



Minutes of the meeting of the **Cabinet** held in Committee Rooms, East Pallant House on Tuesday 26 January 2016 at 10.00 am

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

Members not present: Mrs G Keegan

In attendance by invitation:

Officers present all items: Mrs D Shepherd (Chief Executive), Mr S Carvell (Executive Director), Mr P E Over (Executive Director), Mr J Ward (Head of Finance and Governance Services) and Mr P Coleman (Member Services Manager)

127 **Minutes**

RESOLVED

That the minutes of the meeting of the Cabinet held on 5 January 2016 be signed as a correct record.

128 **Urgent Items**

There were no urgent items for consideration at this meeting.

129 **Declarations of Interests**

No interests were declared at this meeting.

130 **Public Question Time**

Councillor Mike Hall asked the following question on behalf of Mr Nick Reynolds, of Pook Lane, East Lavant, Chichester:-

CDC are recommending that developer contributions are secured to mitigate the impact of new housebuilding on the existing A27 but acknowledge that this will not in any way improve the existing congestion on this road.

Do CDC consider that the funds from developers are realistically achievable in the knowledge that central government have made it known that such agreements can be renegotiated if the development proves to be non-viable?

Furthermore, what other funding contributions will CDC make to mitigate the current (and future) local traffic congestion on the A27 if Highways England fund only a Northern Bypass, or is this entirely the responsibility of WSCC?

Mrs Taylor (Cabinet Member for Housing and Planning replied as follows:-

The Council can only seek developer contributions to mitigate the traffic impacts of new development and not to deal with existing congestion. That is a matter for Highways England.

Securing the funds from developers is realistically achievable. The evidence base for the Local Plan identified the need for improvements and the potential developers of the strategic sites have continued to promote their sites in the knowledge that contributions would be necessary and without objection. Furthermore, the evidence base also included a study that demonstrates the strategic sites are able to afford these contributions. If a developer were to be able to demonstrate that with the required financial contribution a development was unviable then the Council would need to come to a view on whether it was acceptable in principle for the development to go ahead or whether it should be refused due to an unacceptable highway impact – and clearly the view of Highways England would be important in this regard.

If Highways England decide to build a Northern Bypass then the existing road is likely to become the responsibility of West Sussex County Council. In such a scenario, the need for this council to make a financial contribution is not clear to me. It is likely that capacity would be released on the existing A27 making it less likely that mitigation would be required.

Mr Hall asked as a supplementary question whether the Leader of the Council would ensure that any mitigation measures to the existing A27 would tie in with any improvement scheme.

Mr Dignum replied that he was in no position to ensure anything in relation to highways. However, if Highways England proceeded with a northern by-pass, then the existing road would be de-trunked and become the responsibility of West Sussex County Council. Mr Carvell added that, if Highways England proceeded with an on-line improvement, it could be expected that this would be co-ordinated with any mitigation measures arising from development.

131 **Treasury Management Strategy 2016/17**

This item was considered at this point in the meeting. The Cabinet considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Hardwick introduced the report, explaining that the Treasury Management Strategy had been amended and updated for the forthcoming financial year. The Strategy reflected the general expectation in the market that the first rise to the UK's Bank Base rate, from the current low rate of 0.50%, was expected sometime in the second half of 2016, or possibly 2017. Any base rate rises were expected to be slow, and markets were only expecting a normalised rate of between 2 to 3%. The

global economy continued to be affected by the slowdown in China, and growth in the UK was due to domestic demand which might not be sustainable in the long run.

Mrs Hardwick drew attention to paragraph 9 (page 54), which set out how much was invested, where and for how long and the substantial sums involved. The rate of return being achieved in the current financial year was set out in paragraph 7 of the report (page 48) and appendices 3 & 4 (pages 68 to 71) which showed the annualised rates at the quarter dates were 0.61% and 0.72%. This reflected the low rates of return achieved in the traditional money market. However, if the council's own investment property portfolio was also taken into account, the annualised return achieved 1.09% and 1.13% for the quarters reported.

Mrs Hardwick summarised the key points as follows:

- a. As the Council was debt free, the main consideration was the investment strategy, what funds will be available to invest and where can they be placed.
- b. The management of risk associated with the treasury management function was set out in detail in the Treasury Management Practices (TMP's) No.1 (pages 75 to 78 in Appendix 6).
- c. The main changes in the 2016-17 strategy were to extend the periods for medium to long term investments as set out in Table 4 (page 57) for the secured investments and to add the use of the local authority property fund as an approved counterparty up to a limit of £10m.
- d. Other key prudential and treasury management indicators had been updated.
- e. For the investment strategy, consideration should be given to the items set out in paragraph 5.8 of the report on the use of advisers, training, and borrowing in advance of need.

The 2016-17 strategy was again seeking to manage counterparty or credit risk by increasing the diversity of the investment portfolio in the changes put forward for approval. The strategy also considered the interest rate risk, and how best to deal with the current very low rates available even for new longer term investments, but still ensuring the security of the initial capital investment.

She explained that the changes being put forward for the 2016-17 Strategy in relation to table 4 for counterparty selection and investment periods were also being sought for the current 2015-16 treasury management and investment strategy, especially in relation to the use of the local authority property fund. The impact on the approved limits and levels were set out in appendix 5 (page 72). This change in the current financial year would enable up to £10m of the core funds to be invested in the local authority property fund before April.

Members welcomed the proposed use of the local authority property fund and the better rate of return achieved by the Council's own investments in property.

Mrs Belenger pointed out that the date of the meeting referred to in paragraph 9.1 should be 24 November 2015.

RECOMMENDED TO COUNCIL

(1) That the following be approved:-

- (a) The Treasury Management Policy and Treasury Management Strategy Statement for 2016-17 as contained in appendix 1 of the report.
- (b) The Investment Strategy 2016-17 as detailed in the Treasury Management Strategy Statement (appendix 1).
- (c) The Prudential Indicators and Limits for 2016-17 to 2020-2021 as detailed in appendix 2 of the report.
- (d) The Minimum Revenue Provision (MRP) Statement contained within appendix 2, which sets out the Council's policy on MRP.

(2) That the 2015-16 Treasury Management Strategy and Investment Strategy be amended as set out in Appendix 5.

(3) That the Head of Finance and Governance Services be authorised, following consultation with the Cabinet Member for Finance and Governance, to update paragraph 5 (Economic background) of the Treasury Management Policy and Treasury Management Strategy Statement (Appendix 1) to take account of changed economic circumstances since the Strategy was drafted.

RESOLVED

That the investment performance for the second and third quarters of 2015-16 (appendices 3 and 4) be noted.

132 Leisure Services Management Contract

Further to minute 645 of 9 September 2014, the Cabinet considered the report circulated with the agenda (copy attached to the official minutes, except for the exempt material).

In the absence of Mrs Keegan, Mr Over introduced the report, reminding the Cabinet of previous consideration of this matter, leading up to the Council's decision in September 2014 that a procurement exercise be undertaken to test the market for future management of leisure services. The strategic objectives to be achieved were set out in paragraph 4.8 of the report.

The procurement exercise was described in paragraphs 4.9 to 4.16 of the report, and had included a competitive dialogue with two short-listed contractors. This had led to the conclusion, supported by the Senior Leadership Team, that the Council's objectives could be achieved by outsourcing the management of leisure services to

Contractor B (identified in the exempt report). The Task and Finish Group had also recommended that Cabinet consider outsourcing.

At this point, the Cabinet **RESOLVED** that the public, including the press, be excluded from the meeting for the following item 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.

Mrs Hotchkiss (Head of Commercial Services) then explained the detailed evaluation process applied to the short-listed contractors and the resultant scores which had led to the recommendation to appoint contractor B. Mrs Hotchkiss also answered members' questions, and described the contractors' proposals for capital investment. The Cabinet particularly debated whether or not to fund the capital works in return for a reduction in the contractor's management fee and whether or not to request a performance bond.

The meeting was then re-opened to the press and public. The Cabinet thanked the officers, particularly Mrs Hotchkiss and Mrs Peyman, for their work on the project and Max Associates for their consultancy advice.

RECOMMENDED TO COUNCIL

- (1) That the management of the Leisure Centres and Sports Development Service be outsourced.
- (2) Subject to approval of recommendation (1) above, that the Head of Commercial Services be authorised, following consultation with the Cabinet Member for Commercial Services and Head of Finance & Governance Services, to conclude capital negotiations and agree the principle of funding the capital works as indicated in 4.2, 4.3 and 7.1-7.5 of the Part 2 report.

RESOLVED

Subject to approval at Full Council to outsource the management of the Leisure Centres and Sports Development Service,

- (1) that contractor B as indicated in the Part 2 report is approved as the preferred contractor.
- (2) That the Council self-insure instead of requesting a Performance Bond and Pension Bond from the contractor resulting in additional savings as identified in 7.6 and 7.7 of the Part 2 report, subject to the Head of Finance and Governance Services being satisfied in accordance with his delegation under the Constitution.

The meeting ended at 10.57 am

CHAIRMAN

Date: