previous case law. She went on to explain that for Chichester District Council, decisions regarding the definition of what constitutes structural repair represent the majority of appeals to the Valuation Tribunal.

Mrs Taylor welcomed the consultation on the Class D discount, pointing out that this had to apply for a full year, and it was quite possible to build a house in that time. The possible reduction in the discount would encourage owners to complete repairs quickly.

Mrs Keegan asked how Chichester's scheme compared with those of other councils, pointing out that some of the options would not result in a significant increase in revenue to the Council but could have serious consequences for individuals. Mrs Hardwick agreed that comparative information would be provided when the results of the consultations were reported back to the Cabinet in November.

RESOLVED

- (1) That the Head of Finance and Governance Services be authorised, following consultation with the Cabinet Member for Finance and Governance, to prepare and consult upon a draft 2017/18 council tax reduction scheme as proposed in appendix 1, to be brought back to Cabinet in November for recommendation to Council.
- (2) That the Head of Finance and Governance Services be authorised, following consultation with the Cabinet Member for Finance and Governance, to consult on the changes to the Prescribed Class D discount for 2017/18 as proposed in appendix 2.
- (3) That council tax discounts proposed in appendix 3 be brought back to Cabinet in November for the 2017/18 financial year.
- (4) That the principle of making a grant to Parish Councils in relation to the council tax reduction scheme be continued in 2017/18.
- (5) That Parish Councils be advised that it is the Council's intention to phase out the grant over the years 2017/18 to 2019/20.

230 Chichester Rugby Football Club- Amendment to Parking Order

The Cabinet considered the report circulated with the agenda (copy attached to the official minutes, except the exempt Appendix 2).

Mrs Keegan introduced the report. She explained that Chichester Rugby Football Club had recently invested in improving the Rugby Club Car Park. The Club now wished to introduce charging to cover the maintenance costs of the car park with any surplus income being used to repay loans for the recent improvements to the main clubhouse. This would make the car park publicly available. The proposed charges were roughly in line, but perhaps slightly cheaper, than the Council's other out-of-town car parks. At present the car park was available for use by students, with a payment being made by the University. It would still be available for student parking on purchase of a season ticket.

Mrs Murphy (Parking Services Manager) added that the Highways Authority had approved the proposal. She would be discussing a contract with the Club whereby the Council's Civil Enforcement Officers provided enforcement. The parking ticket machines used by the Club would be coin only, but the Council was introducing a payment by phone method of parking payment for its own car parks. These changes would require an amendment to the existing Parking Order.

RESOLVED

- (1) That consent is given to Chichester Rugby Club introducing charges for parking in the Chichester Rugby Football Club Car Park, Oaklands Park, Chichester.
- (2) That the Head of Commercial Services be authorised to give appropriate notice of any revised changes to the Off-street Parking Places (Consolidation) Order 2016 and the Road Traffic Act 1984.

231 Exclusion of the Press and Public

RESOLVED

That the public, including the press, be excluded from the meeting for the following items on the grounds that it is likely that there would be a disclosure to the public of 'exempt information' of the description specified in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A to the Local Government Act 1972 and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

232 The Novium Museum Options Appraisal

Referring to minute 142 of 9 February 2016, the Cabinet considered the report and appended draft Consultant's report circulated with the agenda.

Mrs Keegan introduced the report, and explained that the consultants report on options for the Novium Museum and Tourist Information Centre (TIC) had been received. However, it was felt that the consultants brief had not been wide enough and other options should be considered, including the appointment of a property consultant and architect to advise on possible adaptations and alternative uses for the Novium building. Meanwhile continued discussions would take place with

charitable trusts and other potential providers of the Museum Service. This would enable a full suite of options to be presented to and considered by the Cabinet in October.

The Chairman commented that, although staff costs of the Novium were comparable with the previous Museum, building costs were high, especially depreciation, business rates and energy costs. Mrs Keegan acknowledged this but explained that some cost saving initiatives were in hand.

Members asked that the next report should provide accurate separate figures for visitors to the Museum and to the TIC.

RESOLVED

- (1) That the further work on the Novium Museum Options Appraisal be completed to investigate options identified in 5.1 of this report.
- (2) That £25,000 be released for the appointment of a property consultant and architect to assist with the further work.

233 Plot 21, Terminus Road, Chichester

Referring to minute 142 of 9 February 2016, the Cabinet considered the report circulated with the agenda.

Mrs Keegan introduced the report, and reminded the Cabinet of previous consideration of this project. In June 2015, the Cabinet had approved a budget for the demolition of the existing building and redevelopment of this site with a single unit, subject to a pre-let agreement being in place before the new unit is built. Unfortunately, marketing of the site has failed to secure such a pre-let agreement. However, an offer had been received from a developer proposing to take a long lease to construct a five unit speculative industrial scheme. The Council had commissioned a market overview report from a local commercial agent whose report indicated that there was good demand for such units. It was, therefore, proposed that the Council should itself proceed with the development of a five-unit speculative development, but in two stages – initially to draw up a detailed design, obtain detailed planning permission and tender for construction, to be followed by a further report to Cabinet on current market conditions and expected return on investment before proceeding with a construction contract.

Mr Harrison (Strategic Asset Management Surveyor) added that, even if market conditions worsened and some units became hard to let or rents reduced, the expected return on investment was better than cash on deposit or the local authority property fund.

RECOMMENDED TO COUNCIL

- (1) That funding of the amount set out in recommendation 2.1(i) of the report be released from Capital Reserves to enable the detailed design, planning matters and pre-construction tender process to be progressed for a five unit scheme.

- (2) That the balance of the estimated total project cost is allocated from capital reserves and that, following the tender process, a report is brought back to Cabinet to review capital costs, return on investment, and prevailing condition of the property market before the budget is released to enter into a construction contract.

234 **Land in Ellis Square, Selsey - Land Disposal**

(Mr Barrow left the meeting)

Referring to minute 691 of 4 December 2014, the Cabinet considered the report and appendices circulated with the agenda, together with an update on one of the offers circulated on the day before the meeting.

Mrs Keegan introduced the report. She reminded the Cabinet that in December 2014 the Cabinet had agreed to the disposal of the whole of its 1.94 acre site at Ellis Square, Selsey. In April 2016, 0.5 acres of the site had been sold at market value to an adjoining business. Two offers had now been received in respect of the remaining 1.42 acres:-

- 1) An offer from the directors of Vetted Ltd (trading as Checktrade) for 1 acre of the site for a restricted car parking use at a reduced valuation for that use.
- 2) An offer for the whole 1.42 acre site from the developer Contaframe at market value for a B1/B8 industrial scheme on this site.

In considering the options, the Cabinet received advice from the Economic Development Manager on the respective employment generation prospects of the two businesses, from the Strategic Asset Management Surveyor on the valuation of the land, and representations from Mr John Connor on behalf of local residents about the parking and road safety issues in Manor Road. The Cabinet also noted that the Checktrade offer would leave the Council with a surplus 0.42 acres of land.

The Cabinet received legal advice that, in considering the disposal of land, the Council could only dispose of land for the best consideration that can be reasonably obtained in the market, except with the express consent of the Secretary of State (*section 123(1), Local Government Act 1972*).

Having considered all matters in the written material and oral advice presented to them, the Cabinet:

RESOLVED

- (1) That the sale or lease of the land in Ellis Square, Selsey (1.42 acres) to Contaframe for B1/B8 planning use on the terms set out in Appendix 3 (and summarised in paragraph 6 of this report) was the best consideration which Cabinet considered could reasonably be obtained in the market and was therefore approved.

- (2) That the Head of Commercial Services be authorised to approve the final terms of this disposal.
- (3) That, in the absence of Selsey Town Council applying for a Traffic Regulation Order, the Head of Commercial Services be authorised to apply for a Traffic Regulation Order for this area.

235 **Member Services Manager**

The Chairman drew the Cabinet's attention to the impending retirement of Mr Philip Coleman, Member Services Manager. He thanked and commended Mr Coleman for his service.

Mr Coleman thanked the Chairman for his remarks, and acknowledged that this would be the last Cabinet meeting he attended, a distinction he shared that day with the current Prime Minister.

The meeting ended at 12.25 pm

CHAIRMAN

Date:

Chichester District Council

THE CABINET

6 September 2016

Surface Water and Foul Drainage Supplementary Planning Document

1. Contacts

Report Author:

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Cabinet Member:

Susan Taylor, Cabinet Member for Housing and Planning

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2. Recommendations

2.1. That the Cabinet recommends to the Council that:

(1) The Surface Water and Foul Drainage Supplementary Planning Document (set out in Appendix 1 to this report) be adopted;

(2) The proposed responses to representations received (set out in Appendix 2 to this report) are approved.

3. Background

- 3.1 The Development Plan and Infrastructure Panel (DPIP) has considered the Surface Water and Foul Drainage Supplementary Planning Document (SPD) and suggested some alterations, which have been incorporated into the document attached at Appendix 1.
- 3.2 The Chichester Local Plan: Key Policies 2014-2029 (CLP) was adopted in July 2015. The CLP recognises that to deliver the growth identified in the plan sustainably and in a timely manner it is necessary to ensure that infrastructure can cope with an increased demand, or that provision is made to enhance it as part of new development.
- 3.3 Background studies produced to inform the CLP highlighted issues with capacity at Wastewater Treatment Works, infiltration and flooding. The SPD expands on the objectives and policies of the CLP and provides further explanation as to how they will be implemented.
- 3.4 The Council approved the draft SPD for public consultation on 1 March 2016. A total of 28 representations were received raising 67 individual comments. All the representations have been considered and where appropriate amendments have been made to the SPD.

4. Outcomes to be achieved

4.1. Adoption of the SPD will result in:

- Improved management of the capacity available for waste water treatment;
- Improved information for developers and applicants about water management and drainage issues; and
- Better quality planning applications that address foul and surface water issues.

5. Proposal

5.1. The SPD, once adopted, will be a material consideration in the determination of planning applications, adding further strength and detail to policies within the adopted CLP. These are:

Policy 9 – Development and Infrastructure Provision;
Policy 12 – Water Management in the Apuldram Wastewater Treatment Works;
Policy 33 – New Residential Development;
Policy 40 – Sustainable Design and Construction;
Policy 42 – Flood Risk and Water Management; and
Policy 52 – Green Infrastructure.

5.2 The SPD provides further clarification, advice and guidance on how these matters should be addressed across the Local Plan area, recognising some specific geographic issues. The SPD also provides practical advice for applicants, assists coordination between regulatory authorities and enables the timely consideration of planning applications.

6. Alternatives that have been considered

6.1 Not producing a formal SPD would be likely to result in more staff resources dealing with queries relating to planning applications and a lower level understanding of drainage issues.

7. Resource and legal implications

7.1 There are no significant resource or legal implications arising from the adoption of the SPD.

8. Consultation

8.1 The SPD was the subject of formal consultation for 6 weeks from 10 March 2016. The representations received and the responses proposed are included in Appendix 2 of the report.

9. Community impact and corporate risks

9.1 The SPD seeks to prevent a deterioration in water quality and thereby the physical environment of Chichester Harbour. As a valued facility for recreation

and enjoyment to resident and visitor alike the impact on the local community is positive.

- 9.2 The implementation of the infrastructure suggested by the SPD will require complex multi-agency negotiation. Chichester District Council will have no financial liability but will need to remain engaged with both partners and local stakeholders to ensure desired outcomes are delivered.

10. Other Implications

| | |
|--|------|
| Crime and Disorder | None |
| Climate Change | None |
| Human Rights and Equality Impact This Supplementary Planning Document expands on the vision and objectives of the adopted Chichester Local Plan: Key Policies 2014-2029. An Equalities Impact Assessment was prepared for the Chichester Local Plan: Key Policies 2014-2029 and this showed that the Local Plan had no adverse impacts. | None |
| Safeguarding and Early Help | None |

11. Appendices

- 11.1 Appendix 1 – Surface Water and Foul Drainage Supplementary Planning Document.
- 11.2 Appendix 2 – Surface Water and Foul Drainage Supplementary Planning Document Representations and Council’s response.

12. Background Papers

- 12.1 None

Agenda Item 6

Chichester District Council

THE CABINET

6 September 2016

Avenue de Chartres Car Park - Major Refurbishment Scheme 2016-2017

1. Contacts

Report Author:

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Cabinet Member:

Bruce Finch, Cabinet Member for Support Services,
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2. Recommendation

That the Cabinet:

2.1 Agrees to enter into a JCT Intermediate Form of Contract with Contractor A to undertake essential repairs and maintenance works as tendered for the sum of £483,049.

2.2 Agrees to enter into a JCT Intermediate Form of Contract with Contractor A to provide resurfacing to the intermediate parking deck surface and connecting ramps tendered for the sum of £154,270.

2.3 Authorises the release of £530,000 identified within the Asset Replacement Programme for years 2016-17 for Avenue de Chartres car park refurbishment works.

2.4 Recommends to the Council to:

2.4.1 Approve funding for the essential upgrade of the perimeter vehicle barriers, pedestrian railings and associated works to achieve compliance with current health and safety standards and officers be authorised to invite invitations to tender for these works.

2.4.2 Approve funding to refurbish the 5 access towers and clean the concrete retaining wall and paved surfaces and officers be authorised to invite invitations to tender for these works.

2.4.3 Re-profile the asset replacement programme to enable the replacement of the existing lighting installation with a more energy efficient LED system and officers be authorised to invite invitations to tender for these works.

2.4.4 Authorise the release from capital reserves of £457,319 to fund the cost of this refurbishment not provided for within the Asset Replacement Programme

3. Background

- 3.1 The multi-storey car park at Avenue de Chartres (ADC) was built in 1991. £530,000 is identified within the Asset Replacement Programme for years 2016-17 to fund structural repairs for the ADC car park. At their meeting on 7 April 2015 the Cabinet approved a project Initiation document (PID) for the first major refurbishment of the car park since its construction. The PID contained indicative costs for:
- (a) Essential structural and aesthetic refurbishment works
 - (b) Optional flexible resurfacing of the intermediate and lower decks
 - (c) Optional vehicle guidance system
 - (d) Optional electric vehicle charging points
 - (e) Optional refurbishment of the stairwells, 5 access towers, retaining walls and paved surfaces.
- 3.2 The Cabinet authorised officers to invite tenders for (a) and (b) above and released £93k to fund the appointment of consultants, to undertake maintenance and cleaning of the external brickwork and to enable structural concrete testing and surveys to be undertaken. The concrete testing and surveys were required to form the detailed specification for the structural works prior to inviting tenders. The maintenance and cleaning of the external brickwork has been completed.
- 3.3 Tenders for (a) and (b) have been received and evaluated and an evaluation is provided in Appendix 1. The structural survey did not identify a need to resurface the lower deck; therefore any resurfacing would be mainly aesthetic and would cost £154,270 (see Appendix 2).
- 3.4 As part of the structural investigation the perimeter vehicle protection barriers sited on the west elevation were load tested in accordance with the current British Standard. The barrier columns did not meet the protection criteria for modern car parks and the gaps to the pedestrian barriers and tower balustrades are non-compliant and must therefore be replaced. The indicative cost for these replacements is also contained in Appendix 2. These works will need to be tendered.
- 3.5 Officers have sought detailed costs for (c), (d) and (e) above (optional vehicle guidance system, electric vehicle charging points (EVCP's) and refurbishment of the stairwells, access towers, retaining walls and paved surfaces. These costs are shown in Appendix 2.
- 3.6 The benefits of a vehicle guidance system (c), directing vehicles to the nearest vacant bay, claim to optimise movement and reduce congestion in busy car parks. Installation of this type of system is an isolated project and not reliant upon other works. Due to the potential cost of this type of scheme and the existing occupancy levels within the car park this is an option that could be reviewed at a later date as part of a wider strategic view of car parking within the City centre.

- 3.7 The proposal within the PID to install two EVCP's (d) was related to the indication that the Office for Low Emission Vehicles intended to offer grant funding for the installation of EVCPs and the Cabinet released £45,000 funding to support this initiative at their meeting on 1 December 2015. However, it has since transpired that this funding will no longer be offered and officers will need to consider the most appropriate business model to apply in allocating the funding made available by Cabinet.
- 3.8 The PID contained a work element to refurbish and improve the aesthetics and appearance of the car park (e). The car park contains five access towers with stairwells, retaining walls and various paved surfaces. Appendix 2 contains estimated costs for this work element.
- 3.9 Within the Council's asset replacement programme there is a forecasted spend to replace periodically the existing fluorescent lighting system. There is opportunity as part of this refurbishment project to use these identified funds to replace the existing system with a more energy efficient LED lighting system with a 25 year life. This proposal would enable a reduction in the ARP commitment of £90,000, plus reduce energy and maintenance costs over time by £25,000 per annum. The estimated cost of completing this replacement programme is provided in Appendix 2. Members are requested to consider the option of re-profiling the forecasted spend in the ARP to release funds to enable the lighting replacement to be undertaken as part of the overall refurbishment. These works would need to be tendered.

4. Outcomes to be Achieved

- 4.1 To refurbish the ADC car park to comply with modern day structural and safety standards and to provide a car park that is aesthetically attractive to encourage increased use and to meet the car parking needs of the city.
- 4.2 To take the opportunity to provide a reliable, long-term lighting system for the safety and benefit of users of the car park and to reduce energy and maintenance costs for the Council.

5. Proposal

- 5.1 That Contractor A is awarded the contract to undertake the essential structural works and the resurfacing of the intermediate deck as outlined in Appendix 2.
- 5.2 That the works associated with the safety repairs identified in paragraph 3.4 be tendered as outlined in Appendix 2.
- 5.3 That the refurbishment of the five access towers, retaining walls and paved surfaces is tendered and works included within this project. Although this work is optional and could be done retrospectively, it would be more economic and less disruptive to users to undertake this work as part of the larger programme and would complete the aesthetic appearance of the car park.
- 5.4 That the asset replacement programme be re-profiled to enable tenders to be invited for the replacement of the existing lighting system to improve lighting for users and to reduce energy and maintenance costs in the future.

- 5.5 That the installation of a vehicle guidance system, EVCPs and resurfacing of the lower deck not be progressed at this time. The installation of the EVCPs will be considered as part of a wider business model in identifying the most appropriate locations across the district.

6. Alternatives Considered

- 6.1 As a minimum the Council could decide to undertake essential structural and safety repairs as identified in paragraphs 3.3 and 3.4 only.
- 6.2 Optional works were considered as part of this project ie:
- (a) The installation of a vehicle guidance system
 - (b) The installation of electric car charging points
 - (c) The refurbishment of the stairwells, 5 access towers, retaining wall and stairwells.
 - (d) The completion of the lighting replacement programme.
 - (e) Optional refurbishment of the stairwells, five access towers, retaining wall and paved surfaces.

Options (c), (d) and (e) are recommended to progress to complete the total structural, safety and aesthetic elements of this project.

7. Resource and Legal Implications

- 7.1 The following works will need to be tendered and will therefore require resources from procurement and legal officers:
- (a) The upgrade of the perimeter vehicle barriers and pedestrian railings
 - (b) The refurbishment of the stairwells, five access towers, retaining walls and paved surfaces.
 - (c) The completion of the lighting replacement programme.
- 7.2 Appendix 2 provides estimated costs and funding sources for each element of the proposed project. Funding over and above that already allowed for in the ARP of £457,319 will be required from capital reserves to complete the works recommended in this report.

8. Consultation

- 8.1 There will be full liaison with Parking Services on vehicle displacement during the works once the full details and works programme for the scheme are approved. Parking Services will then consult with the local community.

9. Community Impact and Corporate Risks

- 9.1 This refurbishment programme will provide for a cleaner and safer car park for the community and will ensure that the Council meets its health and safety obligations in maintaining this major asset to modern day safety standards.

10. Other Implications

| | |
|--|------|
| Crime and Disorder This work will create a safer environment | Yes |
| Climate Change The introduction of a modern efficient lighting system will reduce energy use and reduce emissions by in excess of 140 Tonnes of CO2/annum). | Yes |
| Human Rights and Equality Impact | None |
| Safeguarding and Early Help | None |
| Other (please specify) | None |

11. Appendices

- 11.1 Appendix 1 Tender Evaluation
11.2 Appendix 2 Cost and Funding Summary (Exempt Appendix – for members and relevant officers only)

12. Background Papers

- 12.1 None

Appendix 1

Avenue de Chartres Car Park - Major Refurbishment Scheme 2016-2017 Contract Tender Report Short Summary

Chichester District Council placed a contract notice in the South East Business Portal hosted by In-Tend on 26 April 2016 for the refurbishment of the reinforced structure including parking deck resurfacing and anti-carbonation treatment at the Avenue de Chartres M.S.C.P. Chichester. The Council undertook a single stage (Open) tendering procedure which ended on 23 May 2016.

The Council received seven compliant responses to the invitation to tender documents and following a tender evaluation process undertaken by Officers from the Council's appointed Engineering Consultants and staff from Building Services and Procurement teams, the contract shall be awarded to the bidder who submitted the most economically advantageous tender.

The evaluation criterion was divided into three categories, Quality, Price and Product certification and resources.

| Label | Criteria | Percentage score |
|-------------------------------------|---|------------------|
| Quality. | Experience, Competence, Project Appraisal and Methodology | 25% |
| Price. | Tendered Sum as per Specification | 75% |
| Product certification and resources | Questionnaire response | Pass / Fail |

The preferred tenderer scored 25 for Quality, 75 for Price totalling 100.

The next highest score was 91.11 and the lowest score given was 61.27

The full results for essential works tenderers are included below:

| ADC Major Works Tender Evaluation | | | | | |
|-----------------------------------|--------------|--------------------|---------------------------|----------------|------|
| | Tender Price | Price Score 75% | Quality Score - 25% | Total Score | Rank |
| Tender A | £483,049.03 | 75.00 | 25.00 | 100.00 | 1 |
| Tender B | £548,037.09 | 66.11 | 25.00 | 91.11 | 2 |
| Tender C | £598,989.20 | 60.48 | 25.00 | 85.48 | 3 |
| Tender D | £619,812.24 | 58.45 | 25.00 | 83.45 | 4 |

| | | | | | |
|----------|-------------|-------|-------|-------|---|
| Tender E | £920,607.43 | 39.35 | 25.00 | 64.35 | 5 |
| Tender F | £926,060.67 | 39.12 | 25.00 | 64.12 | 6 |
| Tender G | £998,808.87 | 36.27 | 25.00 | 61.27 | 7 |

The preferred bidder has been financially vetted and is considered minimal risk for this project.

The Health and Safety responses provided are considered acceptable.

| | A. Essential Repairs | B. Resurface Intermediate deck | Total A&B | Overall Rank following the recommendation to incorporate B in to the main contract. |
|----------|----------------------|--------------------------------|---------------|---|
| Tender A | £483,049.03 | £154,270.88 | £637,319.91 | 1 |
| Tender B | £548,037.09 | £140,270.70 | £688,307.79 | 2 |
| Tender C | £598,989.20 | £185,000.00 | £783,989.20 | 4 |
| Tender D | £619,812.24 | £141,158.67 | £760,970.91 | 3 |
| Tender E | £920,607.43 | £185,853.98 | £1,106,461.41 | 6 |
| Tender F | £926,060.67 | £119,482.34 | £1,045,543.01 | 5 |
| Tender G | £998,808.87 | £216,392.90 | £1,215,201.77 | 7 |

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

Document is Restricted

Agenda Item 7

Chichester District Council

THE CABINET

6 September 2016

Deficit Reduction Plan

1. Contacts

Report Author:

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Cabinet Member:

Philippa Hardwick, Cabinet Member for Finance and Governance

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2. Executive Summary

The Council's financial model illustrates that savings in the region of £2.5m are required to balance the Council's budget over the next 5 years. If new policy initiatives are included then the deficit will increase to £3.8m. This report sets out a number of proposals to eliminate the deficit over that period.

3. Recommendation

- 3.1. That the Cabinet (1) approves the Deficit Reduction Plan of £3.8m set out in Appendix 2 to the report for eliminating the budget deficit and (2) recommends to the Council that it authorises the Head of Finance and Governance to submit a request to the Department of Communities and Local Government for a four-year settlement and that this Deficit Reduction Plan is used as the basis for that request.**

4. Background

- 4.1. In May 2013 Cabinet approved a Deficit Reduction Plan of £2.4m to eliminate the predicated budget deficit shown in its 5-year financial model at that time. During this period (2013-2016) the Council has achieved revenue savings of £2.2m and has generated additional income of £1.4m (£1.2m more than expected). Appendix 1 details the savings and additional income generated over the last six years.
- 4.2. It has also managed to maintain low Council Tax increases, protect its front-line services and invest in new services, such as the Grange Centre Midhurst, despite reductions in Government funding and increases in cost pressures during this period.
- 4.3. This level of savings could not have been achieved without the dedication and determination of officers and Members to see through some difficult and challenging decisions.
- 4.4. Despite exceeding the targets set out in the 2013 Deficit Reduction Plan the financial forecast still looks austere and variable. The Financial Strategy and Plan 2016/17, approved by Council in December 2015, anticipated further

government funding reductions over the next five-years. It also identified a number of other risks that could affect the financial position of the Council. These included:

- (i) *Full localisation of business rates:* The Government has announced that business rates will be fully localised by 2020. At the moment the current income retained from business rates is £1m more than our baseline funding. There is a risk that, with full localisation, the amount we are able to retain will be reset to a new, as yet undefined, baseline position. Appendix 2 has been amended to reflect the potential reduction from £3m business rate income to the existing baseline of just over £2m;
- (ii) *Anticipated changes to New Homes Bonus funding:* This source of funding is also under review with the Government's stated objective of reducing the overall cost by one third. The 2016/17 value of this grant is £3.7m. This Council has, however, followed the discipline of not relying on this source of funding, which was always perceived to be at risk, to fund core services;
- (iii) *The Council's reliance on income from fees and charges:* The Council currently relies on over £16m of income from fees and charges to help support the cost of delivering its services. Many of these income streams either represent discretionary spend or are linked to the state of the economy. The Council is, therefore, at risk that a downturn in the economy would result in a reduction in income from service users and
- (iv) *Amended Waste Regulations and increased recycling targets:* here local authorities are under an obligation to increase recycling to 50%. It is unclear at present what the expected costs associated with these obligations will be. £800k has been allowed for in the plan and this figure will be firmed up when the Recycling Action Plan is approved.

4.5. Taking into account these issues, together with further reductions in funding and increased costs, the Financial Strategy report signified that the Council would be in a deficit position in the latter years of the Strategy if no further action was taken.

4.6. The Government has indicated that it would offer a four year finance settlement for those Councils who had an approved Efficiency Plan in places, this report will form the efficiency plan. The current offer would see Revenue Support Grant (RSG), currently worth £0.8m per annum, end altogether after 2017/18. At the same time we would see a funding adjustment, via the business rate tariff, of £0.6m by 2019/20, giving a combined reduction in funding of over £1.4m per annum. If the Council wishes to submit a request for the four-year funding deal it needs to submit its request by 14 October. Although the settlement offer represents significant reductions in funding, the alternative may well be worse and would leave us with greater uncertainty when trying to balance our finances over the medium term.

5. Outcomes to be achieved

- 5.1. A balanced budget from 2017 to 2022 that will enable the Council to continue providing important value for money services to communities and others in Chichester District
- 5.2. An approved Deficit Reduction Plan that focuses on achieving efficiencies by:
 - i. Modernising services;
 - ii. Reducing management levels; and
 - iii. Sharing with other agencies and, where appropriate, working with partners, the third sector and the private sector to provide services.

The Deficit Reduction Plan will form the Efficiency Plan that will be used to secure a four-year settlement from Government.

- 5.3. Maintaining front-line services where possible.

6. Proposal

- 6.1. The latest five-year model (see Appendix 2) shows a current deficit of £2.5m and, although no final decisions have been made, it is estimated that the deficit will increase to £3.8m if the Council approves, in due course, the new policy areas as set out in Appendix 2 under the heading of Policy Decisions.
- 6.2. Over the last couple of months officers have been discussing a number of proposals that could meet the outcomes set out in section 5, above. Appendix 2 sets out those proposals.
- 6.3. Most proposals are for noting as they have already been approved by the Cabinet or the Council, or are internal efficiencies not requiring approval to proceed. However, the following proposals are subject to further reports/explanation:
 - (i) *Business Improvement Programme Board*: these relate to efficiency savings created by New Ways of Working and the digitisation of some services;
 - (ii) *Commercial Programme Board*: these relate to projects that Council has already approved. They will generate additional income, such as the Enterprise Gateway and Barnfield Drive, and future savings from the outsourcing of the Council's Leisure Centres. Further opportunities may arise from the Southern Gateway project, the City Vision, the WSCC Road Space Audit and other investment opportunities. However, these have not been assessed and therefore it would be premature to include them in the Deficit Reduction Plan at this stage;
 - (iii) *Local Authority Property Fund (LAPF)*: officers have authority to invest up to £10m in the LAPF and, as a result, £5m was invested in February at current returns of 4.45%. However, in the light of the EU Referendum result, officers and their advisors, Arlingclose, are

considering alternative investment opportunities to balance the risk to this potential exposure. It should be noted that the LAPF is a long-term investment and still provides very good income returns in excess of what could be achieved by alternative investments open to the Council. Any new investment, either in the LAPF or elsewhere, will be subject to due diligence and signed off by the Head of Finance and Governance.

- (iv) *Guildhall income:* permissions to install lighting and heating in the Guildhall have now been secured which should enable the generation of year round income that exceeds current seasonal income.
- (v) *Procurement:* Heads of Service, together with support from the Council's Procurement Officer, have undertaken a procurement review and have identified £250k of savings per annum, by re-tendering for services or by changing the specification. None of these changes will impact directly on service standards. There are, potentially, further opportunities to achieve greater savings, but more work is required to ascertain whether they are realisable.
- (vi) *Asset Replacement Programme:* The Council sets aside £1.4m per annum into the Asset Replacement Fund. This Fund is used to pay for future replacement of assets such as vehicles, premises and major items of equipment etc and the total amount in the fund on 31 March 2016 was £7m. The Head of Finance and Governance has confirmed that the current fund contains sufficient money to replace our current assets over a 25-year period. The Executive Director with support from Heads of Services and managers has undertaken a review which has identified a £198k per annum reduction in the Council's annual contribution to the Asset Replacement Fund by extending life cycles, utilising modern technology and changing specifications etc. Officers have confirmed that these changes will not directly impact the delivery of services.
- (vii) *Succession Planning:* The Chief Executive is proposing to put in place a succession plan for her current management team. This is subject to a separate report to Cabinet in November 2016.

7. Alternatives that have been considered

- 7.1. The Council has the option to use New Homes Bonus (NHB) to fund the budget deficit. At its meeting in December 2012 the Council agreed that, in principle, NHB should be reserved for community and other uses, rather than be used to fund existing services. This policy decision is still in place and, given the uncertainty about future NHB funding, it is not recommended that this source of income is used to fund on-going revenue expenditure. The proposals set out in Appendix 2, if implemented, avoid the need to use NHB to balance the Council's budget.
- 7.2. The five year financial model assumes that Council Tax, for a Band D property, is increased by £5 per annum in 2017/18 and then by 2% thereafter. If the actions set out in this report are taken, Council Tax increases could be limited to

2%. However, if the financial situation was to deteriorate and/or we do not achieve all of the actions set out in the Deficit Reduction Plan, the Council has the option to increase Council Tax by £5 per annum. This would generate £0.94m over the Plan period, and £0.37m per annum by 2021/22. Conversely, if the Council decided to freeze Council Tax from 2018/19 onwards, the reduction in income over the plan period would be £1.62m, and the deficit by 2021/22 would be £0.65m per annum thus requiring us to find further savings. Any decision on increases to Council Tax will be taken on an annual basis as part of the budget setting process.

8. Resource and legal implications

- 8.1. Over the next five years the Council will need to make savings or generate additional income in the region of £2.5m and, if the policy items are approved, this would increase to £3.8m.
- 8.2. There is a legal requirement to have a balanced budget.

9. Consultation

- 9.1. Staff consultation – the Chief Executive produces a monthly staff newsletter and holds briefing sessions to keep staff informed of changes. Regular meetings, including the Joint Employee Consultative Panel (JECP), also take place with the Union and staff representatives on any proposed changes. Additionally, where individual jobs are at risk, the Council's Employment Stability Policy is followed.
- 9.2. Community and Member Consultation – where there is an impact on the community from an individual service review, the community and Members will be consulted.

10. Community impact and corporate risks

- 10.1. It is not possible to predict with absolute certainty what the Council's budget position will be over the next five years. What is clear, however, is that we continue to live in a very uncertain world and things can change quickly, potentially significantly altering our predictions. At the time of writing this report the impact of 'Brexit' on local authority funding and on the wider economy, is still not clear. Over the coming months, as the Government sets out its negotiating position, we hope things will become more apparent. However, it is clear that the Council will need to remain flexible and be in a position to adapt if our predicated budget position should worsen.
- 10.2. Although there are risks that some of our proposals may not be achieved and/or the economy worsens, there are still opportunities to generate additional income or reduce our costs. These are not included in the current Deficit Reduction Plan but, as soon as they have been worked up in sufficient detail these proposals, where appropriate, will be subject to future reports to Cabinet. In addition, some proposals in the Deficit Reduction Plan may generate further savings.

11. Other Implications

| | Yes | No |
|---|-----|----|
| Crime and Disorder | | X |
| Climate Change | | X |
| Human Rights and Equality Impact An equalities impact assessment, where appropriate, will be completed where there are significant changes to the service. | | X |
| Safeguarding and Early Help | | X |
| Other | | X |

12. Appendices

- 12.1. Appendix 1: savings and additional income generated over the last six years
- 12.2. Appendix 2: latest five-year financial model and deficit reduction programme.

13. Background Papers

- 13.1 None

| | Budget Process Identified | | | | | | Total £'000 |
|--|---------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | |
| Support Services | | | | | | | |
| Procurement | 281 | | | | | | 281 |
| Support Services Initiatives | 873 | | | | | | 873 |
| Training | 15 | 31 | | | 34 | | 65 |
| Facilities | | 40 | | 26 | | | 66 |
| Cash Collection | | 20 | | | | | 20 |
| Postage | | 3 | | | 15 | | 18 |
| Radio Communications | | 23 | | | | | 23 |
| Mobile Phones | | 6 | | | | | 6 |
| Financial Services Staffing | | | 10 | | | | 10 |
| Secretarial & Office Support | | | 12 | | 26 | | 38 |
| Estates Contract Payment | | | 3 | | | | 3 |
| Building Services Restructure | | | 60 | | | | 60 |
| Provision of Estates Service to Arun D.C. | | | 9 | 5 | | | 14 |
| ICT Telecoms | | | 25 | 6 | | | 31 |
| ICT Trainer / Helpdesk | | | 30 | | | | 30 |
| ICT Business Continuity | | | 37 | | | | 37 |
| ICT Support Agreements | | | 28 | 43 | | | 71 |
| Withdrawal from Petworth Library | | | | 30 | | | 30 |
| Admin Buildings Utilities | | | | 24 | | | 24 |
| Management Restructure | | | | 114 | 79 | | 193 |
| Legal Services Restructure | | | | 34 | | | 34 |
| Wide Area Network (WAN) | | | | -3 | 9 | | 6 |
| Finance Management System | | | | | 30 | | 30 |
| New Ways of Working | | | | | 70 | 126 | 196 |
| Health & Safety | | | | | 3 | | 3 |
| Public Relations | | | | | 32 | | 32 |
| Pump Priming | | | | | 107 | | 107 |
| HR / Payroll | | | | | 30 | | 30 |
| PA Support | | | | | 16 | | 16 |
| Print Room | | | | | 45 | | 45 |
| Accountancy | | | | | | 83 | 83 |
| Total - Support Services | 1,169 | 123 | 214 | 279 | 496 | 209 | 2,490 |
| Income Generating | | | | | | | |
| Charging | 146 | | | | | | 146 |
| Building Control | 18 | | | | | | 18 |
| Car Parking | 340 | | | | | 97 | 437 |
| Farmers' Market | 10 | | | | | | 10 |
| Vehicle Testing | 35 | | -35 | | | | 0 |
| Shared Fraud Officer | | 19 | | | | | 19 |
| Court Costs | | 20 | | | | | 20 |
| Recycling Credits from WSCC | | | 149 | | | | 149 |
| Car Parks Advertising | | | 10 | | | | 10 |
| Car Parks Sunday charging | | | 180 | | | | 180 |
| Car Parks Franchised services | | | 75 | -45 | | | 30 |
| Car Parks | | | | 120 | | | 120 |
| Car Parks - City Centre | | | | 209 | | | 209 |
| Car Parks - Coastal Car Parks | | | | 89 | | | 89 |
| New charges for chargeable household waste | | | | 19 | | | 19 |
| Planning | | | | 251 | | | 251 |
| Taxi's | | | | 10 | | | 10 |
| Grange Car Park | | | | | 6 | | 6 |
| Estates Investment | | | | | 78 | | 78 |
| Fees and Charges Review | | | | | 145 | | 145 |
| ADC Car Parking - Pay On Foot | | | | | 54 | | 54 |
| Inflation on fees and charges | | | | | 196 | | 196 |
| Income surpluses | | | | | 242 | | 242 |
| Total - Income Generating | 549 | 39 | 379 | 653 | 721 | 0 | 2,438 |
| Front Line Services | | | | | | | |
| Planning | 38 | | | | | | 38 |
| Planning Appeals | 19 | | | | | | 19 |
| Vehicle Funding | 101 | | | | | | 101 |
| Revenues & Benefits | 68 | | | | | 78 | 146 |
| Revenues & Benefits Printing | | | | | | 50 | 50 |
| Westgate (excluding capital contributions) | 299 | | 65 | | | 304 | 668 |
| Grants & Concessions | 250 | | | 17 | | | 267 |
| Planning Enforcement | -10 | | | | | | -10 |
| Careline | 20 | | | | | | 20 |
| CCTV | 47 | | | | | | 47 |
| Public Conveniences | 47 | | | 4 | 98 | 55 | 204 |
| Revenues Supplies & Services | | 8 | | | | | 8 |
| TIC Supplies & Services | | 6 | | | | | 6 |
| Green Waste | | 32 | | 20 | | | 52 |
| Economic Development | | 48 | | | | | 48 |
| Environmental Health | | 90 | | | | | 90 |
| CCS Fleet | | 35 | | | | | 35 |

| | Budget Process Identified | | | | | | Total £'000 | |
|---|---------------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|
| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | | 2016/17 £'000 |
| Youth Engagement | | 1 | | | | | 1 | |
| Engagement Consultation | | 1 | | | | | 1 | |
| Mediation Service | | 8 | | | | | 8 | |
| Waste & Recycling Bins | | 50 | | 15 | | | 65 | |
| Domestic Recycling (Glass) | | 102 | 9 | 20 | | | 131 | |
| Management Restructure | | 113 | | | | | 113 | |
| Disinvestment in Tourism Marketing | | | 138 | | | | 138 | |
| TIC Review | | | 51 | 58 | | | 109 | |
| Disinvestment in Arts & Heritage | | | 90 | | | | 90 | |
| Gum Removal | | | 3 | | | | 3 | |
| Litter/Dog Bin Procurement | | | 10 | | | | 10 | |
| Mini Recycling Sites | | | 17 | | | | 17 | |
| CCTV Telecoms | | | 18 | | | | 18 | |
| Environmental Health - Analyst service | | | 4 | | | | 4 | |
| Environmental Health - Mileage | | | 3 | | | | 3 | |
| Revenues Staffing | | | 107 | | | | 107 | |
| CCS Agency Staff | | | 32 | | | | 32 | |
| Service Development Restructure | | | 21 | | | | 21 | |
| Community Warden | | | 14 | | | | 14 | |
| Park Ranger | | | 5 | | | | 5 | |
| Handy Person Scheme | | | 7 | | | | 7 | |
| Home & Communities Admin Support | | | 10 | | | | 10 | |
| Building & Environment Management Restructure | | | 27 | | | | 27 | |
| Corporate Information Team | | | 7 | | 57 | | 64 | |
| Building Control Management Restructure | | | 4 | | | | 4 | |
| CCS Vehicle Maintenance | | | | 87 | | | 87 | |
| CCS Fuel | | | | 14 | 50 | | 64 | |
| CCS Grounds Maintenance | | | | 40 | 60 | | 100 | |
| Other CCS various savings | | | | 10 | | | 10 | |
| Management Restructure | | | | 37 | 217 | | 254 | |
| Housing Benefits Staffing | | | | 34 | | | 34 | |
| Emergency Planning | | | | 4 | 15 | | 19 | |
| Chichester Business Improvement District | | | | 14 | | | 14 | |
| Democratic Services Printing | | | | | | 18 | 18 | |
| Electoral Services Staffing | | | | | 21 | | 21 | |
| Disabled Facilities Grants | | | | | | | 0 | |
| Welfare Reform | | | | | 100 | | 100 | |
| Discretionary Housing Payments | | | | | 38 | | 38 | |
| City In Bloom | | | | | 7 | | 7 | |
| Energy Efficiency | | | | | 5 | | 5 | |
| Homelessness Prevention | | | | | 30 | | 30 | |
| CCS Round Reconfiguration | | | | | 40 | | 40 | |
| CCS Street Cleaning Staffing | | | | | 30 | | 30 | |
| TIC Opening Hours | | | | | 8 | | 8 | |
| Foreshores | | | | | 14 | | 14 | |
| Housing Register | | | | | 10 | | 10 | |
| Health Development Staffing | | | | | 20 | | 20 | |
| Total - Front Line Services | 879 | 494 | 642 | 374 | 820 | 55 | 450 | 3,714 |
| Total Savings | 2,597 | 656 | 1,235 | 1,306 | 2,037 | 264 | 547 | 8,642 |

5 Year Financial Model

| | | 5 | 5 | 0.02 | 0.02 | 0.02 | 0.02 |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Council Tax Increase | | | | | | |
| | 06/07/2016 | | | | | | |
| | | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Budget (including NHB) | | 15,325 | 13,583 | 13,588 | 13,593 | 14,098 | 14,603 |
| NHB (assumed to reduce beyond 2016/17) | | 3,666 | 2,500 | 2,000 | 1,500 | 1,500 | 1,500 |
| Budget (excluding NHB) | | 11,659 | 11,083 | 11,588 | 12,093 | 12,598 | 13,103 |
| <i>(expenditure less fees from income)</i> | | | | | | | |
| Funding: | | | | | | | |
| Revenue Support Grant | | (830) | (190) | - | - | - | - |
| Rural Grant | | (188) | (152) | (117) | (152) | - | - |
| RSG Transition Grant | | (93) | (93) | - | - | - | - |
| Retained Business Rates (National Non-Domestic Rates) | | (3,013) | (2,100) | (2,160) | (2,230) | (2,300) | (2,370) |
| NNDR tariff adjustment | | - | - | - | 620 | 620 | 620 |
| Total Government Settlement (excluding NHB) | | (4,124) | (2,535) | (2,277) | (1,762) | (1,680) | (1,750) |
| Balance funded by Council Tax Payers | | | | | | | |
| Council Tax | | (7,535) | (7,791) | (8,024) | (8,266) | (8,512) | (8,769) |
| Council Tax Freeze Grant | | - | - | - | - | - | - |
| Council Taxbase Growth (@ 1%) | | - | (75) | (80) | (80) | (85) | (85) |
| Deficit after Gov. Funding & Council Tax | | - | 682 | 1,207 | 1,985 | 2,321 | 2,499 |
| Policy Decisions | | | | | | | |
| Increased Recycling Targets | | | | 400 | 800 | 800 | 800 |
| Grants funding (grants into base after reserve exhausted) | | | | | | 175 | 175 |

| | | | | | | |
|--|----------|----------------|----------------|----------------|----------------|----------------|
| Tourism Support | | 50 | 50 | 50 | 50 | 50 |
| Staffing cost pressures | | 300 | 300 | 300 | 300 | 300 |
| Deficit after policy & cost pressures | - | 350 | 1,957 | 3,135 | 3,646 | 3,824 |
| Planned Savings | | | | | | |
| Business Improvement Board | | (50) | (50) | (50) | (50) | (50) |
| Commercial Board (excluding Leisure) | | (210) | (332) | (505) | (647) | (647) |
| - Westgate - (balance of savings in addition to £304k in 16/17) | | (728) | (1,070) | (1,143) | (1,119) | (1,076) |
| Infrastructure Board | - | - | - | - | - | - |
| Temporary funding (16/17 only) for management posts x2 at Depot | | (104) | (104) | (104) | (104) | (104) |
| Depot Management restructure | | | | (50) | (50) | (50) |
| Green Waste Expansion | | | (50) | (100) | (100) | (100) |
| Property Fund (assuming £10m @ 4%) | | (400) | (400) | (400) | (400) | (400) |
| Guildhall income | | 27 | (10) | (17) | (25) | (40) |
| Procurement Review (based on high spend contracts) | | | (250) | (250) | (250) | (250) |
| ARP review | | | (198) | (198) | (198) | (198) |
| Succession Planning | | | (109) | (109) | (231) | (231) |
| Novium Review | | | (50) | (100) | (150) | (200) |
| Support costs (target for shared support services - 10% of cash items) | | | (200) | (408) | (408) | (408) |
| Withdrawal of Parish CTR grant | | (43) | (86) | (128) | (128) | (128) |
| Total Planned Savings | - | (1,465) | (2,823) | (3,434) | (3,732) | (3,882) |
| Projected deficit / (surplus) | - | (1,115) | (866) | (299) | (86) | (58) |

Agenda Item 8

Chichester District Council

THE CABINET

6 September 2016

Bosham Parish Neighbourhood Development Plan

1. Contacts

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2. Recommendations

- 2.1. **That the Cabinet gives its approval for the Decision Statement as set out in the appendix to this report to be published.**
- 2.2. **That the Cabinet gives its approval to the examiner's recommendation that subject to modifications as set out in the Decision Statement the Neighbourhood Development Plan proceeds to a referendum be approved.**

3. Background

- 3.1. The examination into the Bosham Parish Neighbourhood Plan Submission Plan has now been completed and the examiner's report published. The examiner's summary and conclusion at the beginning of the report is of particular note as it clearly sets out the examiner's general findings.
- 3.2. The examiner has carefully considered the contents of the Bosham Neighbourhood Plan in relation to the requirements of the Basic Conditions. In order to ensure the Neighbourhood Plan meets these requirements the examiner recommends a number of modifications that should be made to the Plan. Subject to the inclusion of these modifications (which includes the deletion of Policy 2 – Housing Allocations along with revisions to the wording and content of other policies and text), she finds that the Plan would meet the Basic Conditions.
- 3.3. The most significant amendment to the Bosham Neighbourhood Plan, recommended by the examiner, relates to the deletion of Policy 2 – Housing Allocations. The examiner has given careful consideration to this policy and sets out her detailed reasoning and justification for this recommended change in her report ([paragraphs 40 to 66](#)). Paragraph 53 is of particular relevance as it sets out the examiner's fundamental concern relating to the Neighbourhood Plan's identification of housing sites in the Area of Outstanding Natural Beauty (AONB). It is on this basis that she recommends the deletion of Policy 2 to meet the Basic Conditions.

- 3.4. In making such a significant recommendation the examiner acknowledges not only the hard work of local people in producing the Neighbourhood Plan, but also their likely disappointment with such a change. Her summary states that it is important to note that local people will still be able to get involved with the process of identifying sites to be allocated in the Council's Site Allocation Development Plan Document (DPD). In this regard a site has now been identified as part of that process and is included in the further consultation on the DPD.
- 3.5. On the basis that the Plan is amended to accommodate the identified modifications to ensure it meets the Basic Conditions, the examiner then goes on to recommend that the draft Plan as modified should be submitted for referendum.
- 3.6. The Decision Statement (attached as an appendix to this report) sets out the examiner's recommended modifications along with the justification for each of them. This Decision Statement has been produced and agreed jointly with Bosham Parish Council.
- 3.7. It is also the examiner's role to consider the referendum area and whether or not it is appropriate if the Plan is to proceed to referendum. In this respect the examiner considers that the referendum area should extend to the Plan area, comprising the parish boundary in accordance with the designated area as confirmed on 18 March 2013.

4. Outcomes to be Achieved

- 4.1. That the Decision Statement for the Bosham Parish Neighbourhood Plan is agreed for publication and that the Plan, subject to the modifications set out in the Decision Statement, proceeds to referendum.

5. Proposal

- 5.1. In the light of the examiner's recommendation, it is proposed that the Decision Statement is agreed for publication. It is further proposed that the Bosham Parish Neighbourhood Plan should be modified as set out in the Decision Statement and should then proceed to referendum.

6. Alternatives Considered

- 6.1. The examiner has recommended amendments to the Neighbourhood Plan to meet the basic conditions. These amendments are acceptable and, therefore, with these in place the Neighbourhood Plan can move forward to referendum. There may also be a negative community impact if the Bosham Neighbourhood Plan is not agreed to proceed to referendum. The Parish and community may lose confidence in the neighbourhood planning process. Consequently, the alternative to not proceed to referendum is not recommended.

7. Resource and Legal Implications

- 7.1. The referendum will incur appropriate costs in line with the Council's duties and procedures. These costs will be met through existing budgets.
- 7.2. There are no legal implications beyond those set out in the body of the report.

8. Consultation

8.1. Bosham Parish Council and the local members have been involved in the completion of the Decision Statement and have agreed its contents.

9. Community Impact and Corporate Risks

9.1. The Bosham Parish Neighbourhood Plan, subject to successful referendum, will, in all likelihood become a 'made' plan and form part of the development plan for the area. As such it will be beneficial to the local community and allow them to influence the way in which the area is developed.

10. Other Implications

| | |
|---|------|
| Crime and Disorder | None |
| Climate Change | None |
| Human Rights and Equality Impact | None |
| Safeguarding and Early Help | None |
| Other - please specify eg biodiversity | None |

11. Appendix

11.1 Bosham Parish Neighbourhood Plan Decision Statement

12. Background Papers

12.1. None



Chichester District Council Local Planning Authority

Bosham Parish Neighbourhood Plan 2014-2029

DECISION STATEMENT

1. Introduction

- 1.1 Under the Town and Country Planning Act 1990 (as amended), the Council has a statutory duty to assist communities in the preparation of Neighbourhood Plans and Orders and to take plans through a process of examination, referendum and adoption. The Localism Act 2011 (Part 6 Chapter 3) sets out the local planning authority's responsibilities under Neighbourhood Planning.
- 1.2 This report confirms that the modifications proposed by the examiner's report have been accepted, the draft Bosham Parish Neighbourhood Plan has been altered as a result of it and that this plan may now proceed to referendum.

2. Background

- 2.1 The Bosham Parish Neighbourhood Development Plan relates to the area that was designated by Chichester District Council as a neighbourhood area on 18 March 2013. This area is coterminous with the Bosham Parish Council boundary that lies within the Chichester District Council local planning authority area.
- 2.2 Following the submission of the Bosham Parish Neighbourhood Plan to the Council, the plan was publicised and representations were invited. The publicity period ended on 9 October 2015.
- 2.3 Ms Janet Cheesley was appointed by Chichester District Council, with the consent of Bosham Parish Council, to undertake the examination of the Bosham Parish Neighbourhood Plan and to prepare a report of the independent examination.
- 2.4 The examiner's report concludes that, subject to making modifications recommended by the examiner, the Plan meets the basic conditions set out in the legislation and should proceed to a Neighbourhood Plan referendum.
- 2.5 Having considered each of the recommendations made in the examiner's report, and the reasons for them, the Parish Council has decided to make the

modifications to the draft plan referred to in Section 3 below, to ensure that the draft plan meets the basic conditions as set out in the legislation.

3. Decision

3.1 The Neighbourhood Planning (General) Regulations 2012 require the local planning authority to outline what action to take in response to the recommendations of an examiner made in a report under paragraph 10 of Schedule 4A to the 1990 Act (as applied by Section 38A of the 2004 Act) in relation to a neighbourhood development plan.

3.2 Having considered each of the recommendations made by the examiner's report, and the reasons for them, Chichester District Council in consent with Bosham Parish Council, has decided to accept the modifications to the draft plan. Table 1 below outlines the alterations made to the draft plan under paragraph 12(6) of Schedule 4B to the 1990 Act (as applied by Section 38 A of the Act) in response to each of the examiner's recommendations and the justification for them.

Table 1: Recommendations by the Examiner agreed by Chichester District Council in consent with Bosham Parish Council

| POLICY | MODIFICATION RECOMMENDED | JUSTIFICATION |
|-----------------------------------|--|--|
| Paragraph 5.8 | <p>Modification to paragraph 5.8 to read as follows: The BPNP planning policies should be taken into account by developers, decision-makers and stakeholders alike with regard to what is acceptable development within the Parish.</p> | In the interests of precision |
| Policy 1. The Settlement Boundary | <p>Modification to Policy 1 to read as follows:</p> <p>(A) Within the Settlement Boundary there is a presumption in favour of sustainable development that will apply to proposals for developments that respect the setting, form and character of the settlement of Bosham/ Broadbridge and which comply with the requirements of the other policies of the development plan.</p> <p>(B) Outside of the Settlement Boundary development will not be permitted unless:</p> <p>(i) it is specifically and expressly supported by another policy of the</p> | To meet the Basic Conditions, particularly regarding general conformity with strategic policy. |

| | | |
|--|--|-------------------------------|
| | <p>development plan and complies with all other policy requirements of the development plan; or</p> <p>(ii) it is sustainable development that significantly contributes to the strategic aims, and complies with all other policy requirements of the development plan but which is of a type that could not reasonably be located within the Settlement Boundary.</p> | |
| Policy 2. Housing Allocations | Recommend the deletion of Policy 2 and subsequent resultant editing. | To meet the Basic Conditions |
| Policy 3. Criteria for Housing Development | <p>Modification to the notes accompanying Policy 3, (as revised in an email from BPC dated 12 October 2015), as stated in the preceding paragraphs (Examiner’s report paras 74-88) and modification to Policy 3 to read as follows:</p> <p>Housing development must:</p> <p>(i) provide at least the <i>required percentage</i> of the total number of dwellings as <i>affordable housing</i> (as defined in the NPPF) with a mix of tenure types designed to meet the housing needs of individuals, couples and, or, families on the CDC Housing Register with a proven local connection to the Parish of Bosham;</p> <p>(ii) provide a balanced mix of market housing in keeping with, and wherever possible enhancing, the character of adjacent residential areas;</p> <p>(iii) use locally common materials wherever possible and provide for optimum Broadband connectivity;</p> <p>(iv) be designed within a layout that observes high standards of spatial design including green spaces and gardens which make and maintain provision for locally naturalised flora, fauna and wildlife; provision for locally naturalised flora, fauna and wildlife;</p> <p>(v) be designed to minimise any increase in the generation of vehicular traffic and provide safe and convenient access and links to all local services for pedestrians</p> | To meet the Basic Conditions. |

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| | <p>and cyclists;</p> <p>(vi) demonstrate that the local road network can safely accommodate the development and that there is safe vehicular access to the site; any highways improvements necessary to make the development acceptable in terms of pedestrian or vehicular safety, traffic management or the mitigation of potential congestion must be provided either as part of the development itself or by a highways agreement and/or by planning obligations;</p> <p>(vii) must make suitable provision appropriate in scale and extent to meet local requirements arising from the development, whether on-site or via the Community Infrastructure Levy (CIL), for increased education facilities, for green infrastructure and for public open space;</p> <p>(viii) must comply with all the requirements of BPNP Policy 9 - 'Flooding and Drainage';</p> <p>(ix) must comply with BPNP Policy 6 - Conservation of the Historic Environment, including archaeological investigation of the site prior to development where necessary.</p> | |
| <p>Policy 4. Commercial and Economic Development</p> | <p>Recommend:</p> <p>inclusion of a Map identifying the principal employment sites; and</p> <p>modification to Policy 4 to read as follows:</p> <p>(A) The <i>principal employment sites</i> in the Parish, those at Southfield Industrial Park and Broadbridge Business Centre (Delling Lane); Brooks Green Farm (north of the railway line); Church Farm Business Parks (Old Park Lane) and Highgrove and Ham Farms (Main Road) as shown on Map [xx] should be maintained as employment land.</p> <p>(B) An exception to (A) above, is where it has been demonstrated (in terms of the evidence requirements accompanying Local Plan Policy 26) that the site is no longer required and is unlikely to be re-used or redeveloped for employment purposes.</p> | <p>To meet the Basic Conditions.</p> |

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| | <p>(C) Proposals to upgrade, modernise or make more efficient use of space within any of the <i>principal employment sites</i> under (A) will be supported provided the development is entirely contained within the existing site and involves no material adverse effect on neighbouring residential amenity or on wildlife, landscape or the historic environment.</p> <p>(D) Outside of the <i>principal employment sites</i> small-scale commercial development for 'B1' business and light industrial uses will be supported where:</p> <p>(i) the development is within the Settlement Boundary and of a scale and design that does not conflict with, or adversely affect the residential amenity of, nearby dwellings; or</p> <p>(ii) it involves the redevelopment of existing industrial or agricultural buildings and is of a design which conserves or enhances the landscape impact of the existing development without increasing its overall scale and which involves no material adverse effect on any neighbouring residential amenity or on wildlife, landscape or the historic environment.</p> | |
| <p>Policy 5. Community Facilities</p> | <p>Recommend:</p> <p>Inclusion of references to the Village Hall (subject to clarification of the requirements for the Village Hall) and education provision within Section 6 Infrastructure, and elsewhere in the text of the Plan as appropriate; and</p> <p>modification to Policy 5 to read as follows:</p> <p>(A) Any new development leading to the loss of an <i>existing community facility</i> (including the primary school, nurseries, village or community halls, other meeting places and pubs) will not be supported unless it can be demonstrated that:</p> <p>(i) there is no longer any need or demand for the <i>existing community facility</i>; and the <i>existing community facility</i> is no longer</p> | <p>To meet the Basic Conditions.</p> |

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| | <p>economically viable as such, with the premises having been marketed for a reasonable period of time; or</p> <p>(ii) the proposal makes alternative provision for the relocation of the existing community facility to an equally or more appropriate and accessible location within the Parish which complies with the policies of the BPNP.</p> <p>(B) Any proposal for the extension of Bosham Primary School or its relocation to an alternative site nearby will be considered favourably, subject to compliance with policies of the BPNP.</p> <p>(C) Other proposals for new community facilities of an appropriate scale that comply with BPNP policies will be supported.</p> | |
| <p>Policy 6. Conservation of the Historic Environment</p> | <p>Recommend:</p> <p>The deletion of ‘important’ from paragraph 5.14.9;</p> <p>Inclusion of a Map in the Plan and cross reference to the map showing the areas identified in B (v); and</p> <p>Modification to Policy 6 to read as follows:</p> <p>(A) Any new development must recognise, respect, conserve or enhance and seek to better reveal the local distinctiveness and character of the historic environment and its designated and non-designated heritage assets and the setting of those assets including:</p> <p>(i) sites and areas of archaeological importance or potential;</p> <p>(ii) listed buildings;</p> <p>(iii) buildings within the Bosham Conservation Area;</p> <p>(iv) other historic or locally significant buildings or structures including locally listed and positive buildings as defined in the Bosham Conservation Area Character Appraisal and Management Proposals (Review) 2013;</p> | <p>To meet the Basic Conditions.</p> |

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| | <p>(v) historic and cultural landscapes including streams and ancient woodland.</p> <p>(B) New buildings and extensions within the Bosham Conservation Area must:</p> <p>(i) be of a design, and in the use of materials be, in keeping with the local historic built vernacular;</p> <p>(ii) maintain and enhance views of the historic waterfront and of listed buildings within the Conservation Area;</p> <p>(iii) provide parking in accordance with the West Sussex guidelines and the Car Parking Demand Calculator;</p> <p>(iv) respect and maintain the historic layout and setting of the High Street, the Churchyard, Quay Meadow and the Trippet footpath, as identified on Map [xx].</p> | |
| Policy 7. Landscape and the Environment | <p>Recommend modification to paragraph 5.15.4 to include the list of the principal and most significant views across the area identified in paragraph A15 in The Landscape and Visual Assessment Report (November 2013) and cross reference to this list in Policy 7 criterion (iv).</p> | In the interest of clarity, to meet the Basic Conditions. |
| Policy 9. Flooding and Drainage | <p>Recommend:</p> <p>Modification to maps on pages 52 and 53 to remove the SHLAA base or deletion of these maps; and</p> <p>modification to Policy 9, including deletion of criteria (D), to read as follows:</p> <p>(A) Flood risk and the effects of flooding will be taken into account in the determination of all development proposals. New development in areas at risk of flooding as identified by the Environment Agency flood risk maps must:</p> <p>(i) meet the sequential and exception test (where required) specified in the NPPF;</p> <p>(ii) include a site-specific flood risk assessment which demonstrates that all elements of the development will be safe</p> | In the interest of clarity, to meet the Basic Conditions. |

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| | <p>without increasing flood risk elsewhere, and, where possible, will reduce flood risk overall;</p> <p>(iii) incorporate specific requirements of the site in the provision of protection, resilience and resistance measures appropriate to the character of the area;</p> <p>(iv) not result in the coastal squeeze of any designated sites or prevent managed realignment designed to protect any designated sites;</p> <p>(v) identify appropriate adaptation and mitigation measures;</p> <p>(vi) ensure appropriate flood warning and evacuation plans are in place;</p> <p>(vii) include site drainage systems designed to take account of events which exceed the normal design standard; and</p> <p>(viii) comply with (B) and (C) below.</p> <p>(B) All new build development (excluding minor extensions) must include a suitable sustainable drainage system (SuDS) disposing of rainwater into the ground (unless it is proven that SuDS are not appropriate) (and not the sewer) including arrangements for the whole life management and maintenance, the detail of which must be approved in writing by Chichester District Council before any planning permission will be granted.</p> <p>(C) All new development, where appropriate, must provide a connection to the nearest point of adequate capacity in the existing sewerage network to ensure that the additional net flow is capable of being managed in balancing arrangements. Full details of these arrangements including connection to the sewerage network must be approved in writing by Southern Water and the Environment Agency before any planning permission will be granted.</p> | |
| Policy 10. Transport | Recommend modification to Policy 10, including deletion of criteria (iii), to read as follows: | To meet the Basic Conditions. |

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| | <p>With particular regard to the rural highway network of the Parish and the pressing need to maximise highway safety and minimise any increase in vehicular traffic all development must:</p> <p>(i) be located and designed to minimise additional traffic generation and movement; and</p> <p>(ii) provide any necessary improvements to site access and the highway network arising from the development either directly or by financial contributions.</p> | |
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4. Conclusion

- 4.1 The Authority (Chichester District Council) confirms that the Bosham Parish Neighbourhood Development Plan 2014-2029, as revised, meets the basic conditions mentioned in paragraph 8(2) of Schedule 4B to the Town and Country Planning Act and complies with the provisions made by or under Sections 38A and 38B of the Planning and Compulsory Purchase Act 2004. The Bosham Parish Neighbourhood Plan can now proceed to referendum.
- 4.2 It is recommended that the Bosham Parish Neighbourhood Development Plan 2014-2029 should proceed to referendum based on the neighbourhood area defined by Chichester District Council on 18 March 2013.
- 4.3 This decision has been made according to the advice contained in the above report in response to the recommendations of the examiner made in a report under paragraph 10 of Schedule 4B to the 1990 Act (as applied by Section 38A of the 2004 Act) in relation to the Neighbourhood Development Plan.

Chichester District Council

THE CABINET

6 September 2016

Review of Character Appraisal and Management Proposals for Chichester Conservation Area and Implementation of Associated Recommendations

1. Contacts

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2. Executive Summary

This report seeks approval of the revised conservation area character appraisal and management proposals for Chichester Conservation Area, changes to the conservation area boundary and implementation of Article 4 directions to control small scale changes to the fronts of unlisted residential buildings to preserve the character of Chichester Conservation Area.

3. Recommendation

- 3.1. That the revised Character Appraisal and Management Proposals for Chichester Conservation Area, attached at Appendix 2 to this report, be approved as a material consideration in relevant planning decisions.
- 3.2. That, subject to further consultation with residents of Oving Road, Guilden Road, Green Lane, Russell Street, Cambrai Avenue, St James Road, Bognor Road, Whyke Lane and Whyke Road, the Head of Planning Services be authorised following consultation with the Cabinet Member for Housing and Planning and respective ward members to approve the implementation of the boundary changes shown on the maps at Appendix 3.
- 3.3. That the implementation of an “Immediate” Article 4 direction to cover minor alterations, as set out in Appendix 4 to this report, to the principal elevations of dwellings within Chichester Conservation Area, as amended, be approved.
- 3.4. That the implementation of a “non-immediate” Article 4 direction to cover installation of solar panels on the principal elevations and roof pitches of buildings within the Chichester Conservation Area, as amended, as set out in Section 7 below be approved.
- 3.5. That decisions to confirm and implement the directions referred to in 3.3 and 3.4 above be taken by the Head of Planning Services following consultation with the Cabinet Member for Housing and Planning and ward

members for the Chichester Conservation Area within six months of the Directions being made.

- 3.6. That an assessment of the Summersdale area to assess its potential for conservation area designation, raised by a number of respondents to the Chichester Conservation Area consultation, be undertaken in connection with the future review and appraisal of the Graylingwell Conservation Area.**

4. Background

- 4.1. The Council has a duty under present legislation to designate those areas of Chichester District, outside the South Downs National Park, considered to have outstanding historic or architectural interest as conservation areas and keep those designations under review. A programme for preparation and review of conservation area character appraisals within Chichester District outside the National Park was set out in 2012. That programme identified that reviews be undertaken of Tangmere, Selsey and Chichester conservation area appraisals as a priority.
- 4.2. The review of Tangmere was completed in 2014. With respect to Selsey the review is well-underway but officers are currently engaged in further consultation with the Town Council. With respect to Chichester conservation area, the work on the appraisal review has now been completed, including an appraisal of a proposed new Character Area covering Whyke.
- 4.3. This report seeks approval of the revised appraisal document for Chichester conservation area and for the implementation of the recommendations in respect of changes to the conservation area boundary and implementation of Article 4 Directions.

5. Outcomes to be achieved

- 5.1. Comprehensive and up-to-date coverage of character appraisals and management proposals for the District's conservation areas in accordance with the approved programme.

6. Proposal

- 6.1. The original Conservation Area Character Appraisal for Chichester was published in March 2005. Historic England's guidance recommends that conservation area appraisals should be subject to review to ensure that they are up to date and relevant as planning policy documents. The more up-to-date an appraisal is the greater the weight that can be attached to it, for example at planning appeals.
- 6.2. The appraisal has been reviewed in compliance with the National Planning Policy Framework (NPPF) and in accordance with guidance contained in Historic England advice note 1: Conservation Area Designation, Appraisal and Management (February 2016). The consultation draft of the revised appraisal document is attached at Appendix 1, with the changes to the existing appraisal highlighted. Further changes have been made following the public consultation and the post-consultation version of the document is attached at Appendix 2

with the further revisions made in response to representations received highlighted with new text in red and removed text shown struck through. The final published documents will be illustrated with photographs and historic maps in a similar way to the original appraisal documents.

- 6.3. As part of the appraisal process, the existing conservation area boundary was reviewed and a number of suggestions for changes to the boundary to include additional areas and in some cases remove areas were made.
- 6.4. The need for additional planning controls was also reviewed and recommendations for additional controls through the implementation of Article 4 Directions were made in respect of all three areas.
- 6.5. The suggested boundary changes and recommendations for use of Article 4 Directions were included in the public consultation exercise and they are now recommended, as amended, to the Cabinet for approval.
- 6.6. Details of the proposed boundary changes including justification for the proposed changes are included within the appraisal documents and shown on the Townscape Analysis maps at Appendix 3 to this report. Details of the Article 4 Directions are attached at Appendix 4 to this report
- 6.7. Once approved by the Council, the revised conservation area appraisal will replace the existing appraisal document and be used as a material consideration in planning decisions. If approved, the boundary changes and Article 4 Directions will be implemented in accordance with statutory procedures including advertisement in the local press and London Gazette.
- 6.8. The published version of the Appraisal will include illustrations and updated photographs, similar to the existing documents and the final versions of the townscape appraisal maps will include important trees and tree groups that contribute to the special character of the conservation area.
- 6.9. The documents also provide a useful evidence base available to local communities who wish to take forward their own proposals such as Village Design Statements, Community Led Plans and Neighbourhood Plans.

7. Article 4 Directions

- 7.1. The former Executive Board previously agreed an approach to the implementation of Article 4 Directions in which the need for additional planning controls is assessed when reviewing conservation areas and their appraisals and management proposals.
- 7.2. In accordance with this approach the need for additional planning controls over minor alterations to buildings within the conservation area was identified. Directions can be immediate or non-immediate; the former comes into immediate effect when made and is specific to conservation areas and only applies to a limited range of permitted development rights in respect of the front of residential buildings within conservation areas. A non-immediate Direction is one which does not come into force at the point at which it is made – rather, it comes into force on a date to be determined by the Council.

- 7.3. Prior to April 2010, non-immediate directions required confirmation by the Secretary of State. However, the Council can now confirm such directions after taking certain procedural steps, which include undertaking publicity and a public consultation exercise and consideration of any representations received as a result, subject to the Secretary of State coming to the view that he does not wish to decide whether the direction should be confirmed.
- 7.4. Advice on the use of Article 4 Directions is included in the National Planning Practice Guidance (NPPG) and this indicates the use of Article 4 should be limited to situations where this is necessary to protect local amenity or the wellbeing of the area. The potential harm that the direction is intended to address should be clearly identified.
- 7.5. Following an amendment to Part 40 of the General Permitted Development Order (GDPO) in December 2011 the provision of solar panels on any roof slope of a dwellinghouse became permitted development within a Conservation Area. However, Part 40 is not included within the limited range of permitted development rights that can be controlled through an immediate Article 4 Direction. It is therefore necessary to make a separate non-immediate Article 4 Direction to withdraw permitted development rights under Part 40, Class A of the GPDO in order to protect the character of the roof slopes from inappropriate development of solar panels. This does not mean that solar panels will not be permitted within the Conservation Area, but that a planning application would be required in order to assess their position and their impact upon the special character and amenity of the area, seeking where possible the best alternative.
- 7.6. In response to consultation on the use of Article 4 Directions within the Chichester conservation area, the following responses were received:-

| Chichester Conservation Area | | | |
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| No of Representations | Numbers supporting use of Article 4 | Neutral | Numbers against |
| Painting the exterior of buildings | | | |
| 49 | 41 | 4 | 4 |
| Removal of chimneys | | | |
| 49 | 42 | 5 | 2 |
| Solar panels and satellite dishes on fronts of buildings | | | |
| 49 | 45 | 3 | 1 |
| Alterations to front roof pitches | | | |
| 49 | 45 | 3 | 1 |
| Replacement windows and doors | | | |
| 49 | 46 | 2 | 1 |
| Construction of Porches | | | |
| 49 | 44 | 4 | 1 |
| Removal of front boundaries and paving over front gardens | | | |
| 49 | 45 | 3 | 1 |

- 7.7. It is therefore recommended that the Council proceeds to implement immediate and non-immediate Article 4 Directions as set out in Appendix 4 to this report on the whole of the Chichester conservation area, as amended and that decisions on whether to confirm the immediate Direction and implement the non-

immediate Direction be taken in light of any further representations received during the formal consultation period.

8. Alternatives Considered

- 8.1. The alternative would have been to do nothing and rely on the existing appraisal document and issue errata sheets to cover any inaccuracies in the document. As a result the existing appraisal document would gradually become increasingly out-of-date which could weaken the Council's case in defending against inappropriate proposals that could potentially harm the character of the conservation area. Not implementing Article 4 Directions could lead to gradual erosion of character of the conservation area through small scale alterations to unlisted buildings within these areas.

9. Resource and Legal Implications

- 9.1. The review of the appraisal has been undertaken in-house with existing staff resources with external assistance from members of the Chichester Conservation Area Advisory Committee. There will be costs in relation to advertising the conservation area changes and issuing notices in relation to the Article 4 Directions which will be met from existing budget resources.
- 9.2. The Planning (Listed Buildings and Conservation Areas) Act 1990 imposes duties on local planning authorities to designate as Conservation Areas and from time to time to formulate and publish proposals for their preservation and enhancement.
- 9.3. Article 4 of the Town and Country Planning (Permitted Development) Order, as amended in April 2010, provides the Council (or the Secretary of State for Communities and Local Government) with the power to make a direction in a specified area which can remove some or all of permitted development rights which would otherwise be available.

10. Consultation

- 10.1. The preparation of the documents involved area surveys including a walkabout with representatives of Chichester City Council and the Chichester Conservation Area Advisory Committee and desktop research undertaken between July 2014 and December 2015.
- 10.2. The draft appraisal and management proposals and recommendations for modification of the existing conservation area boundary and Article 4 Directions were made the subject of public consultation exercises between 22 April and 3 June 2016. A public exhibition was held on 22 and 23 April 2016 at the Council House, North Street and was subsequently relocated to the District Council Offices reception area. Copies of the appraisal document, including maps and exhibition displays were also made available on the Council's website. Questionnaires were provided on which comments could be recorded and representations were also made by e-mail and letter to the Conservation and Design Team.
- 10.3. A number of changes to the documents have been made in response to the representations received. Approval is now being sought for the amended version of the document attached at Appendix 2 to this Report. Details of the

representations received, the responses to them and changes made to the documents as a result are included at Appendix 5 to this report.

- 10.4. In response to consultation a number of additional areas were put forward for inclusion in the conservation area. A further review of these areas has been undertaken and further boundary changes are now proposed. These are detailed in the maps attached to Appendix 3 to this report.
- 10.5. The University of Chichester raised a specific objection to the proposed extension covering parts of the Campus where surviving elements of the Bridgewater Shepheard Epstein master plan focused on the locally listed Chapel building. In response to this a review was embarked on and further research undertaken into the history of the University and the Bridgewater Shepheard Epstein Proposals which are remarked upon in Pevsner. As a consequence of this review the extent of the proposed extension has been reduced and further justification has been incorporated into the text of the appraisal document.

11. Community Impact and Corporate Risks

- 11.1. The main implications arising from this report and potential risks to the Council achieving its objectives are assessed to be as follows:-
 - a) Positive (Opportunities/Benefits): Delivery of corporate objectives; raise the quality of development in the rural areas; meet statutory obligations in relation to conservation area management
 - b) Negative (Threats): Raised expectations, as whilst the appraisal will be a material consideration in the development management process, it will not carry the full weight of a supplementary planning document.
- 11.2. Withdrawal of permitted development rights by Article 4 may give rise to potential compensation claims against the Council if an application is refused or approved with conditions other than those imposed by the General Permitted Development Order. Under Section 108 of the Town and Country Planning Act 1990, any person who has an interest in the land in question may, after planning permission has been refused, which would normally have been permitted development before the Article 4(2) direction was introduced, seek compensation for abortive expenditure, or for loss or damage directly attributable to the withdrawal of permitted development rights.
- 11.3. However, the legislation regarding compensation has changed reducing local authorities' liability to pay compensation where they make Article 4 Directions as follows:
 - With respect to non-immediate Directions where 12 months notice is given in advance of a direction taking effect there will be no liability to pay compensation; and
 - With respect to immediate Directions, compensation will only be payable in relation to planning applications which are submitted within 12 months of the effective date of the direction and which are subsequently refused or where permission is granted (and is subject to more limiting conditions than the General Permitted Development order allows).

- 11.4. The Council is in a position to control its exposure to the risk of claims at the time it deals with the planning applications, rather than at the time it makes the Direction, by negotiating or ultimately granting planning permission.
- 11.5. It should be noted that Article 4 Directions implemented in respect of Tangmere, South Harting, Wisborough Green, Boxgrove, Halnaker, West Itchenor, Bosham, Earnley and Somerley have now been in place for a number of years and we have not experienced any significant problems.

12. Other Implications

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| Crime and Disorder | None |
| Climate Change | None |
| Human Rights and Equality Impact | None |
| Safeguarding and Early Help | None |

13. Appendices

- 13.1. *Appendix 1* Pre-consultation draft appraisal with tracked changes (not printed as part of these agenda papers but available in the committee papers section of Chichester District Council's website and as a hard copy in the Members Room)
- 13.2. *Appendix 2* Suggested text of the Chichester conservation area appraisal and management proposals with post-consultation tracked changes
- 13.3. *Appendix 3* Character Area Maps showing extent of proposed boundary changes to Chichester conservation area
- 13.4. *Appendix 4* Details of proposed Article 4 directions
- 13.5. *Appendix 5* Details of representations received in response to the public consultation exercise and responses to them (not printed as part of these agenda papers but available in the committee papers section of Chichester District Council's website and as a hard copy in the Members Room)

14. Background Papers

- 14.1 Existing Conservation Area Character Appraisal for Chichester
- 14.2 Report on review of proposed boundary changes at Bishop Otter Campus University of Chichester
- 14.3 University response to revised extension to Chichester conservation area in relation to Bishop Otter Campus University of Chichester
- 14.4 Historic England Advice on proposed extension to Chichester conservation area in relation to Bishop Otter Campus University of Chichester

Chichester District Council

THE CABINET

6 September 2016

Overarching Investment Opportunities Protocol

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2. Executive Summary

This report describes proposals for implementing an Investment Protocol to preserve and improve the financial and other resources available to the Council. The Protocol aims to generate revenue income from capital investment, and is a direct response to the prospect of dwindling central government funding in future years.

The Protocol sits within, and adopts the principles incorporated in the Council's corporate Asset Management Plan in respect of land and property transactions. However, as well as land and property, the Protocol is open to other forms of investment opportunity to the extent that they support and promote other Council policies, plans and priorities.

To fund investment opportunities as they arise, the Investment Protocol will draw upon the newly established Investment Opportunities Reserve, supplemented by other available sources of internal and external finance, to the extent that it is necessary to realise approved investments.

3. Recommendations

3.1 That the Cabinet endorses the Investment Opportunities Protocol as set out in Appendix 1 of this report, together with the Land and Property Sub-Strategy Investment Protocol at Appendix 2.

4. Background

4.1 At its meeting of 3 February 2015, the Cabinet considered a report on the Council's Budget Spending Plans 2015-16 and resolved that "a new Investment Opportunities Reserve...is created" (Paragraph 6.10 of that report). This reserve currently stands at £2,118,500.

- 4.2 The purpose of the reserve is principally to fund investments that aim to generate increased income given the expectation that central government funding shall continue to diminish over time. Accordingly, the Council recognises the importance of accessing investment opportunities of all kinds to maximise its income earning potential alongside other measures aimed to preserve services while maintaining a balanced budget.
- 4.3 The Investment Opportunities Reserve will be used in conjunction with other available resources (capital receipts, earmarked capital & revenue reserves, borrowing etc.) for the purposes of securing investments in land, property, and other assets. The aim is to generate higher returns than currently available for alternative cash investments at a time when interest rates remain at historically low levels.
- 4.4 At its meeting held on 24 November 2015 the Corporate Governance and Audit Committee considered a report relating to the Council's Overarching Investment Protocol. The report advised (paragraph 7.4) that only one Investment Protocol had so far been drafted and this related to the Land and Property Sub-Category. The Committee resolved to set up a Task and Finish Group to complete the drafting of this Investment Protocol. Two meetings of the Task and Finish Group ensued culminating in a revised version (see Appendix 1) of the Protocol which was approved by the Corporate Governance and Audit Committee on 30 June 2016 and referred to Cabinet for final approval.
- 4.5 This report also sets out at Appendix 2, the broad considerations that need to be made, and the procedures to be followed, with regard to future investments to be funded from the Investment Opportunities Reserve in relation to land and property. In doing so, it aims to provide consistency of approach and transparency to decision making within the overarching Investment Protocol.
- 4.6 This report reproduces the proposals submitted to the Corporate Governance and Audit Committee on 30 June 2016. Since that meeting there have been some amendments to those proposals following consideration by the Senior Leadership Team, and the substantive ones are highlighted by track changes in the report where they arise.
- 4.7 The Land & Property Sub-strategy is the only one proposed at the current time. Any future sub-strategy protocols that may be proposed for other forms of investment shall be submitted in the first instance to the Commercial Programme Board (and other relevant Committee) for approval prior to being adopted.

5. Outcomes to be Achieved

- 5.1 To have an agreed overarching Investment Protocol which is complemented by the specific Land and Property sub strategy Protocol in order to assist the Council when it considers these forms of investment within its powers. The principal outcome is to enhance the revenue income generating potential from capital investment above the level obtainable on deposit.

6. Proposal

- 6.1 That the broad considerations set out in Appendix 1 be agreed as the Investment Protocol.
- 6.2 The revised sub-category protocol in respect of investments for land and property as detailed in Appendix 2 reflects the outcome of the review by Task & Finish Group. The Cabinet are recommended to approve this revised protocol.

7. Resource and Legal Implications

- 7.1 *Resource implications:* The Investment Opportunities Reserve currently has £2,118,500 available for capital investment. As investments are made over time (and the amount available diminishes) there will be a need to replenish the fund or supplement the amount available with other financial resources.
- 7.2 Where this need arises, the Head of Finance & Governance shall be consulted to consider the availability of other sources of internal or external finance by which to supplement the Investment Opportunities Reserve, or otherwise to fund new investments. Among the options considered shall be the scope for making contributions from revenue underspends that occur at year end, or transferring a proportion of in-year capital receipts to the Reserve.
- 7.3 In these respects the use of existing internal resources such as capital receipts or other surplus reserves is likely to be preferred to prudential borrowing from external sources. But such borrowing as may be considered necessary and approved shall be conducted within the approved limits for Prudential Borrowing applicable.
- 7.4 *Legal Implications:* Generally, The Local Government Act 1972 empowers Councils as follows:

“a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions” (Part VII, Section 111).

In exercising this power, the Council aims to obtain a mixed portfolio of investments that spreads both the return and risks across a range of assets, such as:

- Land and property acquisition
- New housing investment
- Business Opportunities
- Financial assets (cash or non-cash).

- 7.5 Unlike sales (disposals) there are no direct legal restrictions on purchases of land. The Council can buy investment property to ensure we have sufficient income streams to maintain delivery of services and not solely to deliver particular functions on that property. This freedom to purchase land is further reinforced by the Localism Act 2011 “general power of competence”.

7.6 The only significant legal restrictions which need to be taken into account in making decisions are where the purchase of land:

- Is incompatible with the due exercise of its powers
- Is incompatible with the discharge of its functions
- Divests the authority of its statutory powers
- Obliges the authority not to exercise its other powers.

7.7 Where necessary, the appropriate legal advice shall be obtained to ensure the legality of any proposed transaction before it is secured or obligates the Council.

8. Consultation

8.1 This report has been prepared by officers comprising the Capital Investment Development Group who have met on several occasions in 2015. The report has also been considered by the Commercial Programme Board on 28 July and SLT. The initial protocol was presented to the Corporate Governance & Audit Committee on 24 November 2015, and thereafter referred to a Task & Finish Group (29 February and 5 April 2016) and Corporate Governance and Audit Committee on 30 June 2016.

9. Community Impact and Corporate Risks

9.1 The community impact of any particular investment proposal is indeterminable at this stage as it is dependent on the ultimate type of investment entered into (e.g. whether property related, purely financial, or other form of investment).

9.2 The corporate risks are those covered above in Section 7 of this report.

10. Other Implications

10.1 Other implications considered include:

| | | |
|---|-----|------|
| Crime and Disorder | | None |
| Climate Change | | None |
| Human Rights and Equality Impact | | None |
| Safeguarding and Early Help | | None |
| Other Such investments as may be made shall be done so ethically in a manner that is consistent with other Council policies, values and practices, and does not inadvertently result in promoting, supporting or delivering outcomes that the Council would not wish to occur. | Yes | |

11. Appendices

11.1 Appendix 1 – Investment Opportunities Protocol

11.2 Appendix 2 - Land & Property Sub Category Protocol

| 12. Background Papers

None

Investment Protocol

1. Key Objectives

- 1.1 The Council will consider all forms of investment within its powers with the principal aim of enhancing the revenue income generating potential from capital investment.
- 1.2 For Land & Property investments the net initial yield range should be between 5.0% and 9.0% although exceptions may be made in special circumstances. Generally a lower yield will reflect a more secure investment requiring less management so a high yielding property may not necessarily be a good investment.
- 7.3 In any event the Council seeks to achieve a return on Land & Property investments at least equivalent to the latest published return for the CCLA Property Fund in which the Council invests for treasury management purposes. All costs in relation to the purchase and management of the property are to be included in assessing the Return on Investment (ROI).
- 7.4 For other investments target returns shall be assessed relatively to appropriate benchmarks and the average returns for alternative cash usages within the treasury management strategy.
- 7.5 For indicative purposes only the actual returns for treasury management and Property investments were as follows:

| Source of Return | Actual Return 2014/15 | Actual Return 2015/16 | |
|--|--------------------------|--------------------------|-----------------------|
| Treasury Management | 0.87% | 0.79% | |
| Property * | 10.24% | 9.09% | To 2 November 2015 |
| <i>*Based on acquisition of 4A & 4B Terminus Rd (Willow Park), 8A Terminus Road (Woodruff Centre) & 2-8 Crane Street</i> | | | |

2. Methodology

- 2.1 It is recognised that financial return is not the sole rationale in any investment decision, as there may be other important considerations which may vary in emphasis over time. Such considerations may include either in combination or individually any number of the following
- The extent to which council plans, policies and priorities are supported
 - The benefit to the local community, its residents, businesses and partners

- The impact on the local economy, housing and infrastructure
 - The potential to regenerate or develop the local area
 - The risks involved, as well the benefits.
- 2.1 Accordingly flexibility can be applied (subject to Member approval) to enable an investment proposal to proceed where there is a strong non-financial reason for doing so, even though the overall level of financial return may fall short of the target financial return.
 - 2.2 A case by case review of each proposed investment must be conducted using an appropriate evaluation methodology. The evaluation shall include comparison against other relevant benchmarks of financial performance where available. This is because although existing Contract Standing Orders do not cover the buying or selling of land or any interest in land, it is nevertheless the requirement to obtain the “achievement of the best consideration in the circumstances and to recognise the Council’s community objectives”.
 - 2.3 While investments shall be selected with a view to ‘future-proof’ the financial resources the Council has available, they shall also be considered with a view to maintain, extend or improve service delivery for the benefit of the community generally.
 - 2.4 Any investment opportunities shall be assessed against the criteria stated in the Council’s prevailing capital prioritisation form assessment, and must go through the appropriate approval process before any commitment to the investment is made.
 - 2.5 In any event, formal Member approval by way of a report submitted to the appropriate Committee shall be obtained where required by Contract Standing Orders and Financial Regulations.

3. Assessment of Investment Risk

- 3.1 The protocol recognises that any form of investment is not without risk since the value of any investment may rise or fall over time, especially where it is to be retained over many years.
- 3.2 To mitigate the impact of uncertainty the investment objective shall be to provide a spread of investments with varying degrees of risk, given that it is recognised that the inherent risk is generally reflected either in the price or the rate of return (i.e. the higher the risk, the higher the return and vice versa).
- 3.3 Accordingly, the consideration of any investment shall include a risk assessment that shall aim to measure as objectively as possible the likelihood and severity of the impact should the risks identified be realised. This can provide comparison against the potential benefits (financial and otherwise) for which the investment is being considered in the first place, and form part of the decision making process.

3.4 Among the risk factors to be considered are:

- Acquisition Risk – the Council may incur transaction costs without guarantee of securing the investment (e.g. the Council may be one of several bidders, or be required to pay a premium).
- Price & Cost Risk – Once acquired the price or cost of the investment may fluctuate over time, which may in itself reflect variations in demand and supply.
- Economic / Political Risk – the ability to retain or dispose of an investment may be inhibited by the economic and political environment at any point in time.
- Market Risk – the Council’s ability to influence the price, financial return or other benefits pertaining to the investment may be limited by the market in which it operates.

3.5 In order to manage some of the risks associated with the acquisition of assets under this investment protocol a thorough due diligence process must be followed to identify any potential risks as part of the evaluation process.

4. Sub-category protocols

4.1 For any one particular category of investment, the provisions so prescribed in these sources of reference shall be supplemented (where deemed to be necessary) by a “sub-category protocol” making clear any additional requirements to be followed or satisfied. For example, it may set out additional decision criteria or methodology for assessing the suitability of an investment, the benefits or risks associated with the investment, or any additional officer and Member reporting requirements.

5. Relationship with Standing Orders and Financial Regulations

5.1 The investment protocol is intended to be applied in accordance with the Council’s prevailing Contract Standing Orders and Financial Regulations, and is not a substitute for them.

5.2 The process for considering, approving and recording any form of investment (excepting those relating to investment of cash surpluses made under the Council’s Treasury Management Strategy and Annual Investment Strategy) shall follow the provisions under the Asset Management Plan, Contract Standing Orders and Financial Regulations to the extent that they are appropriate for procuring supplies and services, appraisal of contractors and contracts, and any other incidental tasks relevant to the form of investment.

**Investment Opportunities Protocol - Land & Property Sub Category
(approved by xx on xx/xx/xxxx)**

1. Introduction

1.1 This Land and Property sub category protocol sits under the overarching investment opportunities protocol, and provides specific guidance to officers dealing with property investment acquisitions. The protocol also provides guidance regarding:

1.1.1 Retention of revenue producing property assets;

1.1.2 Guidelines for dealing with request by tenants or other parties to purchase or change the Council's interest in a property and

1.1.3 The generation of income through property development or other property transactions and initiatives.

2. Background

2.1 With low rates of interest for deposited reserves the Council has recognised that land and property can generate a return on investment with the additional potential of capital and rental growth in the longer term. Retention of income producing properties and acquisition of carefully selected investment purchases has therefore become an important element of the Council's investment opportunity strategy and Asset Management Plan. To support this protocol the Council's Budget Spending Plans 2015-16 make provision for an Investment Opportunities Reserve. As at August 2016 this reserve now stands at £2,118,500 ~~following Cabinet in February 2016 agreeing to add £1,296,400 to the fund~~. The potential for land and property investment purchases are not, however, restricted to the sum available from this reserve.

2.2 This Protocol sets out the considerations that need to be made, and the procedures to be followed, with regard to future property investment and retention. The strategy aims to provide consistency of approach and transparency to the decision making process.

3. Protocol Scope (Terms of Reference)

3.1 A key aim of investing in land and property is to secure revenue income from capital investment above the levels obtainable from other forms of investment. This is part of the Council's objective of providing increased financial resilience in the context of decreased funding from central government.

3.2 Land and property acquisition and development is also a means of influencing regeneration and the economic development of the District. Therefore while one objective may be to increase the financial resources the Council has available, appropriate investment can also extend service delivery or provide community improvement generally.

3.3 For these reasons priority will be given to acquiring property in the Chichester District, albeit opportunities to acquire properties elsewhere shall not be excluded

altogether if a justifiable case exists for doing so. Properties outside of the District area but close enough for officers to undertake the management of the property, should be considered, ~~albeit with priority given to the purchase of investments within the District area.~~

3.4 Additionally this protocol recognises that it does not stand alone but sits within the context of other corporate policies and plans to which due regard shall be given, such as:

- Planning Policies (Local Plan, Local development Schemes, Master Planning Strategic sites etc.)
- Economic Strategy and Action Plan
- Asset Management Plan
- Estates Service Plan—~~Chichester Enterprise Gateway, Barnfield Drive Development~~
- Medium Term Financial Plan – size and sources of available funds

3.5 This protocol will also consider any future strategies that may be developed over time and so the list stated in 3.4 is not exhaustive.

3.6 The investment strategy aims to acquire land and property for the longer term (10 years or more) to reap the benefit of sustained rental income and capital appreciation as land and property values recover from the effects of economic downturn in recent years.

3.7 From time to time the Council is approached by other parties seeking to obtain interests in Council property and it may not always be in the Council's interests to proceed with them. For example the Council has retained freehold ownership of most of the land at the Quarry Lane and Terminus Road industrial estates and it is not considered to be in the Council's interests to release this in a piecemeal fashion when requested by occupying tenants. Similarly the Council has been willing to extend leases where this facilitates regeneration or redevelopment but not where it is felt that this will prolong the retention of poor standard buildings. More generally the Council wishes to retain revenue earning properties and ~~will not normally does not wish to~~ sell to occupying tenants. It will assist officers in dealing with requests of this nature if there are underlying policies that they can refer to.

4. The Council's Legal Power to Acquire Land and Property

4.1 Generally, the Local Government Act 1972 empowers the Council to acquire any land and property or right which facilitates, or is conducive or incidental to, the discharge of any of its functions. Where necessary, the appropriate legal advice shall be obtained to ensure the legality of any proposed transaction before it is secured or obligates the Council.

4.2 The Protocol will apply to all acquisitions of land and property for investment purposes. For the purpose of this protocol, an acquisition is defined as acquiring a legal interest in land and property, namely the taking of a freehold, leasehold or licence in land and property for investment purposes. The Protocol also applies to investment by way of commercial property development and partnership schemes.

5. Local Property Market & Investment Opportunities

- 5.1 The Council's existing property portfolio generates income of approximately £2.5 million per year (2015/16) for the General Fund revenue account.
- 5.2 This income comprises rents and licence fees principally from 49 industrial units, 72 commercial and industrial ground leases, 40 shops, 17 offices, 27 lettings to sports, community and voluntary organisations, 7 kiosks and concessions (including the Chichester Traders Market), miscellaneous lettings such as the crematorium and bus station, 17 commercial access agreements and 84 residential access agreements.
- 5.3 Although there have been signs of gradual improvement in property markets in the South East following the 2008 financial crisis (and economic downturn in the UK and other European countries for the years that followed) the recent EU referendum and the UK decision to exit the European Union has cast further uncertainty over the resilience of the UK economy going forward. This highlights the need for vigilance such that ~~mean that it is in the interests of the Council to make further acquisitions as early as possible before property values increase further. may be made on a timely basis in response to market conditions and in the Council's interest. This shall be done in keeping with the due diligence tests outlined in Section 6.2 of this Protocol report.~~
- 5.4 To this end, investment opportunities are likely to take 3 main forms.
 (a) Freehold or Long Leasehold Purchases
 (b) Commercial development of property with the Council retaining ownership and receiving rental income.
 (c) Partnerships where another party undertakes the development and the Council (as landowner) receives a proportion of the rental value.
- 5.5 The Council will pursue a mix of land and property investments for leasing or rent (e.g. industrial, retail or office related units etc.) subject to satisfying the decision criteria specified in Section 6 below. Ideally the Council is looking for a balanced portfolio but with investment opportunities in the District so limited and the number of investment purchases to date also limited, this is unlikely to be achievable major consideration.
- 5.6 Within the Chichester District area investment opportunities are limited and potential acquisitions must be considered as they arise. Retail, industrial and commercial properties are the properties most likely to meet the Council's criteria for investment acquisition. Commercial development provides an alternative means of property investment. Current development projects (2016) include the Enterprise Gateway and Plot 21 Terminus Road, Chichester. The development at Barnfield Chichester is an example of a partnership opportunity.
- 5.7 ~~To augment the funds held in tThe Investment Opportunities Reserve currently (at June 2016) holds funds of £2,118,500 but the Council will consider using General Reserves should funds in the Investment Opportunities Reserve be insufficient to acquire a property deemed to be of significant importance or value. Additionally, tThe Council may consider the possibility of Prudential Borrowing to meet the shortfall providing the outcomes specified in Section 6 below are satisfied and the Council would not exceed its Prudential Borrowing Limits (See Financial Implications below). The use of general reserves is likely to be preferred to borrowing if funds are available~~

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6. Investment Decision Criteria

- 6.1 The following matters will be taken into account either in isolation or in combination (e.g. as part of an appropriate evaluation matrix) in assessing the suitability of an investment. It is intended that each investment shall be looked at on its own merits, and the criteria are to be treated as a guide rather than there being a requirement for compliance with every condition.
- 6.2 As a first priority acquisitions should be within the Chichester District Council administrative area, or, as a second priority sufficiently close by for the asset to be managed by the Council.
- 6.3 Acquisition will be preferred if a community or economic development benefit is achieved through Council ownership, and the acquisition assists in strengthening the local economy. Properties with existing income producing tenancies or pre-lets are likely to be preferred to vacant properties. The suitability of the tenants from an ethical point of view will be considered as part of the evaluation of any investment opportunities. The strength of tenant covenants, length remaining on leases and terms of leases will also be taken into consideration (ideally seeking acquisitions, pre-let to tenants of good covenant on fully repairing and insuring terms, with an unexpired term of at least 5 years and how secure the tenant is);
- 6.4 The acquisition is to provide an acceptable rate of return compared to placing the funds on deposit for an equivalent period, and meet other benchmarks of performance for a similar investment. The rate of return required will vary according to the type of land or property interest being acquired. In the market secure income produces a lower yield than riskier investments but both may be acceptable if the return reflects the circumstances, risk and level of landlord involvement.
- 6.5 Any risks associated with the investment opportunity should be identified and any mitigation actions should be identified in order to ensure that any residual risks are not contrary to the risk appetite of the Council.
- 6.6 Other considerations
- Acquisition will support existing agreed Council strategies, plans or priorities;
 - Acquisition will support other partnership arrangements that benefit the Council and the local community;
 - Acquisition will enable ~~consolidate~~ the Council's ~~existing~~ land holding portfolio to support ~~facilitate~~ larger developments;
 - Acquisition will modernise the District's business infrastructure, and/or encourage inward investment, re-location or business start-up;
 - Acquisition will not conflict with strategic planning policies;
 - Acquisition will not increase the Council's ongoing revenue costs in the longer term;

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- Acquisition should generally be good quality commercial land and property but not necessarily limited to traditional sectors (e.g. retail, office and industrial) but promote and consideration will also be given to innovative land and property opportunities;

6.7 Investment Purchases

(a) The following table provides further guidance for the evaluation of prospective properties against a scoring matrix with a minimum score required of at least 100 out of a maximum score of 168 (60th percentile). There may however be sound reasons for acquiring a property that does not meet the score and the matrix should be treated as guidance rather than mandatory.

| | Score | 4 | 3 | 2 | 1 | 0 |
|--|------------------|--|---|--|--|--|
| SCORING CRITERIA | Weighting Factor | Excellent | Very Good | Acceptable | Marginal | Unacceptable |
| Location | 12 | Major Prime | Micro Prime | Major secondary | Micro secondary | Tertiary |
| Tenancy strength | 10 | Single tenant with strong financial covenant | Single tenant with good financial covenant | Multiple tenants with strong financial covenant | Multiple tenants with good financial covenant | Tenants with poor financial covenant strength |
| Tenure | 9 | Freehold Lease | 125 years plus Lease | between 50 & 125 years Lease | between 20 & 50 years Lease | less than 20 years |
| Occupiers lease length, & ease of re-let | 5 | Greater than 10 years | Between 7 and 10 years | Between 4 & 7 years | Between 2 & 4 years | Less than 2 years; including vacant property |
| Repairing terms | 4 | Full repairing & insuring | Internal repairing - Remainder 100% recoverable | Internal repairing - Remainder partially recoverable | Internal repairing - Remainder non recoverable | Landlord |
| Lot Cost size | 2 | Between £2m and £4m | Between £1m & £2m | Between £500,000 & £1m | Under £500,000 or over £4 million | N/A |

(b) The net initial yield¹ range should be between 5.0% and 9.0% although exceptions may be made in special circumstances. Generally a lower yield will reflect a more secure investment requiring less management so a high yielding property may not necessarily be a good investment. The Council seeks to achieve [actual](#) returns -at least equivalent to the

¹ [Net Initial Yield is defined as the revenue income generated by the investment as a percentage of the property acquisition costs.]

latest published return ~~above the 4.7% minimum rate of return based on~~ for the CCLA Property Fund in which the Council invests for treasury management purposes.

(c) All costs in relation to the purchase and management of the property to be included in assessing the Return on the Investment (ROI)

(d) Due diligence checks are generally to be made before an acquisition is referred to Cabinet. There may be cases where a quick decision to purchase is required to avoid the property being lost to competitors and here a more limited due diligence may be acceptable before review by Cabinet, with some aspects of more detailed due diligence being undertaken between making an offer and contracting to purchase.

Due diligence checks to include:

- Check lease(s)
- Check condition of property/arrange survey (visual only)
- Check status of tenant(s)
- Check rents/outgoings have been paid
- Market research – is price/yield appropriate (professional opinion)
- Market research – could property be re-let if vacant. (professional opinion)
- Title checks – not undertaken until solicitor appointed
- Neither vendor or tenant(s) are in dispute with the council
- Acquisition terms reflect prevailing market conditions and are not unfavourable to the council

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6.8 Property Development

- (a) Specialist advisers to be employed to provide advice and act for the Council.
- (b) Assess costs and future income as accurately as possible. Seek to minimise risks where possible by pre-let agreements, fixing construction costs and avoiding/minimizing variations.
- (c) Seek rate of return no less than return expected on property acquisitions.

6.4 Partnership

- (a) Specialist advisers may be employed to provide specialist advice or and act for the Council.
- (b) Generally seek income as a percentage of rack (i.e. ground) rent aiming at between 15% and 20%. Additionally a seek premium shall be negotiated if the maximum rental share that can be agreed does not represent the full land value.
- (c) Enter into a Development Agreement that looks to the developer partner to bear a share of risks and seeking to minimise the risks to the Council.

7.0 Guidance for Land and Property retention, development and other property initiatives

- The Council will retain revenue producing property assets and will usually reject requests by tenants and other interested parties to acquire the Council's freehold interest.

- Property development (such as the Enterprise Gateway) may be an alternative way of generating revenue income from land and property. There will also be a regeneration/economic development interest arising from this.
- Other property initiatives such as site assembly, taking lease surrenders or buying subordinate leasehold interests will be pursued to improve the Council's property holdings and revenue income.
- Re-gearing of leases, particularly at Quarry Lane and Terminus Road, where existing leases are not on modern terms with modern rent review patterns will be carried out when the opportunity arises. However this is to be used as an incentive to tenants to redevelop sites or substantially refurbish outdated premises and there will be an assumption that extended or re-gearred leases will not be granted where a tenant is only seeking a more secure term without undertaking the redevelopment or refurbishment.
- Where a property has strategic value to the Council, some of the above criteria may be relaxed e.g. land capable of development or required to enable development.

8. Property Investment Procedure

- 8.1 In all cases where the acquisition of an interest in land or property is being considered, the acquisition must be carried out and negotiated by the Estates Service (or otherwise to be determined and agreed).
- 8.2 The Council will usually appoint an agent who has introduced a potential acquisition to act on behalf of the Council in the negotiations. As part of that instruction the agent will usually be expected to provide a purchase report and valuation. Otherwise, with respect to significant acquisitions (over £750,000), a valuation will be commissioned by the Council from an appropriately qualified third party.
- 8.3 When a property is identified as a potential investment, it is proposed that the following "Acquisition Procedure" is applied:

ACQUISITION PROCEDURE

1. Potential land or property for acquisition is identified by the Estates Team, and Legal & Finance staff informed.
2. Estates Team in consultation with other officers evaluate each potential land or property acquisition in accordance with the Decision Criteria (Section 6 above).
3. If the potential investment meets the decision criteria the Estates Team refer the proposal & evaluation to Senior Leadership Team (or Commercial Programme Board) for approval to report to Cabinet/Council.
4. If the Senior Leadership Team (or Commercial Programme Board) approves the proposed investment the Recommendation is referred to Informal meeting of Cabinet and SLT (or Group of members appointed to consider investment proposals) to give initial approval for provisional offer to be made and due diligence to proceed. Due diligence to be undertaken as far as possible before Cabinet consideration.

5. Prepare report to Cabinet / Council. If approval is obtained, Legal Services are instructed by Estates Team to proceed with formalising the acquisition (Estates Team to assist Legal Services throughout the process until completion).
6. To ensure that investments meeting the Council's decision criteria are not lost when time is limited, it is recommended that the Head of Commercial Services in consultation with and approval of the Head of Finance and Governance and Cabinet Member for Commercial Services, be given delegated authority to proceed to negotiate "subject to contract" after Point 2 above has been completed. ~~In some cases it may be necessary to proceed ahead of a programmed Cabinet meeting and to obtain authority from the urgent matters Sub-Committee to contract~~ **obtain authority to contract to purchase a property in accordance with standing arrangements for urgent decisions.** No final or binding commitment shall be made by any Council Officer unless all the protocols have been satisfactorily fulfilled.

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9. Possible Risks for the Council

9.1 This Protocol recognises that any form of investment is not without risk since property values and rental streams may vary over time, especially where the property is to be retained over many years. Property values and rentals can rise over time but tenancy issues such as need for repairs and voids can also occur and could affect the income received from a property. Accordingly, the Protocol operates within the context of the following identifiable risks that the Council consider to be acceptable.

- Acquisition Risk – ~~as already indicated in Para 5.3 above,~~ the property market is susceptible to changes in the economy and market conditions generally. ~~has been in recession, with less institutional activity, but has signs of increased competitive activity from smaller property companies. This means it is likely that the Council will be one of several bidders for any good-quality properties and may be an unsuccessful bidder on a number of occasions.~~ Therefore, circumstances may arise whereby the Council does not always secure an acquisition that it has previously identified as a potential investment.
- Cost Risk – Abortive costs, including legal costs, survey fees, officer time, all may be incurred in abortive transactions including costs for initial feasibility investigations.
- Lack of suitable sites/buildings – the local property market is restricted and is dominated by secondary or tertiary assets that may not be of the quality the Council would acquire. There may therefore be a shortage of suitable stock in the locality.
- Property market risk – like any form of investment there are risks inherent in property ~~is an inherently riskier asset than other asset classes~~ because of its very nature. For example, it has physical characteristics, which need to be managed and ~~maintained, and maintained, and which come at a cost. It also carries uncertainty around the ability to maintain yield or sell which is a by-product of demand and supply, -~~ Whilst returns may be higher than other forms of investment when the economy is strong. ~~This is compensated for by increased returns. However,~~ the property market is not a certain market and

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the Council may not achieve its target returns if market conditions deteriorate in future years following acquisition.

- Transactions may occur prior to a property ever coming to the market. Obtaining prompt information to identify properties for sale is vital. This can be done by the Estates Team maintaining close contacts with property owners and agents in the locality, but may not always result in a successful acquisition.
- Reputational risk – Risk of damage to the Council's reputation as a consequence of the Council's involvement with a particular property or tenant.

9.2 Accordingly, the Council shall evaluate risks of acquisition on each occasion in order to mitigate the likelihood of the risks occurring, or to minimise abortive costs.

9.3 The risks associated with an investment opportunity once identified, along with any mitigation actions, must also then be assessed or considered against the whole property portfolio. The Return on Investment (ROI) normally reflects the perceived risk of an investment opportunity or acquisition (i.e. the higher the risk the higher the rate of return), so it is necessary to ensure that the portfolio is balanced and has a wide range of rates of return in order to manage the risks.

10. Financial Considerations

10.1 Land and property Investments are likely to produce a higher return than interest received on bank deposits but there are potential risks and costs.

10.2 The Council presently (2016/17) has sufficient reserves to fund limited land and property acquisitions. Future disposals will provide additional potential capital and an Investment Opportunities Reserve has been established – this being a capital fund derived from a transfer from revenue resources to fund capital expenditure.

10.3 Should funds fall below the amount necessary to achieve a beneficial acquisition that meets the decision criteria in Section 6, the Head of Finance & Governance may consider the option of Prudential Borrowing (within the Council's approved limits for Prudential Borrowing) if the return on investment is equal to or exceeds the cost of borrowing plus the anticipated rate of return. Use of existing reserves is however likely to be preferred if funds are available. The principles contained in the Council's Financial Strategy should be considered when identifying funding sources.

10.4 Accounting guidelines define Investment Properties as properties held "solely for rental or capital appreciation". However, in practice the majority of the Council's income derives from a much broader property portfolio (see Para 5.2).

10.5 Consequently, for any proposed acquisition the Estates Team and Legal Services shall provide Accountancy Staff with the information necessary to ensure properties are correctly classified for financial reporting and accounting purposes, including a comprehensive assessment of the revenue and capital implications.

10.6 In particular, where properties are acquired for leasing to third parties, an assessment shall be required to ensure the leases arising may properly be treated

as an operating lease – as this will ensure that revenue budgets may receive the full benefit of the income generated. With this aim in mind, an important consideration is that the lease term is not for the major part of the property’s economic life. Furthermore, at the start of the leases, the net present values of future lease payments must not amount to substantially all of the fair value of the properties concerned.

10.7 Expenditure on Council owned property could also impact on the Council’s additional VAT allowance (i.e. Partial Exemption Limit). Therefore, it is likely to be in the Council’s interests to waive the exemption and opt to tax on new properties acquired, if that option has not already been exercised by the previous landlord. The status of tenants and their ability to reclaim VAT will be an influence to determining whether to opt to waive the VAT exemption. Where development is undertaken it is likely that the VAT exemption will be waived so that the Council can recover VAT on development costs.

11. Other implications.

11.1 ~~Alongside the requirements of This Property Investment Protocol Strategy described in this report is intended to be applied in accordance with section 5 of the Council’s investment protocol the Council’s prevailing Standing Orders and Financial Regulations, and therefore is not a substitute.~~

~~11.2 Accordingly, the procedures for procurement of supplies and services, appraisal of contractors and contracts, and other incidental tasks relating to the acquisition and retention of properties for investment shall follow standing arrangements.~~

~~11.3 Any investment opportunity must also adhere to the capital prioritisation assessment protocol.~~

Chichester District Council

THE CABINET

6 September 2016

Treasury Management Out-turn and Progress Report

1. Contacts

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2. Executive Summary

As required by the Chartered Institute of Public Finance (CIPFA), this report reviews the treasury management activity and Prudential Indicators out-turn for the financial year 2015-16.

The investment interest earned in the year amounted to £400,000 based on an average portfolio of £51.2m. The actual annual return on internally managed treasury investments was 0.8%, which met the original target for the year. The comparative return for all other District Councils published by Arlingclose is 0.71%.

The total investments held at 31 March 2016 amounted to £48.8m (£40.7m at 31 March 2015). Direct property investments at year end amounted to £3.9m and achieved a return of 9.09%.

There were no breaches of the Council's Treasury strategy, although bank balances intermittently exceeded guidelines set out in the Council's Treasury Management Practice statements. The reasons for these are explained in section 8 of this report.

Looking ahead, as the Council's cash balances continue to increase, and interest rates are likely to stay low for longer, mixed asset and other pooled investment vehicles are increasingly attractive options. Whilst this report provides an update on the Council's proposed further investment in the Local Authority Property Fund officers are continuing to assess options for investment in other pooled funds.

Finally, this report provides an economic update following the EU referendum and details of changes to counterparties that are available for treasury investments.

3. Recommendation

3.1 That the Cabinet notes the final Prudential Indicators for 2015-2016 to 2020-2021 as detailed in appendix 1 to the report.

3.2 That the Cabinet considers;

- **The treasury management outturn performance for 2015-2016 and**
- **The treasury management performance for the three months to 30 June 2016.**

4. Background

4.1 This report covers treasury management activities and prudential indicators for 2015-16 and quarter 1 2016-17. To meet the requirements of CIPFA's Treasury Management Code of Practice and Prudential Code for Capital Finance these must be considered by the same body of members who approved them as part of the Treasury Management Strategy prior to the start of the financial year. The Council approved the original 2015-16 prudential indicators on 10 March 2015. Further amendments were agreed by Council on 26 February 2016.

5. Outcomes to be achieved

5.1 This report summarises:

- Capital activity and how it was financed
- Investment performance for 2015-16 and quarter 1 2016-17
- The Council's prudential indicators as at 31 March 2016; and,
- The local treasury management context and outlook.

5.2 The report demonstrates that the capital investment continues to meet the principles that spending is prudent, affordable and sustainable, and that treasury management activity is in accordance with the Council's Treasury Management Strategy.

6. Capital Expenditure and Financing 2015-2016

6.1 Under the Prudential Code, the Council is required to take into account the following:

- Affordability;
- Prudence and sustainability;
- Professional good practice;
- Transparency; and
- The Council's treasury management framework.

6.2 Capital expenditure in 2015-16 and financing is shown in appendix 1. Total expenditure, including the asset replacement programme, was £4.833m, some £4.974m less than the revised estimate of £9.807m due largely to capital budget

underspends which will slip into FY2016/17, including:

- £1.871m relating to development of Plot 21 Terminus Rd;
- £530,000 on Avenue De Chartres car park structural replacement works;
- £502,000 replacing three trade waste vehicles at CCS Depot;
- £304,000 relating to the refurbishment of CCS Depot; and,
- £283,000 for purchasing a new Council telephony system.

6.3 Some £1.108m of total project spend was considered to be revenue in nature and was therefore funded from a combination of revenue reserves and revenue grants and contributions

6.4 The balance of £3.725m was funded by capital receipts, the capital projects fund and capital grants and contributions thereby negating the need to borrow funds from external bodies.





6.5 The credit agreement in respect of the Council's multi-function devices leased in 2014-15 continues to require a small Minimum Revenue Provision (MRP) charge (£23k per annum) to be made against the Council's General Fund.

7. Investment Activity and performance

Internally Managed Funds

7.1 The Council continues to manage significant resources as part of its treasury management function. The funds managed increased in 2015-16 by £8.1m and have subsequently increased further to £50.7m as at 30 June 2016 (exhibit 1).

Exhibit 1 1: Movement in treasury funds

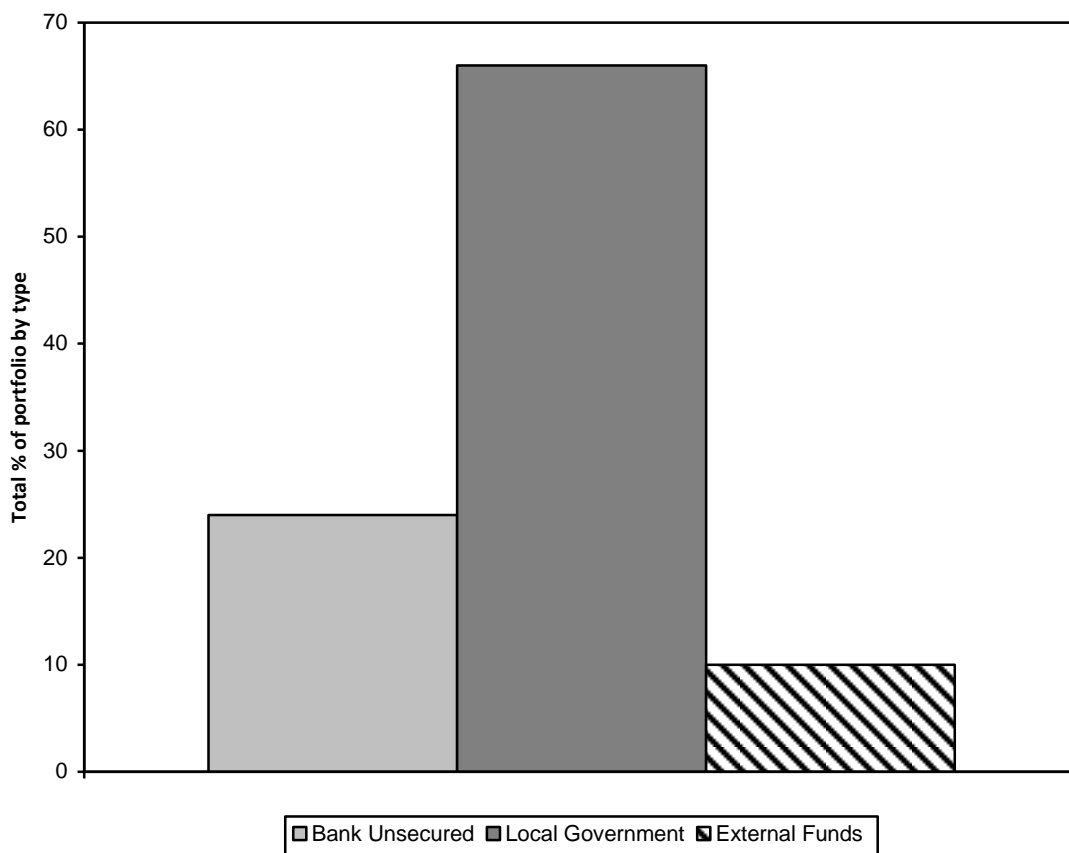
| Investments £000 | Balance 01/04/2015 | Movement | Balance 31/03/2016 | Movement | Balance 30/06/16 |
|--|-----------------------|--------------|---|--------------|---|
| Short term Investments (cash, call accounts, deposits) | 32,700 | (3,265) | 29,465 | 3,450 | 32,915 |
| Money Market Funds | 0 | 4,420 | 4,420 | (1,610) | 2,810 |
| Total liquid investments | 32,700 | 1,185 |  33,885 | 1,840 |  35,725 |
| Long term Investments | 8,000 | 2,000 | 10,000 | - | 10,000 |
| Pooled funds – Local Authority Property fund | 0 | 5,000 | 5,000 | - | 5,000 |
| TOTAL INVESTMENTS | 40,700 | 8,185 |  48,885 | 1,840 |  50,725 |

7.2 The increase in funds managed continues to be driven by the receipt of new homes bonus funding and cash reserves set aside to fund the Council's asset replacement programme.

7.3 The end of bank bail-outs, the introduction of bail-ins and the uncertainty surrounding the EU referendum meant that the risks of making unsecured deposits continues to be elevated relative to other investment options.

7.4 To mitigate this risk, the Council favoured local government investments during 2015-16, as shown in exhibit 2. Local Authority investments are secured on the entire revenues of the Council and are therefore considered to be a secure form of investing, often with a trade-off against return.

Exhibit 2: Investment counterparty types at 31 March 2016



Externally Managed Funds

7.5 The Council purchased 1,609,166 units in the Local Authority's property fund for £5,000,000 in February 2016. This diversifies treasury investments into asset classes other than cash without the need to own and manage the underlying investments. They offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term.

7.6 On purchase, the Council recognised an initial capital loss of £0.36m, which represents the difference between the acquisition and sale price of fund units. This loss will only be charged to the Council's General Fund when the asset becomes impaired, is sold or is derecognised. At present this is not expected to occur as, although money can be redeemed from this fund at short notice, the Council's intention is to hold them over the medium to long term. The balance presented above is therefore the principal sum invested.

Estates portfolio

7.7 The rent roll (before concessions and other allowances) for the non-operational property and licence fees is about £2.5 million including the investment acquisitions in 2014/15 and 2015/16. This income, is from rents from 49 industrial units, 72 commercial and industrial ground leases, 40 shops, 17 offices, 27 lettings to sports, community and voluntary organisations, 7 kiosks and concessions (including the Chichester Traders Market), 17 town centre commercial access agreements, miscellaneous lettings such as the crematorium and a very large number of residential vehicular and pedestrian access agreements.

7.8 In 2014/15 and 2015/16 the Council purchased 3 properties primarily as income producing investments although ownership of those purchased to date also provides economic development benefits. These purchases comprise a building for office/storage use and showroom in Terminus Road, a group of industrial buildings, also in Terminus Road and a parade of 10 shops in Chichester. The Council is seeking to purchase more property to provide revenue income but availability is limited and the Council is competing with other investors.

Benchmarking

7.9 The Council has traditionally reported benchmark data prepared by CIPFA in these reports. This report has moved away from using CIPFA benchmarks to use those supplied by the Council's own investment advisor, Arlingclose due to the higher participation rate, the use of more consistent investment counterparty guidance across the population and the more frequent provision of benchmarking data. The terms used by the benchmarks are explained in Appendix 4.

7.10 The data below is presented in terms of the key objectives of public sector treasury management, Security, Liquidity and Yield, and from quarter two onwards, which represents the first period metrics were prepared for.

Security

| Measure | CDC Actuals | | | | Non-met District average | Rating |
|---------------------------------------|-------------|------|------|-------|--------------------------|--------|
| | Qtr2 | Qtr3 | Qtr4 | Qtr 1 | | |
| | 15-16 | | | 16-17 | | |
| Average Credit Score (time-weighted) | 2.61 | 2.52 | 2.38 | 2.85 | 3.66 | GREEN |
| Average Credit Rating (time weighted) | AA | AA | AA+ | AA | AA- | GREEN |
| Proportion Exposed to Bail-in (%) | 24 | 29 | 18 | 19 | 68 | GREEN |

7.11 The Council's unsecured investments have been maintained above the target credit rating of A+ set out in Table 7 of its Treasury Management Strategy. The risk of bail-in has been successfully managed by reducing the Council's exposure to banks and building societies as set out in paragraph 7.4 and only 18% of Council investments were exposed to possible bail-in at 31 March 2016.

Liquidity

| Measure | CDC Actuals | | | | Non-met districts (average) | Rating |
|--|-------------|-------|------|-------|-----------------------------|--------|
| | Qtr2 | Qtr3 | Qtr4 | Qtr 1 | | |
| | | 15-16 | | 16-17 | | |
| Proportion available within 7 days (%) | 7 | 15 | 16 | 7 | 39 | AMBER |
| Proportion available within 100 days (%) | 38 | 53 | 39 | 49 | 64 | GREEN |
| Average days to maturity | 328 | 273 | 288 | 246 | 153 | AMBER |

7.12 The Council has a voluntary liquidity measure to maintain a minimum of £10m available within 3 months and this has been complied with throughout the period in question.

7.13 The relatively low proportion of funds available within 7 days reflects the Council's active management of its investments to limit its exposure to bank bail-in, the majority of short term deposits being for periods of 1 to 6 months with Local Authorities.

7.14 The relatively high average days to maturity figure reflects a number of longer term investments which generate additional returns for the Council's general fund. The Council's ability to commit funds to such long-term investments reflects both the size of funds available for treasury management and also the integration of this with medium and long term financial forecasting undertaken by the Council.

Return

| Measure | CDC Actuals | | | | Non-met districts (average) | Rating |
|--|-------------|-------|--------|---------|-----------------------------|--------|
| | Qtr2 | Qtr3 | Qtr4 | Qtr 1 | | |
| | | 15-16 | | 16-17 | | |
| Internal investment return % | 0.80 | 0.79 | 0.84 | 0.82 | 0.71 | GREEN |
| External funds – income return % | - | - | 4.63 | 4.55 | 3.00 | GREEN |
| External funds – capital gains/losses % | - | - | (7.20) | (10.13) | (0.69) | AMBER |
| Total treasury Investments – income return % | 0.80 | 0.79 | 1.20 | 1.16 | 1.06 | AMBER |

| | | | | | | |
|----------------------------|------|------|------|------|-----|-------|
| Property – income return % | 9.09 | 9.09 | 9.09 | 9.09 | N/A | GREEN |
|----------------------------|------|------|------|------|-----|-------|

7.15 The overall internal investment return on internal treasury investments met the target return for the year (0.8%). A number of medium term investments will mature in 2016-17 creating downward pressure on investment returns. The Council's response to this is explored briefly in this report and will be re-appraised more fully in the 2017-18 Treasury Management Strategy.

7.16 The capital return on the Council's external funds reflects the circumstances described in section 7.2 relating to the Local Authority Property Fund.

Daily Cash Management

8.1 The Council's change of banker on 1 April 2016 proved challenging for short term management of cash balances. During the period there were a number of occasions when the requirements of the Council's Treasury Management Practices (TMPs) guideline to maintain the current bank balance below £150,000 was exceeded.

8.2 The most significant being;

- On 21 March 2016 the Council's HSBC bank account was £3.6m overdrawn as an investment repayment was made into the Council's new Nat-West account before the official change-over date. The reverse of this is that the Nat-West account was in credit overnight by £3.8m on the same date.
- On 23 May 2016 the Council's Nat-West bank account was overdrawn by £1.7m as an investment repayment was credited to the Council's old HSBC bank account despite all counterparties being advised of the change to the Council's banker prior to 1 April 2016.
- On six occasions between 11 April and 17 May 2016 the Council's Nat-West current account was overdrawn by between £150k and £612k. These instances arose as the Council's new arrangements to automatically move money between its current and investment accounts at the Nat-West did not operate as initially expected. The matter is subject to ongoing discussions with Nat-West to establish the most suitable arrangements going forward. In the meantime, local procedures have been introduced to avoid further occurrence.

8.3 Other breaches, not related to the Council's new banking arrangements were as follows:

- Between the 26 and 28 February 2016 (a weekend) the Council's HSBC account was overdrawn by £2.3m as a counterparty could not process a requested redemption of £2.4m in advance of Friday's close of business. Bank charges and interest incurred due to this have been refunded to the Council.
- On 4 January 2016 the HSBC bank account was in credit by £841k reflecting the payments received during the Council's Christmas closure

- Between 15 to 17 January 2016 (over a weekend) the HSBC bank account was in credit by £279k as the Council received an unanticipated receipt from the DCLG after investment activity had been completed for the day.

8.4 As in previous periods, the limit was also exceeded 15 times between 1 January and 30 June by small amounts (maximum £323k held) due to additional income, mainly from National Non-Domestic Rate, being received after the daily cash flow and investment decisions had been taken.

8.5 Finally, following the move to the Council's new banker, the Council's old HSBC account is being wound down. A number of receipts are still being received into this account, although the amount is diminishing as taxpayers and other parties are contacted. Officers continue to monitor this and transfer funds to the Council's Nat-West account when the cost of transferring such funds is warranted. The value of funds in the HSBC account during this period has ranged from £259k to £753k.

9 Local Context and Outlook

Investment returns

9.1 Following the EU referendum the Council's present interest rate assumptions (below) are optimistic and they are being reviewed as part of the Council's financial forecast update.

| | 2015-16 Revised | 2016-17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|------------------|--------------------|---------|---------|---------|---------|---------|
| Investment Rates | 0.80% | 0.75% | 1.00% | 1.15% | 1.20% | 1.25% |

9.2 Arlingclose currently projects that the likely path for Bank Rate is downwards and the central case is 0.25%, but there is a 40% possibility of that the rate is cut to zero.

| Official bank rate | Three years to Sep 19 |
|--------------------|-----------------------|
| Upside | 0.25 |
| Central Case | 0.25 |
| Downside | -0.25 |

9.3 At the August 2016 MPC meeting a majority of members expected a further cut to the Bank Rate if the incoming data proved broadly consistent with the August Report forecast. This raised the possibility of the official interest rate (i.e. Bank Rate) being moved to its 'effective lower bound' or, after the reduction to 0.25%, to zero. More detail on the economic context for this report is contained in appendix 2.

9.4 As interest rates are likely to stay low for longer and the Council's cash balances are increasing, medium to long-term bonds or mixed asset and other pooled investment vehicles are increasingly attractive options.

9.5 Although one pooled fund is the Local Authority Property Fund, officers are reviewing options for investments in other pooled funds. The Council's 2017-18 Treasury Management Strategy will provide more details on this when it is presented to Council later this year.

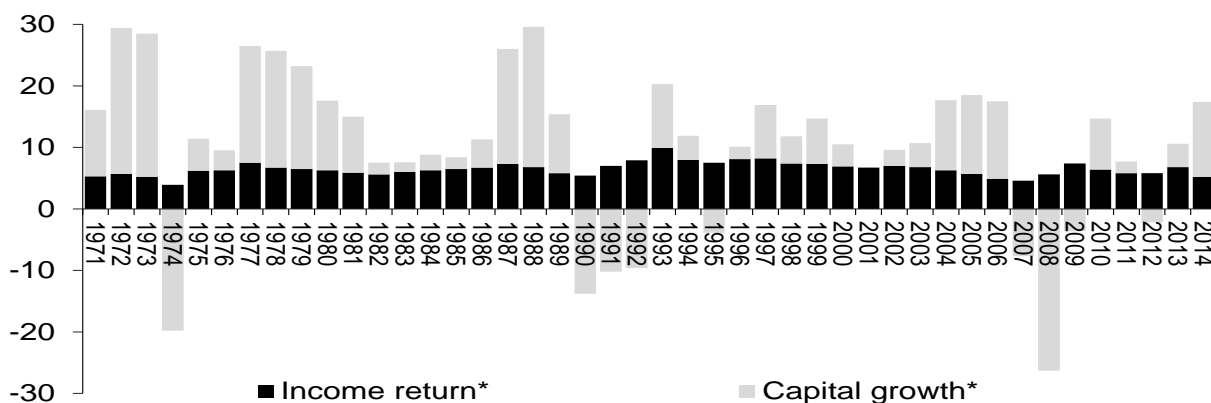
The Local Authority Property Fund

9.6 The Council invested £5m with the CCLA Local Authority Property Fund during the first half of 2016. Although further investment in the CCLA Local Authority Property Fund was originally scheduled for 2016 uncertainty over post-referendum commercial property values has delayed this decision.

9.7 Immediately post Brexit, CCLA reduced the value of its shares by 5%, a reduction supported by the subsequent valuation of the fund as at 28 June. Although the net asset price fell from 295p to 283p, the fund size itself, adjusting for changes in net asset value, remained stable at £620m.

9.8 Officers have continued to monitor the area. In this period of general uncertainty it remains their view that the long term benefits of property fund are attractive, as demonstrated by the exhibit below which provides detail of property investment returns since 1970.

Property investment returns (capital and income %) from 1970



Source: CCLA and IPD

9.9 Officers are continuing to monitor the post-Brexit reaction in the property sector. It is still early to be clear as to the extent of any reduction in value of the Property Fund following Brexit as July and August are traditionally quiet periods for commercial property. Officers intend to review the results of the valuation of the Property Fund conducted in August and September before making a final decision to invest further.

9.10 Further information on the external economic context for this report and investment counterparties is found in Appendices 2 and 3.

10. Resources and Legal Implications

10.1 Any investment interest received in the year is not used to help balance the revenue budget, but used to fund one off costs or towards funding capital projects. Any underperformance may therefore have an impact on the Council's overall funding position, but this is kept under review and reported to members as part of the budget process. Currently the approved capital programme remains fully funded.

10.2 The Council has complied with all the relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management, means that, its capital expenditure is prudent, affordable and sustainable, and demonstrates a low risk approach.

11. Other Implications

| | |
|---|------|
| Crime and Disorder | None |
| Climate Change | None |
| Human Rights and Equality Impact | None |
| Safeguarding | None |

12. Appendices

- 12.1 Appendix 1 – Capital expenditure out-turn 2015-16 and prudential indicators.
- 12.2 Appendix 2 – External economic update
- 12.3 Appendix 3 – Counterparty update
- 12.4 Appendix 4 – Benchmarking definitions

13. Background Papers

Arlingclose Benchmarking Report for 2015-16 (contains exempt information under Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of Part I of Schedule 12A to the Local Government Act 1972.

Appendix 1: CAPITAL EXPENDITURE OUT TURN AND PRUDENTIAL INDICATORS 2015-16

Actual Spend compared to Original and Revised Estimate

| 2015-16 | | | | |
|-----------------------------|----------------------------|--------------------|---|--|
| Original Estimate £000's | Revised Estimate £000's | Out-turn £000's | Out-turn Variance to Original £000's | Out-turn Variance to Revised £000's |
| 8,355 | 9,807 | 4,833 | -3,522 | -4,974 |

The overall spend on projects was £4.833m, of which £3.725m met the definition of capital expenditure as determined by the Local Government Act 2003. The balance of £1.108m of project spend was deemed to be more of a revenue nature, and charged to the income and expenditure account and funded from the revenue reserves or income. Due to the tighter definition of capital expenditure the current "capital" programme contains a number of schemes that are strictly revenue.

The sources of funding for the capital expenditure incurred in 2015-16 were

| <u>Capital Receipts</u> | £ |
|--|--------------|
| Capital Receipts Reserve | 2,704 |
| <u>Capital Grants & Contributions</u> | |
| Renovation Grants | 501 |
| Section 106 Contributions | 13 |
| Revenue Reserves | 38 |
| Other Contributions | 469 |
| TOTAL FUNDING | 3,725 |

Prudential Indicators 2015-16

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2012.

Estimates of Capital Financing Requirement:

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

| Capital Financing Requirement | 31.03.16 Actual £m | 31.03.17 Estimate £m | 31.03.18 Estimate £m | 31.03.19 Estimate £m | 31.03.20 Estimate £m | 31.03.21 Estimate £m |
|-------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | | | | | |

| | | | | | | |
|-----|-------|-------|-------|-------|-------|-------|
| CFR | -1.38 | -1.37 | -1.40 | -1.43 | -1.44 | -1.44 |
|-----|-------|-------|-------|-------|-------|-------|

The CFR is forecast to remain negative over the next three years as the Council expects to remain debt-free over this period..

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

| Debt | 31.03.16 Actual £m | 31.03.17 Estimate £m | 31.03.18 Estimate £m | 31.03.19 Estimate £m | 31.03.20 Estimate £m | 31.03.21 Estimate £m |
|---------------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing (Operational Boundary only) | 0 | 0 | 0 | 0 | 0 | 0 |
| Finance leases | 0.1 | 0.1 | 0.1 | 0.05 | 0 | 0 |
| Total Debt | 0.1 | 0.1 | 0.1 | 0.05 | 0 | 0 |

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

| Operational Boundary | 2015/16 Approved £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m | 2019/20 Estimate £m | 2020/21 Estimate £m |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Borrowing | 5 | 5 | 5 | 5 | 5 | 5 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Debt | 5 | 5 | 5 | 5 | 5 | 5 |

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

| Authorised Limit | 2015/16 Approved £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m | 2019/20 Estimate £m | 2020/21 Estimate £m |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Borrowing | 10 | 10 | 10 | 10 | 10 | 10 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Debt | 10 | 10 | 10 | 10 | 10 | 10 |

No borrowing was undertaken other than the short-term use of the Council's overdraft facility for short term liquidity and an ongoing credit arrangement of £123k for multi-

function devices acquired in 2014-15. The authorised limit or operational boundaries were not exceeded at any point during 2015-16.

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

| Ratio of Financing Costs to Net Revenue Stream | 2015/16 Actual % | 2016/17 Estimate % | 2017/18 Estimate % | 2018/19 Estimate % | 2019/20 Estimate % | 2020/21 Estimate % |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund | -2.92 | -2.16 | -3.22 | -3.37 | -3.70 | -4.00 |

The estimates of financing costs reflect the Budget Spending Plans for 2016-17 to be reported to Cabinet on 9 February 2016 and considered by Council on 1 March 2016. These indicators have been updated to reflect the current phasing of the capital programme and the effect on the cash flow forecasts for investments.

The percentages are negative as the Council has a net income stream from its entire Treasury activities (including any debt financing).

Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the theoretical impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme expenditure at the start of this appendix.

| Incremental Impact of Capital Investment Decisions | 2015/16 Actual £ | 2016/17 Estimate £ | 2017/18 Estimate £ | 2018/19 Estimate £ | 2019/20 Estimate £ | 2020/21 Estimate £ |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund - increase in annual band D Council Tax | -3.39 | -2.60 | -3.09 | -3.06 | -3.03 | -3.00 |

Interest Rate Exposures

Prior to the start of the financial year, the Council is required to determine its upper limits on fixed and variable interest exposures – netting off investments and borrowing where appropriate.

For 2015-16 these were set at:-

- £24m for Upper limit on Fixed Interest Rate exposure of Net Investment Principal
- £60m for Upper limit on Variable Interest Rate exposure of Net Investment Principal.

For the purposes of this indicator fixed interest rate investments exclude long-term fixed rate financial instruments that matured during 2015-16.

These limits were not exceeded during the year, as the maximum levels achieved were £15m for fixed interest rate investments (26 February 2016 onwards) and £48m for variable interest investments (2 September 2015).

Total Principal Sums Invested for Periods Longer than 364 days

The indicator set for the prudential limits for principal sums invested for periods for longer than 364 days was set at £25m.

During the year sums invested for periods longer than 364 days rose from £8m to £15m, including new investments with:

- the London Borough of Enfield (£3m until July 2020);
- Glasgow City Council (£2m until November 2018);
- Fife Council (£2m until September 2017);
- The Local Authority Property Fund (£5m).

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Appendix 2: External economic context

Growth, Inflation, Employment

The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. As we entered 2016, there was a significant uncertainty about the outlook for global growth. The slowdown in the Chinese economy and the knock-on effects for both trading partners and commodity prices, the uncertainty over the outcome of the US presidential election (no clear party or candidate being identified as an outright winner) and the impending referendum on the UK's future relationship with the EU, all resulted in nervousness and a shaky start for markets.

Data released in the April-June quarter showed UK GDP at 2% year/year to March 2016 and annual inflation at 0.3% in May. Inflation remained subdued as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. Internationally, a modest pace of growth in the UK's main trading partners remained the most likely prospect.

During the first half of 2016, fluctuations in opinion polls on the EU referendum prompted pronounced volatility in exchange rates, gilts, corporate bonds and equities as the result became increasingly uncertain. Prior to the result, financial market sentiment shifted significantly in favour of a Remain outcome, a shift swiftly reversed as the results came in. The vote to leave the EU sent shockwaves through the domestic, European and global political spectrum which will increase uncertainty over the medium term.

Post referendum result, the overall market reaction, although significant, was less severe than some had feared. The 5-year credit default swaps for the UK (the cost of insuring against a sovereign default) rose from 33.5 basis points to 38.4 basis points. The FTSE All Share index, having fallen sharply by 7% from 3,481 points on 23rd June to 3,237 after the result, had subsequently risen to 3,707 by 8 August

UK Monetary Policy

Following the EU referendum, the Bank of England sought to reassure markets and investors. Governor Mark Carney's speeches during the immediate aftermath stressed that the Bank was ready to support money market liquidity and raised the likelihood of a cut in policy rates 'in the summer'. The door was also left open for an increase in the Bank's asset purchase facility (QE). The Governor noted that the Bank would weigh the downside risks to growth against the upside risks to inflation from a fall in the value of sterling.

At its meeting in August, the Monetary Policy Committee voted unanimously to cut Bank Rate to 0.25% from 0.5%, to increase the stock of purchases of gilts and to purchase £10 billion of corporate bonds.

The Committee noted that following the United Kingdom's vote to leave the European Union, the exchange rate had fallen with the risk this would push up CPI inflation in the near term, hastening its return to the 2% target.

The MPC was unanimous in the view that some policy easing was needed to reduce the amount of spare capacity and thus ensure that inflation returned sustainably to the target.

It also considered an expansion of its asset purchase programme for UK government bonds, financed by the issuance of central bank reserves. This would trigger portfolio rebalancing into riskier assets, lowering the real cost of borrowing for households and companies.

The MPC viewed the domestic banking system as being much better placed to face the challenging outlook than during earlier periods of stress. Over recent years, regulators in the United Kingdom and internationally had required banks to strengthen their balance sheets so that the financial system had become more resilient.

The Committee discussed whether to cut Bank Rate immediately to its effective lower bound, close to but a little above zero, or whether to cut Bank Rate by 25 basis points. For a majority of Committee members a case could be made for cutting Bank Rate immediately to the effective lower bound. However, most Committee members also thought there was value in delivering the required stimulus via a broad package of measures and recognised that there would be further opportunities to assess economic prospects at coming meetings in the light of new data.

If the incoming data proved broadly consistent with the August Inflation Report forecast, a majority of members expected to support a further cut in Bank Rate to its effective lower bound at one of the MPC's forthcoming meetings during the course of the year. The MPC currently judged this bound to be close to, but a little above, zero.

Market reaction

Through 2015-16 10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

The UK economic environment had already deteriorated ahead of the EU Referendum, as the potential for a leave vote amid the government's warnings of economic meltdown dampened business and consumer confidence. This debate arose in an already uncertain economic environment – the previous 12 months were characterised by substantial financial market corrections on the back of concerns about global growth prospects. Banks were one of the sectors targeted by investors worried about exposures to underperforming industries, such as oil and mining. UK business investment was a significant casualty of this economic uncertainty, contracting 0.8% year on year in the first quarter of 2016, a warning of the possible economic performance to come.

It is still early to assess any official post-referendum economic data. However, evidence suggests that the pre-vote downturn in business confidence worsened considerably after the result. The Lloyds Business Barometer survey for the subsequent week indicated a sharp fall in both business confidence and expectations of business activity over the next 12 months. Both investment and employment intentions may be affected as businesses delay or cancel spending and investment decisions, while business solvency will come under pressure due to lower activity levels.

The possible rise in unemployment will affect consumer confidence and consequently spending decisions. Even if consumer spending in nominal terms holds up, the rise in inflation prompted by the devaluation of sterling is likely to depress real spending levels.

The repercussions of the above may be felt in asset values, particularly commercial and residential property. The latest RICS housing market survey indicated a sharp decline in new buyer interest. Although supply of properties for sale declined equally rapidly, surveyors expect residential property prices to fall over the next 12 months. Any decline in residential property is likely to feed into lower consumer sentiment.

Post-referendum commercial property data is still emerging, but the action of fund managers in voluntarily marking down shares reflects lower expected property valuations.

While the EU referendum result could be described as a surprise, the outcome was always expected to be close - close enough that UK policymakers and banks were busy devising contingency plans on a leave vote. The Bank of England governor Mark Carney emphasised the stability of the UK financial system, clearly realising that looser monetary policy is severely limited if the wholesale funding markets stop working (a credit crunch-type situation) and banks stop lending. To this end, liquidity has been made available to the banking sector through the Bank's open market operations, while capital adequacy rules have been eased by the Financial Policy Committee

Following the EU referendum, the sterling exchange rate index fell by 9% and short-term volatility of sterling against the dollar increased significantly. Worldwide, markets reacted negatively with a big initial fall in equity prices. Government bond yields also fell sharply by 20-30 basis points across all maturities (i.e. prices rose) as investors sought safe haven from riskier assets. The 10-year benchmark gilt yield fell from 1.37% to 0.86%.

The result the overall market reaction, although significant, has to date been less severe than some had feared. The 5-year CDS for the UK (the cost of insuring against a sovereign default) rose from 33.5 basis points to 38.4 basis points. The FTSE All Share index, having fallen sharply by 7% from 3,481 points on 23rd June to 3,237 after the result, had subsequently risen to 3,707 by 2 August.

GBP Money Market Funds were largely unaffected by the EU referendum. Yields barely moved, with the average of the top yielding GBP Prime MMFs staying within a band of 0.52 and 0.53%.

Appendix 3: Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING.

Moody's concluded its review in June and upgraded a number of long-term ratings including Close Brothers, Standard Chartered Bank, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government.

Moody's affirmed the ratings of nine UK banks and building societies and revised the outlook to negative for those banks and building societies that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

Following Brexit Arlingclose has reviewed all UK based institutions, with the following results:

Credit rated banks and building societies

- no changes were made to approved counterparties or durations as a result

Unrated building societies

- Three Building Societies were removed from Arlingclose's advised list, following a deterioration in credit indicators
- Maximum advised maturities were reduced for eleven societies due to the uncertainty facing the UK property market following the EU referendum.
- No new building societies were added to the approved Counterparty list at this review

At the end of July 2016 the European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks. The Royal Bank of Scotland made headline news as one of the worst performers, although no bank was said to have failed the tests.

Appendix 4 – Benchmarking definitions

The benchmarking compares various measures of risk and return, which are calculated as follows:

Investment Value

For internal investments, the value is the sum initially invested. For external funds, the value is the fund's bid price on the quarter end date multiplied by the number of units held.

Rate of Return

For internal investments, the return is the effective interest rate, which is also the yield to maturity for bonds. For external funds (LAPF) this is measured on an offer-bid basis less transaction fees. For external funds the income only return excludes capital gains and losses.

Average returns are calculated by weighting the return of each investment by its value. All interest rates are quoted per annum.

Duration

This measure applies to internal investments only. This is the number of days to final maturity. For instant access money market funds, the number of days to final maturity is one.

Average duration is calculated by weighting the duration of each investment by its value. Higher numbers indicate higher risk.

Credit Risk

Each investment is assigned a credit score, based where possible on its average long-term credit rating from Fitch, Moody's and Standard & Poor's. This is converted to a number, so that AAA=1, AA+=2, etc. Higher numbers therefore indicate higher risk. Unrated local authorities are assigned a score equal to the average score of all rated local authorities.

Average credit risk is measured in two ways. The value-weighted average is calculated by weighting the credit score of each investment by its value. The time-weighted average is calculated by weighting the credit score of each investment by both its value and its time to final maturity. Higher numbers indicate higher risk.

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