COUNCIL
27 MARCH 2019

MID SUSSEX
DISTRICT COUNCIL

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DISTRICT COUNCIL

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19 March 2019

Unless a majority of the Council resolve to extend the meeting before 10.00 pm it will automatically end at 10.00 pm in accordance with Council Procedure Rule 17.2.

To all Members of the Council,

You are hereby summoned to attend a meeting of the **MID SUSSEX DISTRICT COUNCIL** to be held in the **COUNCIL CHAMBER** at these offices on **WEDNESDAY, 27TH MARCH, 2019 at 7.00 pm** to transact the following business:

Yours sincerely,

KATHRYN HALL
Chief Executive

		Pages
1.	Opening Prayer	
2.	To receive questions from members of the public pursuant to Council Procedure Rule 9.	
3.	To confirm Minutes of the meeting held on 27 February 2019.	**5 - 10**
4.	To received declarations of Interest from Members in respect of any matter on the Agenda.	
5.	To consider any items that the Chairman of the Council agrees to take as urgent business.	
6.	Chairman's Announcements.	
7.	Statement of Community Involvement (SCI).	**11 - 38**
8.	MSDC Pay Policy Statement 2019/20.	**39 - 46**
9.	Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 - 2021/22.	**47 - 84**

Working together for a better Mid Sussex

To: **Members of Council:** Councillors B Forbes (Chairman), C Trumble (Vice-Chair), J Ash-Edwards, A Barrett-Miles, E Belsey, J Belsey, M Belsey, L Bennett, M Binks, A Boutrup, P Bradbury, H Brunsdon, C Catharine, R Cherry, R Clarke, P Coote, R de Mierre, T Dorey, D Dorking, S Ellis, C Fussell, S Hansford, S Hatton, G Heard, C Hersey, M Hersey, C Holden, A Jones, J Knight, J Landriani, Andrew Lea, Anthea Lea, J Llewellyn-Burke, A MacNaughton, G Marples, G Marsh, E Matthews, N Mockford, P Moore, H Mundin, K Page, G Rawlinson, P Reed, R Salisbury, L Stockwell, D Sweatman, M Thomas-Atkin, N Walker, G Wall, A Watts Williams, N Webster, R Whittaker, J Wilkinson and P Wyan

Minutes of a meeting of Council held on Wednesday, 27th February, 2019 from 7.00 pm - 7.49 pm

Present: B Forbes (Chairman)
C Trumble (Vice-Chair)

J Ash-Edwards	M Hersey	P Moore
M Belsey	A Jones	H Mundin
L Bennett	J Knight	K Page
M Binks	J Landriani	P Reed
P Bradbury	Andrew Lea	L Stockwell
C Catharine	Anthea Lea	M Thomas-Atkin
P Coote	J Llewellyn-Burke	N Walker
R de Mierre	A MacNaughton	G Wall
S Ellis	G Marples	N Webster
S Hatton	G Marsh	R Whittaker
G Heard	E Matthews	J Wilkinson
C Hersey	N Mockford	P Wyan

Absent: Councillors A Barrett-Miles, E Belsey, J Belsey, A Boutrup, H Brunsdon, R Cherry, R Clarke, T Dorey, D Dorking, C Fussell, S Hansford, C Holden, G Rawlinson, R Salisbury, D Sweatman and A Watts Williams

1. OPENING PRAYER

The opening prayer was read by the Vice-Chairman.

2. TO RECEIVE QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE 9.

None.

3. TO CONFIRM MINUTES OF THE MEETING OF COUNCIL HELD ON 30 JANUARY 2019.

The minutes of the meeting of Council held on 30 January 2019 were agreed as a correct record and signed by the Chairman.

4. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA

In relation to item 8, Councillor Andrew Lea, Councillor Bradbury, Councillor Bennett and Councillor Jones declared a personal interest as West Sussex County Councillors.

5. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN OF THE COUNCIL AGREES TO TAKE AS URGENT BUSINESS.

None.

6. CHAIRMAN'S ANNOUNCEMENTS

The Chairman noted that the next Council meeting will be the last one of this Administration and urged all Members to attend.

7. RECOMMENDATIONS FROM CABINET - 11 FEBRUARY 2019.

The Chairman introduced the report. In response to a question on the Budget Management 2018/19 Progress Report, the Cabinet Member for Finance and Performance confirmed that staff vacancy savings were due to positions not filled, and she agreed to provide a written answer in relation to the proposed use of the underspend.

The Chairman took Members to the recommendations contained in the report, which were agreed unanimously.

RESOLVED

With regards to the Draft Corporate Plan and Budget 2019/20, Council approved:

(i) The overall direction and service levels promoted within the draft Corporate Plan;

(ii) The financial outlook facing the Council;

iii) The proposed increase in Council Tax;

(iv) The proposed placements in the Specific Reserves;

(v) The proposed Capital Programme; and

(vi) The service commentaries and supporting summary budget tables for business unit.

With regards to the budget management 2018/19 progress report, Council approved:

(i) that £16,684 be transferred to Specific Reserve as detailed in paragraph 21 of the Cabinet report;

(ii) that £2,786 be transferred to Specific Reserve as detailed in paragraph 22 of the Cabinet report;

(iii) that £90,000 be transferred to Specific Reserve as detailed in paragraph of the Cabinet report;

(iv) that £18,873 be transferred to Housing Needs Survey specific reserve as detailed in paragraph 24 of the Cabinet report;

(v) that £15,830 be transferred to Specific Reserve as detailed in paragraph 25 of the Cabinet report;

(vi) that £340,000 of the revenue underspend be transferred to Specific Reserves as detailed in paragraph 26 of the Cabinet report;

(vii) the variations to the Capital Programme contained in paragraph 46 of the Cabinet report in accordance with the Council's Financial Procedure rule B4.

With regards to the Property Investment Opportunity, Council approved that the purchase be funded from the general reserve.

8. CORPORATE PLAN AND BUDGET 2019/20 - ENCLOSED

The Cabinet Member for Finance and Performance introduced the report, thanking the Scrutiny Committee, Members and Officers for their efforts in producing a strong Budget and Corporate Plan which will enable the Council to achieve its goals.

She highlighted that the central government grant to the Council has been reduced from £6.5m in 2010 to zero in 2018/19 and that the Secretary of State has reviewed the negative RSG, and confirmed it is no longer to be expected. Instead, the Government is seeking to provide incentives to Councils that are performing well by encouraging participation in schemes such as the Business Rates Pilot.

She acknowledged that whilst uncertainties exist in reference to the fair funding review, and budget reductions planned by West Sussex County Council, this Council has been proactive in many areas. A successful bid for participation in the business rates pilot has enabled £19m to be invested in a full fibre network throughout the District, and prudent property investment was providing income.

She also drew Members attention to some further key areas contained within the plan:

1) A £3.1% increase in Council Tax increasing the tax at Band D by £4.95 per year.

2) The work undertaken to facilitate planned and coordinated sustainable economic growth including the Burgess Hill Growth Programme, a masterplan for Haywards Heath, a Conservation Area Appraisal and Management Plan for East Grinstead and the completion of the Shop Front Improvement project.

3) Progress made in relation to Flagship Activities.

4) Significant support to community groups through Cabinet Grants.

5) A Capital Programme including a significant amount for play spaces.

6) Resources provided to fund temporary accommodation, and further ways in which the Council is influencing housing more broadly across the District.

A Member asked about the proposed full fibre network. The Cabinet Member for Economic Growth confirmed that the Council is looking at all options to ensure

connectivity can benefit smaller market towns and rural areas.

Members noted that extensive work had gone into producing a budget well integrated into the Corporate Plan with clear capital budgets and justification for the key projects. It was noted that strategic partnerships are vital to the Council's success in achieving its ambitions.

A Member commented that the proposed increase in Council Tax should be seen in context of the recent freeze in Council Tax, which resulted in benefits to local residents. He urged the Cabinet Member to give consideration to whether an increase in future years is necessary.

In response to a Member's question, the Cabinet Member for Service Delivery confirmed that charges for playing pitches had gone up in line with inflation and there is a budget to litter pick the A23.

The Leader seconded the proposals in the report and thanked Members and Officers for their work to produce a Corporate Plan and Budget which sets a firm financial foundation for the year ahead and the next administration. He reiterated the importance of strategic relationships as millions of pounds of investment for the District are coming through from these partnerships. He also noted that the Burgess Hill Growth Programme will benefit both the town, and the rest of the District as it has spurred on neighbouring towns to pursue ambitious projects of their own.

With regards to the Council Tax increase he acknowledged that the Council wishes to be a low-tax authority but also wants to deliver services that residents deserve and expect so it is important to set a rational budget which can be delivered on. In terms of the cumulative shortfall over 4 years, the Council needs to understand the requirements in the Council Tax regime and fair funding review, and he noted that the Council is already working to mitigate the financial and social costs resulting from West Sussex County Council's challenging budget requirements.

The Leader noted the high performance of the Planning department following significant investment to attract high performing people to the teams. There has also been significant investment in the Revenues and Benefits team following the disbanding of the CenSus partnership which has resulted in the team performing at its highest level. Work has also been invested in streamlining Member Services particularly relating to sustainability and the ambition to move to a paperless system.

He concluded that as the last budget of the administration, it clearly fits the objectives set by the Council and going forward it focusses on growth, infrastructure and economic strategies to benefit residents and businesses within the District.

The Chairman took Members to a recorded vote in accordance with the budget regulations:

	For	Against	Abstained
Councillor Ash-Edwards	✓		
Councillor Margaret Belsey	✓		
Councillor Liz Bennett	✓		
Councillor Michelle Binks	✓		
Councillor Pete Bradbury	✓		
Councillor Cherry Catharine	✓		
Councillor Phillip Coote	✓		

Councillor Ruth De Mierre	✓		
Councillor Sandy Ellis	✓		
Councillor Bruce Forbes	✓		
Councillor Sue Hatton	✓		
Councillor Ginny Heard	✓		
Councillor Chris Hersey	✓		
Councillor Margaret Hersey	✓		
Councillor Anne Jones	✓		
Councillor Jim Knight	✓		
Councillor Jacqui Landriani	✓		
Councillor Andrew Lea	✓		
Councillor Anthea Lea	✓		
Councillor Judy Llewellyn-Burke	✓		
Councillor Andrew MacNaughton	✓		
Councillor Gordon Marples	✓		
Councillor Gary Marsh	✓		
Councillor Edward Matthews	✓		
Councillor Norman Mockford	✓		
Councillor Pru Moore	✓		
Councillor Howard Mundin	✓		
Councillor Kirsty Page	✓		
Councillor Peter Reed	✓		
Councillor Linda Stockwell	✓		
Councillor Mandy Thomas-Atkin	✓		
Councillor Colin Trumble	✓		
Councillor Neville Walker	✓		
Councillor Garry Wall	✓		
Councillor Norman Webster	✓		
Councillor Rex Whittaker	✓		
Councillor John Wilkinson	✓		
Councillor Peter Wyan	✓		

The 38 Members present voted in support.

RESOLVED

Council resolved to approve the Corporate Plan and Budget for 2018/19 as set out in the report.

The meeting finished at 7.49 pm

Chairman

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STATEMENT OF COMMUNITY INVOLVEMENT (SCI)

REPORT OF: ASSISTANT CHIEF EXECUTIVE
Contact Officer: Sally Blomfield, Divisional Leader for Planning and Economy
Email: sally.blomfield@midsussex.gov.uk Tel: 01444 477435
Wards Affected: All
Key Decision: Yes
Report to: Council
Date of meeting: 27th March 2019

Purpose of Report

1. The Statement of Community Involvement (SCI) for Mid Sussex was adopted in 2011. A revised draft SCI was produced in 2018 to comply with national legislation, the adoption of the District Plan and evolving best practice on community and stakeholder engagement. The draft SCI was subject to consultation in Autumn 2018 and following comments received, the revised draft SCI was considered at the Scrutiny Committee for Community, Housing and Planning on the 29th January 2019. The Scrutiny Committee recommended that Council adopts the revised SCI.

2. The purpose of the report is to recommend that Council adopts the new SCI in accordance with legislation.

Summary

3. This report provides a summary of:

   - The draft revised Statement of Community Involvement (SCI); and
   - The consultation undertaken on the draft SCI and the minor changes made in response to comments received.

Recommendations

4. **That Council:**

   (i) Adopts the proposed revised Statement of Community Involvement (SCI) in accordance with legislation, and delegates responsibility to the Divisional Leader for Planning and Economy to ensure that the adopted SCI is placed on the website, and stakeholders are notified accordingly.

Background: the context for review of the Statement of Community Involvement

5. The requirement to prepare a Statement of Community Involvement (SCI) is set out in the Planning and Compulsory Purchase Act (2004). An SCI explains how the District Council will engage and involve local people and communities in the planning process. Mid Sussex District Council adopted the current SCI in 2011.

6. Since the current SCI was adopted there have been a number of important changes to national planning law and policy. The Council has adopted the District Plan and there are now a number of neighbourhood plans across the District. These all have implications for the SCI.

7. A requirement of the Neighbourhood Planning Act 2017 is that from 31st July 2018 all SCIs must:

- Be updated every five years as a minimum;
- Set out how the authority will support neighbourhood planning groups in making of neighbourhood development orders and reviewing neighbourhood plans; and
- State how it will give people and communities opportunities to understand how the Council reviews matters which may affect development in its area or the planning of its development (the 'survey' stage of planning).

8. The proposed revised SCI:

- Ensures that it complies with all relevant national planning policy and guidance (including the September 2018 update to Planning Practice Guidance); and
- Updates the Council's commitments to local communities and explain how the Council will engage local communities in planning processes including making and reviewing Neighbourhood Plans.

The draft Statement of Community Involvement

9. In updating the SCI, officers have streamlined the information, incorporating all the required details into one shorter and more accessible document. This provides greater clarity on the Council's commitment to community engagement and offers a useful resource for local people that wish to be involved in local planning.

10. The document covers a range of topics concerning the Council's commitment to engage local communities in planning processes, including:

- A Code of Practice, setting out six general principles for community engagement, which are intended as a guide to ensure the necessary quality of work is carried out;
- Information on both the legal requirements for consultation and the ways the Council will involve local communities in plan-making and planning applications, including summaries of the stages and methods of consultation involved in each; and
- Updated information on the Council's support of neighbourhood planning, the Council's Duty to Cooperate with nearby planning authorities and other public bodies, and monitoring of the Council's consultation activity.

11. In line with the previous version, the document not only covers consultation activities by the Council but also provides advice and information on how private developers should consult and engage with local communities in advance of submitting planning applications for development.

12. Included for the first time is guidance on the appropriate use of social media in engaging with people and communities across the District.

Public consultation on the draft Statement of Community Involvement

13. Following consideration by the Scrutiny Committee for Community, Housing and Planning at its meeting in September 2018, the Cabinet Member for Housing and Planning approved a draft version of the SCI for public consultation.

14. Public consultation on the draft document was carried out between Thursday 11th October and Thursday 22nd November 2018 as follows:

    - Notification to the 250+ organisations and almost 150 interested persons on the Council's planning policy e-mail circulation list;
    - Publication on the Council's website; and
    - Copies of the draft document were placed to view in public buildings across the District.

15. Five organisations responded to the consultation (Southern Water, Highways England, Historic England, Hassocks Parish Council and Haywards Heath Town Council). Two respondents acknowledged the consultation with no comments to make; one respondent supported the revised SCI; one respondent made comments with no proposed changes; and one respondent (Haywards Heath Town Council) proposed minor changes relating to encouraging early engagement with Town and Parish Councils. No objections were received.

16. The Scrutiny Committee for Community, Housing and Planning considered the consultation responses and agreed the proposed changes to the draft SCI on the 29th January 2019 and to recommend to Council that the revised draft SCI is adopted.

17. The final draft version of the SCI is attached at Appendix 1.

Guidance Note on the use of Planning Performance Agreements in the District

18. In tandem with the revisions to the SCI, guidance on the use of Planning Performance Agreements (PPA) in the District has been revised. A PPA is a project management tool which local planning authorities and applicants can use to agree timescales, actions and resources for handling some applications. These are usually application for large and complex developments, including strategic allocations or mixed use urban regeneration schemes, that are likely to need extensive discussions with Council officers.

19. The Guidance Note does not require adoption by the Council and following public consultation and consideration by the Scrutiny Committee for Community, Housing and Planning, it has been approved by the Cabinet Member and is now available on the Council's website.

Next Steps

20. According to the District Council's Constitution, a resolution by Council is required to adopt the SCI. Once adopted, the SCI has to be reviewed at a minimum every five years.

Financial Implications

21. There are no financial implications associated with adoption of the SCI.

Legal and Risk Management Implications

22. The Council is required by the Planning and Compulsory Purchase Act 2004 to produce a Statement of Community Involvement. The Council is required to update its SCI every five years under the Neighbourhood Planning Act 2017.

23. If the Council does not adopt the updated SCI, it would be in breach of legislation and at risk of any action taken by Government or potentially an interested third party.

24. Although the likelihood of either of these events is low, the reputational risk to the Council should they occur would be significant.

Equality and Customer Service Implications

25. The draft SCI has equality and customer services at the core of its principles. In bringing forward community consultation and engagement activities, advice is given to officers (or private developers in working up development proposals) on targeting hard to reach communities and outreach work with them.

Other material implications

26. There are no other material implications.

Appendix 1: Final draft version of the Statement of Community Involvement

DRAFT FOR ADOPTION BY COUNCIL

MARCH 2019

Mid Sussex District Council

Statement of Community Involvement (SCI) 2019

Contents

Mid Sussex District Council Contact Information

Planning Policy and Economic Development

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Background to The Statement of Community Involvement (SCI)

Introduction

The Mid Sussex District Plan was adopted in March 2018 and will direct development in the District in the years to 2031. The Plan seeks to deliver the Vision set out in the *Mid Sussex Sustainable Communities Strategy (2012):*

"A thriving and attractive District, a desirable place to live, work and visit. Our aim is to maintain, and where possible, improve the social, economic and environmental well being of our District and the quality of life for all, now and in the future".

Mid Sussex District Council believes that effective and transparent community involvement can help achieve this Vision. In order to do so, the Council must actively seek to understand the needs and aspirations of all the different communities across the District. This is particularly important when decisions are difficult, resources are limited and where people disagree on the best way forward. Effective and transparent community involvement will help elected Councillors balance competing pressures and make better decisions.

The Council is always looking for ways for the community to become more engaged in planning matters. We aim to make it simple for local people to contribute to the planning process and hope to involve as many local people as we can in decisions which affect the communities they live in. At the Council, we appreciate how vital local knowledge is for ensuring the sustainable development of Mid Sussex and to the improvement of local communities .

This Statement of Community Involvement (SCI) is a 'code of practice' setting out policies for the Council to adopt in engaging people in planning processes. This will provide access for people to the preliminary stages of plan-making and planning applications. It describes how and when the Council will seek to engage with residents, businesses and other local organisations in the preparation of planning policy documents, in the determination of planning applications and in other key elements of the planning process in the District. It is for anyone interested in playing a part in improving the future of Mid Sussex. In line with national guidance, it stresses the importance of 'front-loading' engagement by communities in planning processes.

The Council must comply with the SCI in preparing any development plan document, or when determining a planning application.

Status of the SCI

This statement acts as a guide and benchmark for all Council services to use when involving communities in planning and in designing Community Involvement Plans. As such, it sets out key principles that need to be met when engaging with the public.

It will supersede the previously adopted Statement of Community Involvement (2011) and will become a statutory document of the Council's Planning Policy documents.

Legal Requirements

The Council recognises that in some areas of its work there are minimum legal standards for public consultation and these will always be adhered to.

The legal requirements for consultation and community involvement in plan-making and planning applications are set out by Government in legislation including that in the box overleaf:

Plan-making
The Town and Country Planning (Local Planning) (England) Regulations 2012.
The Regulations set out the procedure to be followed by local planning authorities in relation to the preparation of local plans and supplementary planning documents including who is to be consulted and which documents must be made available at each stage of the process.

Planning applications
The Town and Country Planning (Development Management (Procedure) (England) Order 2015.
This sets out the steps local authorities must take with regard to the processing and administration of planning applications from the point where an application is made through to the way in which decisions are recorded.

The requirement to prepare a SCI is set out in the Planning and Compulsory Purchase Act (2004). Mid Sussex District Council first published an SCI in 2011 to explain how the council engage and involve local people and communities in the planning process. Since 2011 there have been a number of important changes to national planning policy and subsequently, the Council is acting to ensure its SCI remains useful to local people. Moving forward, legislation now requires SCIs to be updated at least every 5 years and has amplified the range of issues SCIs should contain, including that they set out how the authority will support neighbourhood planning groups in reviewing neighbourhood plans. The SCI has been reviewed in this context and will continue to be reviewed every five years.

How is the Planning Service at Mid Sussex District Council structured?

Planning Policy and Economy
The Section is responsible for preparing planning documents used to shape the future development of the District. The overarching document is the recently adopted District Plan. There are a number of Development Plan Documents that sit beneath it and more will follow. The policies within the documents need to take into account local, regional and national policies, needs and interests. The Statement of Community Involvement is an important part of Mid Sussex's policy framework.

The Section also produces the District's Economic Development Strategy 2018-2031 as launched in June 2018.

Development Management
The Development Management service is responsible for processing and determining planning applications and other related applications such as listed buildings, trees, and advertisement consent. It is at the planning application stage where specific, detailed decisions are made about what happens to a piece of land or a building. Applications are all considered using the District Plan, Neighbourhood Plans, planning policy documents and other advice and information. The Section also has a role in investigating breaches of planning control and making sure that developments are carried out with the necessary consents.

Six General Principles for Community Engagement: The Code of Practice

Principle 1: Be timely
The community should be involved as early as possible in the decision-making process when there is more potential to make a difference. Usually it is best to 'front load' consultation activity and use it to identify potential issues and options. However, consultation can be effectively used to confirm the level of support for particular courses of action too. Reasonable timescales should be given to the distribution of information and for responses to consultation. Potential participants should be given some notice of an impending community involvement exercise that could affect them, wherever possible.

Principle 2: Be inclusive
A key principle of community involvement is that it should be accessible to all those who wish to take part. This may well vary according to the nature of the matter being looked at. Reasonable effort must be made to ensure a representative cross-section of the community is involved including seldom heard groups and groups defined as having protected characteristics under Equalities Legislation. In designing each exercise, the Council will endeavour to understand and accommodate the different ways people want to get involved, including online and via social media, where possible.

Principle 3: Be transparent
The quality of information provided to potential consultees must be clear, honest, accurate and unbiased. All written materials should use plain English and be jargon free. It is also important that the material makes it very clear what can be influenced and changed by the participant's suggestions and comments. Likewise, it needs to explain how and when decisions will be made, following the end of the consultation period.

Principle 4: Be respectful of each other's views
Community involvement exercises will usually uncover a range of views, some of which are in conflict or contradictory. The Council will listen to all the views it receives and seek to balance their relative merits, drawing on other information from the evidence base where that is available. Where the opinion being put forward is not clear it will seek to better understand what is being said. However, it is for all participants in the process to respect the views of other people and encourage a variety of contributions.

Principle 5: Be efficient
The Council will work with other organisations, where possible, to streamline consultation processes. Likewise, it will look to use existing networks to save time and resources, and to reduce duplication and 'consultation fatigue'. Town and Parish Councils can have a particularly important role in this. It is also important to ensure that community involvement exercises are proportionate to the scale and importance of the issue/matter under consideration (there is no 'off the shelf' way of conducting such exercises that can be applied to all matters). This will ensure that the Council's limited resources are spent as wisely as possible.

Principle 6: Be clear about results
It is essential that those who have contributed to a community involvement exercise are informed in a timely way about the results of the consultation and kept informed of further opportunities for being involved. This will often be in summary form, but it must be clear and objective in its presentation. Similarly, the Council will publicise the decision(s) it came to and, where this differs from the results of the consultation, it will explain why. In this way, it will demonstrate how the consultation exercise has affected the decision at hand.

Community Involvement Plans

A Community Involvement Plan, based on the template below, should be completed for all planning policy documents and for applicants submitting all 'major' applications[1]. It should be written in plain English, should reflect the six principles outlined above, and be made publicly available in good time to view before the consultation exercise is due to commence, and for Council consultations, on the Council's website at www.midsussex.gov.uk/consultation.

Community Involvement Plan Template

Who is to be involved?

- List who will be asked for their views. This may be only those directly affected by a potential decision or it could be a wide consultation in which anybody can come forward. A list of those groups and organisations that the Council may consider involving is available at www.midsussex.gov.uk/sci.
- Confirm how information will be treated confidentially, for instance where this raises issues with data protection or commercial confidentiality. Note the requirements of the EU's General Data Protection Regulation 2016 in this respect.
- Show how opportunities to work with other organisations and make involvement more comprehensive, or to share resources, have been used.

Why people are being involved?

- Describe why people are being asked for their views.
- Indicate clearly what decision(s) is being made based on their involvement, including what can and cannot be changed. This may include, where relevant, a simple overview of the legal and/or policy framework or other constraints.
- Show how reasonable efforts are being made to ensure people are properly informed of the facts, background and purpose of the project before being asked for their view, including making available as much information as possible (including where it can be found) at an early stage.

When people will be involved?

- Indicate clearly the length of the consultation and how comments and views can be submitted (including any statutory requirements that need to be met).
- Consultation should be undertaken as early as possible, be open for as long as possible, unless there are clear reasons not to or statutory guidelines state otherwise.

How people will be involved?

- Describe how information will be provided to people and how the consultation will maximise the number of people who can participate in it. For example, meeting venues should be as accessible as possible and be arranged for times that enable a cross-section of people to attend.
- Consider and highlight the availability of contact details for queries or supporting material such as summaries/ support material for consultation point staff.
- Set out what methods are to be employed to inform, consult and involve people (see table on page [5]) including online and social media. This should pay particular attention to encouraging participation by so-called 'seldom heard' groups. Where

[1] A 'major' application is, for example, a scheme of more than 10 houses or a building on a site larger than 1 hectare.

necessary, an Equality Assessment will identify this for particular groups defined as having 'protected characteristics' by Equalities legislation.
- Indicate how consultees should provide their comments.

What happens to the results?

- Explain how the results will be reported and when. For example, this will often be in a summary rather than a word-for-word presentation of every submission.
- Describe how the results of the consultation will be fed back to those who took part and how they will be used to influence decisions. Where this differs from the results of the consultation, it should be explained why.

Who is running the exercise?

- State clearly who the consultee should contact if they wish to raise any queries about the exercise or if and how they can make a complaint about it.

What consultation methods will be used?

This table lists some of the activities and methods to consider when putting together a Community Involvement Plan. As previously stated, the methods used should be tailored to suit the scale and nature of impact of the decision to be made and the particular needs of people being consulted. Please note, this table is not intended to be an exhaustive list of suitable methods. The approaches taken to public consultation are constantly changing and new methods should be used, when they are suitable.

Informing people (letting people know about it)	**Consulting people (asking for views and evidence)**
Advertise locally	Key stakeholder discussions and forums
Create and update web pages	On-line consultation and social media
Brief Town and Parish Councils and District Councillors	Documents/information sent directly to stakeholders
Place articles in local newspapers/magazines and District, Town and Parish Council publications	Structured feedback forms included with documents
Use notice boards in prominent places including those belonging to District, Town and Parish Councils and at public information points where possible.	Public meetings (for example planning area committees or Councillor surgeries)
Use posters, fliers and promotion	Public workshops
Deliver newsletters, leaflets, summary sheets	Questionnaire / surveys including online such as 'Survey Monkey'
Organise exhibition stands in relevant and/or prominent locations when deemed appropriate and proportionate in use of staff resources	Material made available in Council offices (District, Town and Parish Councils), libraries and on-line (lengthy documentation should be supplied with a summary).

Use email or text message notifications and social media where relevant	
Provide briefings	Exhibitions
Involving people (discussions to develop ideas together)	
Workshops/ forums / focus groups / citizen panels to identify issues and shape options/ Councillor surgeries	
Meetings with community groups/ key stakeholders	
On-line discussion forums and social media	

Note: The use of social media can be an effective and inclusive way of engaging with people and communities, allowing people to input at a time and in a way that suits them. However, careful thought should be given to how the consultation is structured to prevent inappropriate use and 'trolling' by, for example, requiring approval of comments by a moderator or similar mechanisms.

Community Involvement in Plan-Making

Planning Policy

Planning decisions on proposed new development are judged using policies found in a number of planning documents. All local planning authorities must produce a local plan and regularly review and update it. This document may be supported by other planning policy documents that will be used collectively to guide sustainable development in the area.

The current local plan for the area produced by the council, the *Mid Sussex District Plan*, was adopted in 2018 with a time horizon to 2031. It largely replaced the *Mid Sussex Local Plan* which dated to 2004. The District Plan has been prepared in the context of the Localism Act, the National Planning Policy Framework and National Planning Policy Guidance. It reflects the aspirations of Central Government and the District Council to give local people more ownership and control over the planning of their area so that development is seen as a positive thing that can help communities maintain a high quality of life, increase economic prosperity and protect the environment to meet current needs and the needs of future generations.

The District Plan sets out a vision for how Mid Sussex wants to evolve and a delivery strategy for how that will be achieved. It enshrines the National Planning Policy Framework's 'presumption in favour of sustainable development'. As such, it sets out broad guidance on the distribution and quality of development in the form of 'higher level' strategic policies. It also provides the framework for all subsequent planning documents, including Neighbourhood Plans.

Along with this local plan, other supporting planning documents which require public consultation include:

Development Plan Documents (DPDs)
These contain the detailed policies and proposals of the Local Plan and are subject to a rigorous statutory process, including community involvement. They are required to carry out a Sustainability Appraisal and are subject to independent examination and Council agreement before adoption. In Mid Sussex, the Sites Allocation DPD will be used to allocate residential sites larger than five and commercial development sites (larger than 0.25ha or 500m^2 of floorspace) for the period to 2031.

Supplementary Planning Documents (SPDs)
These give further explanation and detail to Development Plan Document policies. They are subject to a statutory process including community involvement and sometimes a Sustainability Appraisal. Supplementary Planning Documents are not subject to independent examination, but require Council agreement before adoption.

Other planning documents
These can include for instance planning briefs or master plans prepared for specific sites by the Council or with the landowner/developer. The community should also be involved in the preparation of these documents at an early stage.

Community Infrastructure Levy (CIL)
The Community Infrastructure Levy was introduced by the Planning Act 2008 and came into force in 2010. The Levy is a fixed, non-negotiable charge on development, relative to the size, and allows Local Authorities to levy planning charges on new building projects classed as 'chargeable development'. The Council is currently working towards the adoption of the CIL, and when completed, this will be used to help fund a wide range of infrastructure to support development across Mid Sussex.

Sustainability Appraisals
These are an assessment of the economic, social and environmental impacts of a plan to promote sustainable development. They are published for consultation alongside draft and final Development Plan Documents and some Supplementary Planning Documents.

Timetable for producing plan documents

The Local Development Scheme sets out a timetable for the preparation and review of local plan documents. The current LDS for Mid Sussex covers the period from 2017 to 2020[2]. It provides information about the Mid Sussex District Plan 2031 and related documents including the Site Allocations DPD.

At any given time, the Council may be preparing or revising a range of documents for the local plan. The LDS provides timelines for their completion. It links with the SCI because it also provides information about when the Council will be looking to involve the community in the preparation of local plan documents.

The LDS has two purposes, both of which have community involvement in mind:

- it provides the starting point for the local community to find out what the planning policies for their area are; and
- it sets out the programme for the preparation of Development Plan Documents, including timetables which tell people about the various stages of preparation of any particular document.

Although there is no requirement for public consultation on the LDS, the Council is required to state in the SCI its policy on the involvement of people and communities in fulfilling its responsibilities relating to the LDS. Mid Sussex District Council will continue to update the LDS on a regular basis and will widely publicise each update including on our website.

Producing a document for the local plan

Mid Sussex District Council will implement the six principles set out in the 'Code of Practice'[3] to involve people in making decisions on forming plans.

Planning legislation sets out the preparation and consultation stages and periods for the production of local plan documents. There are four main stages to the preparation of a Development Plan Document (DPD) and three main stages for a Supplementary Planning Document (SPD).

The Council will produce a Community Involvement Plan for each planning policy document to set out how it will be produced, how and when community involvement will take place and what happens to the results of community involvement in taking decisions.

[2] https://www.midsussex.gov.uk/media/2696/local-development-scheme.pdf
[3] See page [6] above

Production of a planning policy document

Inform	**Involve**	**Stage 1 - Preparation (early engagement)**
		• Collecting evidence through various sources and publicise at an appropriate early stage in the process • Notify and work with groups, organisations and residents • Consider issues and alternatives • Prepare content of draft document and provide feedback where possible
	Consult	**Stage 2 - Publication**
		• Statutory stage - 6 weeks (minimum) to comment on plan, sustainability appraisal and supporting evidence[4] • Documents (including evidence base) made available for inspection including on the Council's website
	Inspect	**Stage 3 – Submission for Independent Examination**
		• Representations received at Stage 2 summarised and made publicly available through appropriate channels (please note that the Council is required to provide a summary of the issues made). • 'Statement of Compliance' produced to demonstrate the Statement of Community Involvement has been followed • Development Plan Documents submitted to Secretary of State for independent examination (Supplementary Planning Documents to Council for adoption) • Independent examination • Planning Inspector issues report. Adopted by Council if agreed as 'sound' by Inspector
	Monitor	• Final plan is regularly monitored, to ensure that the plan is achieving its aims • Plan may be reviewed where necessary

Statutory requirements for the publication and submission of planning policy documents

Planning regulations[5] contain minimum requirements for consulting on DPDs and SPDs.

All consultation and submission documents must be made available at the Council Offices and other places (such as public libraries) for a set period of time. Documents and supporting information need to be published on the Council's website, which will include information about where and when the document can be viewed. As well as sending documents to the 'specific consultation bodies' and the 'general consultation bodies' considered to have an interest in the subject at submission stage, a notice needs to be placed in the local newspaper/s with detailed information on the consultation period and where comments can be sent.

[4] The Council will always consider extending consultation periods beyond the minimum statutory period where possible and where timetables allow.
[5] The Town and Country Planning (Local Development) (England) Regulations 2004 (as amended)

There is a range of supporting documents produced by the Council that support the local plan and are used to inform and guide planning applications. These documents include development briefs and master plans.

The Council is required by legislation and Planning Practice Guidance to state in its SCI how it will give people and communities opportunities to be involved in understanding how the Council keeps under review matters which may affect the development of its area or the planning of its development. This is the 'survey' stage of producing plans. The Council undertakes this activity in a variety of different ways including the following:

- In the evidence base for planning policy documents, which will always be published on our website at an early stage in the process of producing them;
- Through the Council's SHELAA (Strategic Housing & Employment Land Availability Assessment) process whereby information on sites proposed for housing and employment development will be assessed and those assessments published on the Council's website at the earliest available opportunity; and
- Through the Strategic Environmental Assessment (SEA) and Sustainability Appraisal (SA) which is undertaken for each emerging plan and programme which proposes the allocation of land in the District.

Statutory bodies

Legislation[6] identifies specific consultation bodies that the Council must consult. These include West Sussex County Council, Town and Parish Councils, relevant adjoining Local Authorities, service providers and government agencies, such as the Environment Agency, Historic / Highways / Natural England (or their successor bodies).

Other organisations, groups and individuals

There are many other organisations, groups and individuals that may have an interest in the local plan. These organisations, groups and individuals cover a range of interests and can provide relevant expertise and knowledge on a wide range of subjects. They include members of the Mid Sussex Partnership, residents associations, registered housing providers, local businesses and business groups, countryside and conservation groups, the development industry, disability groups, youth groups and those which represent the interests of minority groups in the District.

A detailed and regularly updated list of all the statutory bodies and groups organisations ('key contacts') is available on the Council's website at www.midsussex.gov.uk/sci.

Organisations, groups and individuals who wish to be added or change their details can do so by going to the same web address or by contacting the Planning Policy and Economic Development Team.

Individuals can subscribe to the local plan e-mail alert to be kept in touch with progress on the local plan.

Council, Cabinet and Scrutiny Committee

Council
Public meeting, which consists of all elected Councillors. Will approve the main planning policy documents.

Cabinet
Consists of the Leader of the Council and Councillors with specific responsibility for

[6] The Town and Country Planning (Local Development) (England) Regulations 2004 (as amended)

portfolios of Council services. Will be consulted at a number of stages in the production of planning policy documents. Cabinet also approves any amendments to the Local Development Scheme. Will recommend planning policy documents for final approval by Council.

Scrutiny Committee for Community, Housing and Planning
Scrutiny committees consist of nominated Councillors to examine wide ranging issues impacting on Council decision-making and budgetary impacts. For planning this is primarily be the Scrutiny Committee for Community, Housing and Planning, drawing in other Scrutiny Committees where necessary. It makes recommendations to Cabinet or Council.

Other consultation

Internal Consultation
Formal and informal consultation and discussion will take place where relevant with officers across the Council. Every effort is made to update and include officers who all receive Council services and can act as champions or ambassadors for MSDC.

'Seldom heard' groups
We are committed to providing fair and equal access to planning services. Resources will be directed towards those 'seldom heard' groups identified in Equality Impact Assessments to ensure those affected by plans have a chance to be involved, and to ensure we are meeting our statutory obligations under equalities legislation.

Online engagement and use of social media
The Council recognises that many people wish to engage with consultation exercises at a time and in a manner which is convenient to them. This includes online methods. Social media can also be helpful but requires active management by Council officers to ensure effective use of a variety of online sites and applications[7].

[7] See note on page[9] on use of social media

Community Involvement in Planning Applications

The District Council will implement the six principles set out in the 'Code of Practice' to involve people in making decisions on planning applications. There are two distinct stages for community involvement in planning applications: pre-application and application consultation.

Applicant		Council
Consultation prior to application: this is consultation undertaken by the applicant before submitting a formal application. The Council expects that this should be carried out for any major or significant application.	→	**Application consultation**: when a planning application has been formally submitted, the Council is responsible for carrying out consultation through statutory publicity and notification.

Consultation prior to application (by applicants)

The aim of consultation at this stage is to 'front-load' the process by encouraging discussion before a formal planning application is made. It should enable communities to have real influence over proposals before they are finalised. The process can help to identify improvements and overcome objections at a later stage.

Applicants undertaking consultation on major or significant developments are strongly advised to conform to the principles set out in the Council's Code of Practice[8], to demonstrate that the consultation prior to application has been effectively undertaken and to provide the Council with the results of the process.

Applicants are encouraged to engage with the Town or Parish Council in which the site falls and with any neighbouring affected parishes.

Applicants should also include elected District Councillors in early discussion of their proposals as guided by the Council's constitution[9].

Applications for major development should include a Community Involvement Plan including report of consultation as part of the submission material.

Using the results of consultation prior to application

The Council will use the results consultation undertaken prior to application to help determine the planning application alongside planning policies and other information.

Application consultation (by the Council)

When a planning application has been submitted, the Council is responsible for carrying out consultation through statutory[10] publicity and notification. The Council often does more than it is formally required to.

- There is a statutory consultation period of 21 days[11].

[8] See page [6] above
[9] See part 5 of the Council's constitution – Codes and Protocols http://mid-sussex.cmis.uk.com/mid-sussex/Constitution.aspx
[10] A helpful current breakdown of the relevant legislation covering the requirements for public consultation is set out in the NPPG at https://www.gov.uk/guidance/consultation-and-pre-decision-matters

- The Council will publish applications on its website via the Online Planning Register[12]. Applications can also be viewed at District, Town and Parish Council offices.
- The application will be advertised on the Council website[13]. A site notice or neighbour letter and press advert will be undertaken if required and as appropriate.
- The Council will consult various specialists and relevant organisations. This includes statutory consultees[14], such as Town and Parish Councils, the Environment Agency and Natural England and other organisations when appropriate such as local authorities and Town and Parish Councils adjacent to the district
- All comments must be received in writing within the specified consultation period. Comments can be submitted either by letter or email.
- Comments made outside of the formal consultation period will only be considered if circumstances allow.

Applications, plans, drawings and documents are available to view on-line and at the Planning Reception at Mid Sussex District Council Planning Office. Tel. 01444 477461 planninginfo@midsussex.gov.uk.

Comments on planning applications

Comments should consider 'material' planning considerations. Examples include:

- Loss of light or overshadowing
- Overlooking/loss of privacy
- Traffic and transport problems
- Noise and disturbance resulting from proposed use
- Hazardous materials
- Smells
- Loss of trees
- Effect on listed buildings and conservation areas
- Layout and density of building(s) proposed
- Design, appearance and materials
- Planning policy (for example the District Plan or national policies)
- Previous planning decisions
- Nature conservation impacts
- Archaeology
- Impact on air quality of traffic on Stonepound cross roads AQMA

Examples of issues that are not material planning considerations include the loss of value on a property or the loss of a person's private view.

Who makes the decisions?

Once the consultation period is complete, the planning officer makes a recommendation on the planning application. The final decision is then made in accordance with the Council's Delegation scheme either by the Divisional Leader for Planning and Economy or by Planning Committee. In some cases, an applicant may decide to appeal and in that case an independent Planning Inspector (or the Secretary of State in certain very large or significant cases) makes the final decision.

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[11] This may be different in certain circumstances: for example 28 days for planning applications affecting a Site of Special Scientific Interest (SSSI) or in an SSSI consultation area and 14 days for applications under the Permission in Principle procedure brought into force in June 2018.

[12] Online Planning Register available at http://pa.midsussex.gov.uk/online-applications/

[13] https://www.midsussex.gov.uk/planning-building/view-and-comment-on-planning-applications/

[14] As set out in Article 16 and 18 of the Town and Country Planning (Development Management Procedure) (England) Order (see Section 5)

The Council's Delegation Scheme

- Allows the Divisional Leader for Planning and Economy to determine applications without having to refer the proposal to a planning committee and the discretion to refer an application to a Planning Committee.

The Divisional Leader for Planning and Economy cannot determine any application if:

- They are applications from the Chief Executive, Heads of Service, or staff involved in the planning process, or their partners, or Councillors or their partners.
- Proposals involving the District Council or the County Council as applicant or landowner.
- In line with the Council's Constitution, Councillors making a request for applications to be considered by Planning Committee must have first discussed this with officers and must have confirmed in writing the planning reasons which justify this approach.
- Cases where the recommendation would result in a decision contrary to the Council's adopted policies.
- Applications for planning permission (not reserved matters) for more than five houses which are recommended for permission.
- Major variations to Section 106 Agreements.
- Non-urgent Article 4 Directions must be referred to the Planning Committee for determination.
- Agents, interested parties, local Town and Parish councils and consultees do not have a right to request that a particular application is referred to a Planning Committee.
- Further details are available in the Council's Constitution which is available on the MSDC website[15].

[15] At http://mid-sussex.cmis.uk.com/mid-sussex/Constitution.aspx

Summary of planning application stages

Pre-application Consultation (by applicants on major or significant applications)		
Agree process	• Council offers pre-application advice service • Applicants asked to follow Mid Sussex's Statement of Community Involvement • Applicant produces a 'Community Involvement Plan'	Failure to adequately consult or submit a Community Involvement Plan and report of consultation may result in an invalid application.
Consult	• Applicant consults with relevant communities, organisations, Councillors and Council representatives	
Report	• Applicant produce a report detailing what consultation they have done, the issues raised and how those issues have been considered in the final application	
Validation Application is validated and information is made available for public to view as soon as possible on the Council's website[16] and at its offices.		
Application Consultation (by the Council and statutory for all planning applications)		
Consult	• Application is publicised (site notice or neighbour letter, press advert as required) • The Council publicises the application on the website • Normally 21 days to make written comment[17]	
Review	• The Council examines all material planning considerations including comments made • If an application significantly changes it will be re-advertised. Such changes may result from negotiations with applicants and from the views of local communities. Local residents and groups who have commented on the original application will notified	
Decision	• A delegated decision is usually made by the Divisional Leader for Planning and Economy (for about 90% of applications); otherwise the decision is made by a Planning Committee	
Decision made		

[16] www.midsussex.gov.uk/8085.htm
[17] See footnote 11 on page 15 for some of the circumstances when a different timescale may apply

Inform	• Information about the decision published on the 'Online Planning Register' • A report accompanying the decision will set out the reasons for granting or refusing permission. It will set out the issues raised during consultation and how these have influenced the decision • If significant revisions are made to the proposal after permission has been granted, a new planning application will be necessary subject to a fresh round of consultation. Only very minor changes would be allowed that would in effect not need planning permission.	
Please note: Appeals against the decision or conditions may be made to the Planning Inspectorate[18]. The Council will notify those who commented so further comments can be made. Except where the Secretary of State him/herself makes the decision, the Planning Inspector decides whether or not to allow or dismiss the appeal. The Inspectorate notifies interested parties on the decision.		

[18] www.planning-inspectorate.gov.uk

Neighbourhood Planning

The Government's preference is that the location and nature of additional development should be identified through Neighbourhood Plans. This reflects the localism agenda, and its view that giving power and responsibility to local communities will give them the confidence to accept appropriate development and the corresponding benefits that can come with it. This view is set out in the National Planning Policy Framework (paragraph 16), which suggests that neighbourhoods should "develop plans that support the strategic development set out in Local Plans… and plan positively to support local development".

Since the Localism Act introduced Neighbourhood Planning in 2011, almost all Town & Parish Councils in Mid Sussex have prepared a Neighbourhood Plan. The District Council will continue to provide support to those Town and Parish Councils which wish to review their Plans. The Council has set up a webpage[19] to help Town and Parish Councils prepare and review Neighbourhood Plans. It includes advice and information provided by the District Council, and links to other sources of information. In addition, the District Council will continue to provide regular briefings for Town and Parish Councils on the preparation of the Site Allocations DPD and other planning policy documents.

Town or Parish Councils may decide that they wish to draw up a Neighbourhood Development Order, which would grant planning permission for specified developments in an area. There is a formal process set out by legislation including public consultation and a referendum as is the case with neighbourhood plans.

Should any Town or Parish Council be considering producing a Neighbourhood Development Order, the District Council strongly encourages early engagement with the Council to explore how the process can best be supported and facilitated.

[19] https://www.midsussex.gov.uk/planning-building/neighbourhood-plans/

Duty to Cooperate

Section 10 of the Localism Act (2011) introduces a Duty to Co-operate which requires planning authorities and other public bodies to actively engage and work jointly on strategic matters.

The ongoing cooperation between local authorities in the area has been positive and effective during the preparation of the District Plan, as evidenced in the Council's 'Duty to Cooperate Statement'. These relationships and joint working practices will need to continue to be effective and constructive on an ongoing basis to address the very significant challenges for the wider area in meeting housing and other development needs. The main mechanisms for this cooperation will be the Gatwick Diamond Initiative and the Coastal West Sussex and Greater Brighton Strategic Planning Board. The outcomes from these discussions and any underpinning technical work will be taken into account in planning policy documents. Mid Sussex District Council is fully committed to continuing to work positively and proactively with partners to plan strategically for the wider area in the longer term.

The *Duty to Cooperate Framework* published by Mid Sussex District Council in September 2015 established a robust and transparent process to enable cooperation with the relevant local authorities and organisations. It also enabled cooperation to be documented and monitored in terms of the strategic issues to be addressed, the outcomes achieved and the frequency of engagement with the relevant authorities/public bodies. In particular it enabled the Council to demonstrate that engagement has been:

- constructive
- active
- ongoing
- collaborative
- diligent and
- of mutual benefit.

Principles for cooperation were agreed by the West Sussex local authority Chief Executives in February 2014 and subsequently discussed with Brighton & Hove City Council and Lewes District Council. These principles:

- emphasise the importance of strengthening liaison between local authorities and working together on the duty to cooperate in a spirit of positive and collaborative joint working
- stipulate that work must be overseen at the highest levels within the local authorities with outcomes clearly recorded and signed off by Chief Executives and Leaders
- seek to avoid creating additional layers of bureaucracy
- recognise existing partnerships and the economic geography of the area; and
- state that arrangements must be consistent with the principles of localism.

Resources and Monitoring

The effectiveness of the Statement of Community Involvement will be monitored for each consultation exercise. This will be covered in the respective consultation report and as part of the Annual Monitoring Report to ensure it remains appropriate and meets the needs of the community and the Council.

The Annual Monitoring Report will provide a summary evaluation of the effectiveness of the Council's consultation activity carried out over the year. This might include reporting on how successful consultations were and what respondents thought about their consultation experiences. It will use the key principles outlined in this guide as the basis for that review.

The Annual Monitoring Report may indicate that there is a need to review the Statement of Community Involvement. The Annual Monitoring Report will be available on the Council's web site at https://www.midsussex.gov.uk/planning-building/consultation-monitoring/.

Further information and advice

Planning Aid

Planning Aid England provides free, independent and professional planning advice to communities and individuals who cannot afford to pay professional fees.

Planning Aid England can help you to:

- Understand and take part in the planning system
- Take part in the preparation of plans
- Comment on planning applications
- Apply for planning permission
- Appeal against a decision
- Represent yourself at appeals or public enquiries

Planning Aid England – an advice line can be contacted on (0330) 123 9244 or by email: advice@planningaid.rtpi.org.uk.

The website is available to view at www.rtpi.org.uk/planningaid

Planning Portal

The Planning Portal is the Government's website that offers clear guidance on the planning system.

The website can be viewed at: www.planningportal.gov.uk

Concerned about Community Involvement?

If you wish to raise issues related to planning, in the first instance you should directly contact the organisation that was involved in making the decision your question relates to. An example might be when an organisation does not properly inform you of the decision being made and what processes are being used to make the decision or if they do not adequately publicise results or feedback.

If you have a comment or concern with your experience of a Council led community involvement exercise, you should in the first instance, contact the officer detailed in the Community Involvement Plan.

Alternatively, you can contact the Customer Services and Communications Team by phone on 01444 477478 or by writing to Customer Services and Communications, Mid Sussex District Council, Oaklands Road, Haywards Heath, West Sussex, RH16 1SS.

Alternatively, you can use the Council's formal complaint procedure. The details of the procedure can be found on the Council's website at www.midsussex.gov.uk/complaints

If your concern is about whether or not the Council has followed a statutory procedure, there may be a specific stage of the decision making process where these concerns can be made.

MSDC PAY POLICY STATEMENT 2019/20

REPORT OF: Simon Hughes, Head of Digital and Customer Services
Contact Officer: Tim Martland, HR Manager
Email: tim.martland@midsussex.gov.uk Tel: 01444 477251
Wards Affected: None
Key Decision: No
Report to: Council
27th March 2019

Purpose of Report

1. The purpose of this report is to ensure Members are aware of the statutory Pay Policy Statement for this Authority as required by Section 38 of the Localism Act 2011. Members should note that the Statement for Mid Sussex simply reflects our current practice. It does not introduce anything new. The statement has been updated following its initial introduction in March 2012, when Council agreed the document.

Recommendations

2. Council Members are recommended to agree the Pay Policy at Appendix A, to comply with the requirements of the Localism Act.

Background

3. The Localism Act 2011 received Royal Assent on 15th November 2011. Section 38 of the Act placed a new requirement on local authorities to publish a Pay Policy Statement by 31st March each year. The Statement must set out the Council's policies relating to:

- Remuneration of its senior officers
- Remuneration of its lowest-paid employees and
- The relationship between the remuneration of its senior officers and the remuneration of its employees who are not senior officers.

Senior officers have been defined as the posts of Chief Executive, Assistant Chief Executive and the three Heads of Service.

This Statement has been put together taking into account the relevant sections within Chapter 8 'Pay Accountability' of the Localism Act 2011. In its development, consideration has also been given to the guidance produced by the Department for Communities and Local Government (DCLG) entitled 'Openness and Accountability in local pay – guidance under section 40 of the Localism Act'. Additionally, consideration has been given to the Code of Recommended Practice for Local Authorities on Data Transparency published by the DCLG in September 2011.

Several recommendations for promoting pay fairness in the public sector by tackling disparities between the lowest and the highest paid in public sector organisations were made in Will Hutton's report on fair pay in the public sector. This was published in March 2011. Hutton was asked to consider whether a public sector pay multiple, in which no manager could earn more than 20 times the lowest paid person in the organisation would be helpful as the core of a fair pay system in the public sector and to tackle pay disparities.

The aims behind Hutton's recommendations are not really aimed at authorities like Mid Sussex as we already publish the relevant information and our pay ratios are significantly below that threshold stated above. This is still achieved with the introduction of a new Apprenticeship grade.

It is a statutory requirement to publish a Statement and as such, the Council is complying with its obligations.

Policy Context

4. The proposed Pay Policy Statement 2019-20 is attached as Appendix A to this report. The Statement sets out the Council's policies in relation to the pay of its workforce, particularly its senior officers, and sits alongside the policies on pay that the Council has already adopted and published in its Pay Policy.

Financial Implications

5. There are no direct financial implications arising from this report as the Pay Policy Statement sets out the Council's policies relating to remuneration. It does not serve to set or agree specific rates or numerical amounts.

Risk Management Implications

6. The risks of not having a clear policy include being unable to recruit and retain staff, and being unable to demonstrate value for money to the taxpayer.

Equality and Customer Service Implications

7. An equality impact assessment has not been carried out, as it is not expected that any of the protected groups are affected by this report.

Other Material Implications

8. There is a statutory requirement to comply with the Localism Act and agree a Pay Policy by 31st March 2019. There are no environmental, human rights or community safety implications

Background Papers

9. There are no background papers.

MID SUSSEX DISTRICT COUNCIL
Pay Policy Statement
Financial year 2019-20

1. Purpose

The Council has an obligation under Section 38 (1) of the Localism Act 2011 to prepare a Pay Policy Statement for each financial year. It must be approved by Full Council and published on the Council's website.

This Pay Policy Statement covers the financial year 2019/20 and will need to be updated annually from April each year.

This Statement complements the Council's existing Pay Policy, which was approved by Council in November 2011 and came into operation on 1st January 2012.

The Statement sets out Mid Sussex District Council's policies relating to the pay of its workforce for the financial year 2019-20, in particular: -

a) the remuneration of its Chief Officers
b) the remuneration of its "lowest paid employees"
c) the relationship between
    - the remuneration of its Chief Officers and
    - the remuneration of its employees who are not Chief Officers

2. Definitions

This Statement is required to use the following definitions: -

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

2.2 "**Chief Officer**" refers to the following roles within the Council: -

- Members of the Council's Management Team, as follows:
    - Chief Executive
    - Assistant Chief Executive
    - Head of Corporate Resources
    - Head of Regulatory Services
    - Head of Digital and Customer Services

2.3 "**Lowest paid employees**" refers to those staff employed as Apprentices as it is the lowest grade on the Council's pay framework.

2.4 "**Employee who is not a Chief Officer**" refers to all staff who are not covered under the "Chief Officer" group above.

3. Pay framework and remuneration levels

3.1 General approach

Remuneration at all levels needs to be adequate to secure and retain high-quality employees to fulfill the council's business objectives and delivering services to the public.

This has to be balanced by ensuring remuneration is not, nor is seen to be, unnecessarily excessive.

Mid Sussex District Council supports the principle of equal opportunities in employment and believes that staff of different age, disability, gender (including staff who have proposed, commenced or completed gender re-assignment), race, religion or belief, or sexual orientation, with or without trade union membership, should receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. With effect from 30th March 2018, the Council is required to publish figures relating to its gender pay gap.

Mid Sussex District Council will not make payments to staff, or those that could be considered to be staff, via Limited Companies. All staff will be directly employed by the Authority.

3.2 Responsibility for decisions on remuneration

It is essential for good governance that decisions on pay and reward packages for chief executives and chief officers are made in an open and accountable way and that there is a verified and accountable process for recommending the levels of top salaries.

Mid Sussex District Council will apply the pay agreements reached by the National Joint Council *(for staff not covered under the Chief Officers Group)* and Joint Negotiating Committee *(for Chief Officers)* on Pay and Conditions of Service. The Council may however choose to apply local variations as appropriate/locally devised conditions of service.

Any decision regarding the recruitment, selection and remuneration for the post of the Chief Executive and Head of Paid Service will be made by the whole Council and cannot be delegated. Advice on such matters will be given by a properly constituted 'Leader's Panel, set up by Council to deal with these matters as and when they arise. The Panel will be politically balanced and will take advice from the S151 Officer, the Monitoring Officer and the Head of Digital and Customer Services as a minimum, before recommendations are made to Council. Once an appointment has been made, future remuneration will be determined by the Leader of the Council. These awards will be based on a pay scale that has been agreed by Council.

3.3 Salary grades and grading framework

Grades are determined in line with national guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities and other public sector employers to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer.

There are 21 grades (Apprentice to MPO8) in the Council's pay framework for employees who are not Chief Officers, Apprentice grade being the lowest and grade MPO8 the highest. *(NB: 4 of these grades represent existing bands inherited from staff who have transferred under TUPE from Horsham and Adur District Councils).* Each employee will be on one of the 21 grades based on the job evaluation of their role.

Each post within the officer establishment under Chief Officer Level is subject to grading by job evaluation, using the National Joint Council Green Book Scheme. The starting salary on appointment will normally be at the lowest point of the salary scale for the grade evaluated for the job, subject to negotiation based on the appointee's level of relevant experience. Progression beyond the starting salary will be dependent upon

service and recommendation from the Head of Service, and will normally take effect from 1st April each year.

Subject to satisfactory service and a positive report from the employee's head of service, an employee's salary will rise by an annual increment payable on the 1st April each year until the maximum of the grade is reached. There will be no further progression payment once an employee reaches the maximum spinal column point of their salary grade scale. Remuneration is considered annually for staff, as per agreements reached as part of national negotiations with the National Joint Council on Pay and Conditions of Service.

For Chief Officers above grade MPO8 the value of any pay award is determined by the Joint Negotiating Committee for Chief Officers of Local Authorities.

The last pay award to both Chief Officers and employees who are not Chief Officers was made in April 2018.

4. Remuneration – level and element

4.1 Salaries

4.1.1 "Chief Officers" are those officers occupying the posts as identified in 2.2.

This group of "Chief Officers" is paid outside the Council's pay framework, which applies to all other employees.

The annual pay review for these Chief Officers is considered by the Joint Negotiating Committee for Chief Officers of Local Authorities each year.

Typically, these Chief Officers have received the same percentage award determined nationally for other grades of Local Government employees within the Council.

Salary on appointment for Chief Officers has regard to the demands and challenge of the role compared to other Chief Officer roles within the Council and the structure of the senior team. Account is also taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations. The final decision on the salary on appointment for chief officers lies with the Chief Executive or the Head of Digital and Customer Services.

The Council's Senior Officer remuneration data is already published within the annual Statement of Accounts and can be found on the Council's website at

https://www.midsussex.gov.uk/media/3619/statement-of-accounts-2017-18.pdf

4.2 Bonuses

The Council has no provision for, and does not intend to make bonus payments for any group of staff. It is not the Council's policy to pay substantive honoraria, unless in exceptional circumstances and agreed by the Head of Paid Service.

4.3 Acting Up Payments

As per section 12 of the Council's Pay Policy, all contracted employees may be required to take on an acting up role, for which the sum payable will be commensurate with the substantive post being covered if the staff member acting up is being asked to be responsible for all the duties of the post. If the individual is only carrying out some of the

duties of the higher-grade job, the calculation will be adjusted accordingly in relation to the specific duties being carried out.

The acting up duties should be carried out for a continuous period of at least 4 weeks (other than cover for annual leave) and should be time-limited to cover a specific short-term requirement which should not exceed 12 months in duration.

4.4 Market Supplements

It is recognised that a shortage of staff with particular skills – either locally or nationally – may drive up the 'going rate' and create difficulties in recruiting and retaining staff. Mid Sussex District Council has recognised the potential for such problems and may consider paying market supplements or enhancements to an individual or group of employees where this can be objectively justified. The specific measures for managing and monitoring this process is detailed in section 10 of the Council's Pay Policy.

4.5 Other pay elements

All staff are subject to the same performance management process.

Targets are set and performance against those targets is assessed. Subject to satisfactory performance, all staff will receive incremental progression until the top of their grade is reached.

4.6 Charges, fees or allowances

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council's policies and collective agreements.

4.6.1 Electoral payments to officers

The Head of Regulatory Services is the Council's Returning Officer. The fees for this role are paid according to a national fees & charges order in the case of national elections, or the scale of fees & charges agreed in West Sussex in the case of local elections. From this fee, the Returning Officer will pay discretionary fees to any Deputy Returning Officers appointed for that election.

The Returning Officer will also charge a clerical fee to the body for which the election is being held. This fee is devised from a formula laid out in the scale of fees & charges agreed in West Sussex. This amount is then distributed across the elections core team according to the degree of responsibility undertaken and the amount of additional work required. In general, the elections core team is made up of council officers, including some senior officers, though this is not a requirement as the work is being undertaken for the Returning Officer.

Council Officers employed by the Returning Officer in specific electoral roles, such as Presiding Officer, Poll Clerk, Polling Station Inspector, Count Supervisor, Count Assistant, Postal Vote Opening Supervisor and Postal Vote Opening Assistant will receive a fee according to the scale of fees & charges agreed in West Sussex. Non-Council employees working in the same roles receive precisely the same remuneration.

It is to be noted that the above payments do not form part of any employee's contractual entitlement or payments. Further details regarding these allowances can be made available on request.

4.6.2 Car Allowance and Mileage

Prior to February 2010, the Council adopted an enhanced car allowance scheme for eligible employees. However, this enhanced element has now been phased out.

Where a post attracts essential car user status, the postholder will receive a lump sum allowance per annum and mileage rate in accordance with the relevant NJC Car Allowance Rates. These allowances apply to all employees other than Chief Officers, whose entitlement is limited to a mileage rate of 10p mile.

4.7 Benefits in kind

4.7.1 Mid Sussex Council Membership

The Emerald Scheme is a discounted membership scheme for employees of the Council to use the leisure facilities at its three leisure centres located within the district. This benefit is open to all contracted employees.

4.7.2 Health and Life Insurance Cover

All Chief Officers are eligible for health and life insurance cover, the data of which is contained within the Statement of Accounts as referenced to in Section 4.1.1.

4.8 Pay and Performance

There is no separate provision or intention for performance related pay for any Council employee.

4.9 Pension

All employees as a result of their employment are eligible to join the Local Government Pension Scheme.

4.10 Severance Payments

We are already required to publish our policy on discretionary payments on early termination of employment as well as publishing our policy on increasing an employee's total pension scheme membership and on awarding additional pension where applicable.

Please refer to the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 as revised in 2010 for details regarding compensation for loss of employment as a result of both voluntary and compulsory redundancy.

Given that the formula for statutory redundancy payments based on age and service is deemed by the Government to be permitted under the EU Directive on Age, as per regulation 33 of the Age Discrimination Regulations, the Council will link compensation payments to the statutory redundancy pay calculator.

In cases of voluntary redundancy, the Council will use a multiplier of 2.1 (i.e. multiplying the number of weeks' pay the employee would be entitled to under the statutory formula to the factor of 2.1), giving a maximum payment of 63 weeks' pay, including the statutory redundancy payment.

In cases of compulsory redundancy, the Council will use a multiplier of 2 (i.e. multiplying the number of weeks' pay the employee would be entitled to under the statutory formula

to the factor of 2), giving a maximum payment of 60 weeks' pay, including the statutory redundancy payment.

Employees who are members of the Local Government Pension Scheme to be given the option of converting compensation payments (less the statutory redundancy payment) into additional pensionable service on a strictly cost-neutral basis, in accordance with the formula published by the Government.

The Council will not make use of the augmentation provisions of regulation 52 of the LGPS.

Any other discretionary payments on early termination of employment will be agreed on a case by case basis by the relevant Chief Officer, in conjunction with the Head of Digital and Customer Services.

The Council would not consider it appropriate to re-employ a Chief Officer who had previously received a redundancy or severance package on leaving Mid Sussex District Council within the previous five years. Nor would it be considered appropriate for that individual to return on a 'contract for services'.

4.11 New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range.

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

The ratio between the average Chief Officer earnings and the mean average earnings across the Council is 100:33.
The ratio between the average Chief Officer earnings and the lowest grade currently used is 100:11.

This calculation is based on all taxable earnings for the year, including base salary, allowances and the cash value of any benefits in kind where appropriate.

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20 - 2021/22

REPORT OF: Head of Corporate Resources
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Council
27th March 2019

Purpose of Report

1. This report sets out the Council's investment and borrowing strategy for the forthcoming three years and reports the counterparty list with which bodies investments may be made. It also sets out the Prudential Limits that provide the parameters for approved future lending and borrowing, including the incidental cost of so doing.

Summary

2. The purchase of the Orchard Shopping Centre head lease in November 2016 necessitated borrowing of £22m from other Local Authorities. £10m was repaid in 2017 and £5m was repaid in November 2018, using the cash flow generated by matured fixed term deposits.

3. Lending is restricted to the same counterparties and within the same limits as in the previous strategy approved in March 2018 except for the following amendments:

   (i) removal of the sovereign credit rating from UK investments, which was approved together with the half year treasury management report in November 2018;

   (ii) addition of the CCLA Public Sector Deposit Fund to the list of specified Money Market Funds, approved with the Annual Review in August 2018;

   (iii) addition of the JP Morgan GBP Liquidity LVNAV Fund to the list of specified Money Market Funds;

   (iv) amendment to the specified banks to include only the ring fenced entities, where appropriate, approved with the Annual Review in August 2018;

   (v) the list of Building Societies has been updated to add those which have increased their assets to over £1 billion (Leek United and Newbury).

Recommendations

4. That Council agrees:

   (i) the proposed Treasury Management Strategy Statement (TMSS) for 2019/20 and the following two years, including the additions to specified investments listed above;
   (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 4 and 2.3 respectively of the report;
   (iii) the Prudential Indicators contained within this report.

Background

5. The Council applies and upholds the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code"). CIPFA has defined Treasury Management as:

   "the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6. The Code requires local authorities to produce an annual Treasury Management Strategy Statement (TMSS), which documents the Council's approach to capital financing and investments for the forthcoming financial year (2019/20) and the following two years. This report fulfils that requirement.

7. In producing the TMSS, The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years. The indicators are established to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

8. Additionally, the Act and its subsequent Investment Guidance require the Council to set out its treasury management strategy for borrowing, and to prepare an Annual Investment Strategy (AIS). The Council's borrowing position is reported in Section 3, with arrangements for making Minimum Revenue Provision (MRP) for repayment of debt explained in Section 2.3. The AIS is contained in Section 4 of this report, and describes the Council's policies for managing its investments, and for giving priority to the security and liquidity of those investments.

9. The Audit Committee considered this report at its last meeting in February and was content for it to come before Council at the next opportunity. Statute requires that the AIS, MRP Statement, and Prudential Indicators are approved by full Council before the start of the new financial year.

Policy Context

10. Providing transparency and approval of the strategies contained in this report is an important part of the Council's statutory role. Treasury Management has become increasingly topical given the nature of the world's financial markets in recent years, and Members are expected to have a basic understanding of how the Council uses its reserves and cash flows which are in the stewardship of the Head of Corporate Resources.

Other Options Considered

11. None – this report is statutorily required.

Financial Implications

12. This report has no quantifiable financial implications. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget but are not required to support the provision of services.

Risk Management Implications

13. This report has no specific implications for the risk profile of the Authority.

Equality and Customer Service Implications

14. None.

Background Papers

- Treasury Management Strategy Statement & Annual Investment Strategy 2018/19 to 2020/21 (March 2018)
- Annual Review of Treasury Management 2017-18 (July 2018)
- Review of Treasury Management Activity 1 April – 30 September 2018 (Nov. 2018)
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA)
- The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2017)
- MHCLG Investment Guidance (Revised for April 2018) and MRP Guidance
- Link Asset Services report template (January 2019)

Treasury Management Strategy Statement & Annual Investment 2019/20 to 2021/22

1. INTRODUCTION

Background

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

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

3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

5. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

Reporting requirements

<u>Capital Strategy</u>

6. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

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

7. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

8. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

9. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

10. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

Treasury Management reporting

11. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals:

a. **Prudential and treasury indicators and treasury strategy** (this report) - the first, and most important report covers:

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

12. The approval of the Treasury Management Strategy and Annual Investment Strategy is the function of the Council, however the Head of Corporate Resources shall also report to the Audit Committee on treasury management activity performance as follows:

b. **A mid year treasury management report** – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. The report will be submitted as soon after 30 September as practically possible.

c. **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. The report will be submitted no later than 30 September after the financial year end.

Scrutiny

13. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee, which may make recommendations regarding any aspects of treasury management policy and practices it considers appropriate in fulfilment of its scrutiny role. Such recommendations, as may be made shall be incorporated within the above named reports and submitted to meetings of the Council for consideration at the next available opportunity.

14. The Council's Scheme of Delegations is set out in Appendix E.

Treasury Management Strategy for 2019/20

15. The strategy for 2019/20 covers two main areas:

Capital issues

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

Treasury management issues

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

16. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

17. The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training. This especially applies to Members responsible for scrutiny. During 2019/20 appropriate mandatory treasury management training will be provided to the Audit Committee by. The training needs of the treasury management officers at Adur District Council, who provide the shared treasury service to Mid Sussex District Council, are periodically reviewed. Officers attend courses provided by appropriate trainers such as CIPFA and Link Asset Services.

External Service Providers

18. The Council obtains treasury management services under a Shared Services Arrangement (SSA) from the in-house treasury management team formed out of the partnership working between Adur District and Worthing Borough Councils. The operation for all three Councils' treasury management is based at Worthing Town Hall, utilising similar banking arrangements.

19. The SSA is provided under a Service Level Agreement (SLA) that commenced in October 2016 and which defines the respective roles of the client and provider authorities for a period of three years. In making this arrangement the Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that reliance beyond the terms and arrangements specified in the SLA is not placed upon the shared service providers. The SSA uses Link Asset Services as its external treasury management advisors.

20. The Council will ensure that the terms of the appointment of the shared services providers, and the methods by which their value will be assessed, are properly agreed and documented and subjected to regular review.

2. THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

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

Capital expenditure

22. This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
General Fund	3.477	13.533	2.426	2.389	1.455

23. The above financing need excludes other long term liabilities, such as leasing arrangements which already include borrowing instruments.

24. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Total	3.477	13.533	2.426	2.389	1.455
Financed by:					
Capital receipts	0.000	1.269	0.000	0.000	0.000
Capital grants, Contributions & S106 receipts	1.500	3.017	1.084	1.983	0.900
General Reserves, Specific Reserves & Revenue Contributions	1.977	9.247	1.342	0.406	0.555
Net financing need for the year	0.000	0.000	0.000	0.000	0.000

The Council's borrowing need (the Capital Financing Requirement)

25. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life

26. The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has one finance lease recognised in 2018 and ending in 2028.

27. The Council is asked to approve the CFR projections below:

Capital Financing Requirement	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Total CFR at 31/03	25.357	27.947	7.437	6.915	6.381
Movement in CFR	(0.379)	2.590	(20.510)	(0.522)	(0.534)
Movement in CFR represented by:					
Net financing need for the year (above)	0.000	3.088	(20.000)	0.000	0.000
Less MRP and other financing movements	(0.379)	(0.498)	(0.510)	(0.522)	(0.534)
Movement in CFR	(0.379)	2.590	(20.510)	(0.522)	(0.534)

Minimum revenue provision (MRP) policy statement

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

29. MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options is provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

30. The Council's policy for MRP relating to unfunded capital expenditure is to provide for MRP on an annuity basis over the life of the loans (except as detailed below for the Orchard Shopping Centre). As an annuity is a fixed annual sum comprising interest and principal, the MRP for repayment of debt will increase each year over the asset life as the proportion of interest calculated on the principal outstanding reduces as the debt is repaid.

31. The purchase of the Orchard Shopping Centre head lease in November 2016 increased the Capital Financing Requirement. However, as the Council is forecasting possible capital receipts of over £20m in 2019/20, MRP will only be provided on the balance of nearly £5m. This will be done on a level basis of £100,000 per year.

32. Repayments included in finance leases are applied as MRP.

3. BORROWING

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

Current portfolio position

34. The overall treasury management portfolio as at 31 March 2018 and for the position as at 31 December 2018 are shown below for both borrowing and investments.

	Principal at 31.03.18 £m	Actual 31.03.2018 %	Principal at 31.12.18 £m	Actual 31.12.2018 %
External Borrowing				
PWLB	(0.698)	5%	(0.635)	6%
Other Borrowing	(12.000)	95%	(7.000)	67%
Finance lease	(0.000)		(2.886)	27%
TOTAL BORROWING	**(12.698)**	100%	**(10.521)**	100%
Treasury Investments:				
Local Authority Property Fund	5.851	16%	5.851	15%
In-house:				
Banks	6.000	16%	9.010	24%
Building societies - unrated	12.000	32%	10.000	26%
Building societies - rated	8.000	21%	6.000	16%
Local authorities	4.000	11%	2.000	5%
Money market funds	1.550	4%	5.130	14%
TOTAL INVESTMENTS	**37.401**	100%	**37.991**	100%
NET INVESTMENTS	**24.703**		**27.470**	

35. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

External Debt	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Debt at 1 April	22.819	12.698	7.571	7.437	5.298
Expected change in Debt	(10.121)	(5.127)	(0.134)	(2.139)	(5.146)
Other long-term liabilities (OLTL)	0.158	0.000	2.817	2.541	2.258
Expected change in OLTL	(0.158)	2.817	(0.276)	(0.283)	(0.288)
Actual gross debt at 31 March	12.698	10.388	9.978	7.556	2.122
The Capital Financing Requirement	25.357	27.947	7.437	6.915	6.381
Under/(over) borrowing	12.659	17.559	(2.541)	(0.641)	4.259

36. The Council's debt comprises one loan from the Public Works Loan Board (PWLB), which matures on 1 March 2023 and 2 loans with other local authorities, totalling £7m, with remaining lives of between 1 and 3 years, to fund the purchase of the Orchard Shopping Centre head lease. The local authority loans are at rates lower than those that were available from the PWLB, ranging from 1.0% to 1.1% (average rate), and they will be repaid using capital receipts and maturing investments. The "other long term liability" is in respect of capital assets acquired by finance leases.

37. Within the range of Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

38. The Head of Corporate Resources reports that the Council complied with this Prudential Indicator in the current year. The respective timings of capital receipts and repayment of debt results in a projected over borrowing position in the subsequent two years. However this is due to the Council's ability to fund its capital expenditure from grants and other resources and is not an indication of imprudent borrowing. In addition, both the CFR and the outstanding debt are small relative to the size of the Council's budget. This view takes into account current commitments, existing plans, and the proposals in this report.

Treasury Indicators: limits to borrowing activity

39. **The operational boundary** - This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Debt	£28.0m	£28.0m	£28.0m	£28.0m
Other long term liabilities	£4.0m	£4.0m	£4.0m	£4.0m
Total	**£32.0m**	**£32.0m**	**£32.0m**	**£32.0m**

40. **The authorised limit for external debt** – This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

(i) The Council is asked to approve the authorised limit:

Authorised Limit	2018/19	2019/20	2020/21	2021/22
	£m	**£m**	**£m**	**£m**
Debt	£30.0m	£30.0m	£30.0m	£30.0m
Other long term liabilities	£4.0m	£4.0m	£4.0m	£4.0m
Total	**£34.0m**	**£34.0m**	**£34.0m**	**£34.0m**

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

(iii) The limits for the "Other long term liabilities" have been increased to £4m to allow for the new finance lease.

41. The Head of Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Council at the earliest opportunity.

Prospects for interest rates and the economy

42. This section contains a commentary for the economic outlook provided by the Council's shared service provider's treasury management consultants, Link Asset Services . This includes a central view of forecast interest rates as follows:

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

43. The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

44. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

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

46. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

47. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

48. Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

49. There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing strategy

50. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

51. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Head of Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

52. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

53. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism

Debt rescheduling

54. The Council has one loan from the Public Works Loan Board, repaid by fixed annuities over the life of the loan. As it would not be possible to prematurely repay the existing loan without incurring a premium charge for early settlement, there is currently no intention to redeem the loan early. The loans for the purchase of the Orchard Shopping Centre head lease will be repaid within 3 years and are all at competitively low interest rates.

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

4. ANNUAL INVESTMENT STRATEGY

Investment policy – management of risk

56. The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

57. The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

58. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

59. The Head of Corporate Resources, under delegated powers, will undertake through the Shared Service Arrangement the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. As conditions in the financial markets remain uncertain, the proposed maximum limits for Specified and Unspecified Investments for 2019/20 are the same as for 2018/19.

60. Investment instruments identified for use in the financial year are listed in Appendices C and D under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

61. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

(i) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

(ii) **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

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

(iv) This authority has defined the list of **types of investment instruments** that the treasury management team is authorised to use. There are two lists in Appendices C and D under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

(v) Lending limits, (amounts and maturity), for each counterparty are set out in Appendices C and D.

(vi) This authority will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.8).

(vii) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.5). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.

(viii) Through the shared service, this authority has access to external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

(ix) All investments will be denominated in sterling.

(x) As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. Consequently any fluctuations in the value of the Council's investment in the Local Authorities' Property Fund will not be taken through the general fund for the period of the override).

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.14). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

62. The above criteria are unchanged from last year, with the exception of the removal of the sovereign rating requirement from the UK.

Creditworthiness policy

63. The primary principle governing the Council's investment criteria through the Shared Services Arrangement (SSA) is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the SSA will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections in Appendices C and D; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's Prudential Indicators covering the maximum principal sums invested.

64. The SSA will maintain a counterparty list in compliance with the criteria in the Appendices and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

65. Credit rating information is supplied to the SSA by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to the SSA almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

Use of additional information other than credit ratings

66. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

67. Link Asset Services use a sophisticated modelling approach with credit ratings from all three credit rating agencies – Fitch, Moody's and Standard and Poor's. However it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

68. This additional market information will be applied to compare the relative security of differing investment counterparties.

69. The proposed criteria for specified and non-specified investments are shown in the Appendices for approval.

70. Using Link's ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. The effect of a change in ratings may prompt the following responses:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of Credit Ratings the shared service will be advised by Link of movements in Credit Default Swaps and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending lists.

71. The officers of the shared service recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, the government support for banks, and the credit ratings of that government support.

72. Accordingly, the shared service will exercise discretion to deviate from Link's suggested durational bands – for example the Council approves the use of Building Societies as set out in the Appendices.

The Council's Minimum Investment Creditworthiness Criteria

73. The minimum credit ratings criteria used by the Council generally will be a short term rating (Fitch or equivalents) of F1, and long term rating A-. There may be occasions when the counterparty ratings from one or more of the three Ratings Agencies are marginally lower than the minimum requirements of F1 Short term, A- Long term (or equivalent). Where this arises, the counterparties to which the ratings apply may still be used with discretion, but in these instances consideration will be given to the whole range of topical market information available, not just ratings.

74. The Council includes **Building Societies** with asset size in excess of £1 billion in the specified investments. It is recognised that they may carry a lower credit rating than the Council's other counterparties, or no rating, therefore the lending limits for the building societies shall be £4m each for the top 3 and £3m for the others.

UK banks – ring fencing

75. The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

76. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

77. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that they do others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Country Limits and Proposed Monitoring Arrangements

78. Due care will be taken to consider the country, group and sector exposure of the Council's investments.

79. The SSA has determined that it will only use approved counterparties from countries (other than the UK) with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide one). The list of countries that qualify using these credit criteria as at the date of this report is reflected in the counterparty approved lending list shown at Appendix B. This list will be added to, or deducted from, by officers should ratings change, in accordance with this policy. No more than 25% of investments shall be placed in non-UK financial institutions for more than 7 days.

Investment strategy

80. **In-house funds** - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the shared service will seek to use notice accounts, money market funds and short-dated deposits to benefit from the compounding of interest

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

81. The Head of Corporate Resources, through the shared service, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the meetings of the Audit Committee and the Council in accordance with the reporting arrangements

82. **Investment returns expectations** - Bank Rate is forecast to increase steadily but slowly over the next few years, to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

2018/19	:	0.75%
2019/20	:	1.25%
2020/21	:	1.50%
2021/22	:	2.00%

83. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2018/19	:	0.75%
2019/20	:	1.00%
2020/21	:	1.50%
2021/22	:	1.75%
2022/23	:	1.75%
2023/24	:	2.00%
Later years	:	2.50%

84. The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quicly the Brexit negotiations move forward positively.

Funds available for investment

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

Investments	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
Balance at 1 April	37.401	26.238	46.127	33.078
Capital Expenditure	(13.533)	(2.426)	(2.389)	(1.455)
Grants, capital receipts & other new funds	7.497	22.449	(8.521)	2.615
Loan repayments	(5.127)	(0.134)	(2.139)	(5.000)
Balance at 31 March	26.238	46.127	33.078	29.238

Investment treasury indicator and limit - total principal funds invested for greater than 365 days

86. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

87. The Council is asked to approve the treasury indicator limit: -

Maximum proportion of principal sums invested > 365 days	2019/20	2020/21	2021/22
Principal sums invested > 365 days	50%	50%	50%

88. In any sustained period of significant stress in the financial markets, the default position is for investments to be placed with The Debt Management Account Deposit Facility of the Debt Management Office (DMO) of the UK central government. The rates of interest are below equivalent money market rates, however, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.

89. The Council's proposed investment activity for placing cash deposits in 2019/20 will be to use:

- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV) or a Low Volatility Net Asset Value (LVNAV) under the new money market fund regulations
- other local authorities, parish councils etc.
- bank business reserve accounts and term deposits. These are primarily restricted to UK institutions that are rated at least A- long term.
- Building Societies with asset size in excess of £1 billion

Other Options for Longer Term Investments

90. To provide the Council with options to enhance returns above those available for short term durations, it is proposed to retain the option to use the following for longer term investments, as an alternative to cash deposits:

a) **Supranational bonds** greater than 1 year to maturity

b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

c) **Building Societies** not meeting the basic security requirements under the specified investments, but on the list in Appendix C (b). The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.

d) Any **bank** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

e) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and exposure up to the limit applicable to the parent.

g) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment.

h) Other **local authorities**, parish councils etc.

i) Other investments listed in Appendices C and D - the Council will seek further advice on the appropriateness and associated risks with investments in these other categories as and when an opportunity presents itself.

91. The **accounting treatment** may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

92. The Council will not transact in any investment that may be deemed to constitute capital expenditure (e.g. Share Capital, or pooled investment funds other than Money Market Funds), without the resource implications being approved as part of the consideration of the Capital Programme or other appropriate Committee report.

93. **Investment risk benchmarking** – The shared service will subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

94. At the end of the financial year the Council will report on investment activity as part of the Annual Treasury Report.

External fund managers

95. The Council does not use external fund managers, but reserves the option to do so in future should this be deemed to be appropriate. Should consideration be given to exercising this option in the future, the relevant Committee will be advised of the reasons for doing so and the Council requested to consider whether it wishes to proceed with the selection and appointment of external fund managers.

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

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

Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
General Fund	3.477	13.533	2.426	2.389	1.455

Affordability Prudential Indicators

2. The previous sections cover the overall capital and control of borrowing Prudential Indicators, but within this framework Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

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

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	%	%	%	%	%
Ratio	-0.68%	0.62%	0.58%	-1.44%	-1.30%

4. The estimates of financing costs include current commitments and the proposals in this budget report.

Maturity structure of borrowing

5. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. However as the Council currently has only two significant loans, the upper limits need to be set very high. The Council does not have any variable rate borrowing.

6. The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	70%
2 years to 5 years	0%	80%
5 years to 10 years	0%	60%
Over 10 years	0%	50%

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

1. The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

2. The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, which will apply to all investment activity. In accordance with the Code, the Council will comply with the treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

3. **Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of the annual treasury strategy for the following year, covering the identification and approval of following:

   - The strategy guidelines for choosing and placing investments, particularly non-specified investments.
   - The principles to be used to determine the maximum periods for which funds can be committed.
   - Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
   - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

4. **Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

SPECIFIED AND NON SPECIFIED INVESTMENTS

5. Specified Investments will be those that meet the criteria in the MHCLG Guidance, i.e. the investment

   - is sterling denominated
   - has a maximum maturity of 1 year or where the Council has the right to be repaid within 12 months
   - meets the "high" credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
   - the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities

- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) or appropriate Low Volatility Net Asset Value (LVNAV) under the new regulations.
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

  * Investments in these instruments will be on advice from the Shared Service's treasury advisor.

6. For credit rated counterparties, the minimum criteria, excepting for the Council's own banker and the specified building societies, (see below) will be the short-term / long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard and Poor's, Fitch Ratings, being:

   Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent
   Or
   Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

7. For all investments the Shared Service will also take into account information on corporate developments of, and market sentiment towards, investment counterparties.

8. Where appropriate the Ring Fenced entities of banks will be used.

9. If the Council's own banker (currently Lloyds Bank) falls beneath the specified criteria, it will still be used for transactional purposes.

APPROVED INVESTMENT INSTITUTIONS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

(a) Banks

Major U.K. and European Banks and their wholly-owned subsidiaries meeting the Council's approved investment criteria.

	Counterparty	Group	Maximum Sum	Maximum Period *
1	HSBC Bank plc	N/A	£4m	5 years
2	The Royal Bank of Scotland Group:	£5m		
	The Royal Bank of Scotland plc		£4m	5 years
	National Westminster Bank plc		£4m	5 years
			£1m	1 year
3	Lloyds Group::	£5m		
	Lloyds Bank plc		£4m	5 years
	Halifax plc		£4m	5 years
	Bank of Scotland plc		£4m	5 years
	HBOS Treasury Services plc		£4m	5 years
4	Barclays Bank plc	N/A	£4m	5 years
5	Santander UK	N/A	£4m	5 years
6	Clydesdale Bank	N/A	£4m	5 years
7	Handelsbanken plc	N/A	£4m	1 year
8	Goldman Sachs International Bank	N/A	£4m	5 years
9	Close Brothers Ltd	N/A	£4m	5 years

*Specified investments are for a maximum period of 1 year, the maximum limits shown in this column are for non-specified investments with these institutions.

(b) Building Societies

(i) Building Societies (Assets in excess of £1 billion):

Rank	Name of Counterparty	Individual	
		Sum	Period*
1	Nationwide	£4m	3 years
2	Coventry	£4m	3 years
3	Yorkshire	£4m	3 years
4	Skipton	£3m	3 years
5	Leeds	£3m	3 years
6	Principality	£3m	3 years
7	West Bromwich	£3m	3 years
8	Nottingham	£3m	3 years
9	Newcastle	£3m	3 years
10	Cumberland	£3m	3 years
11	National Counties	£3m	3 years
12	Progressive	£3m	3 years
13	Cambridge	£3m	3 years
14	Monmouthshire	£3m	3 years
15	Leek United	£3m	3 years
16	Saffron	£3m	3 years
17	Newbury	£3m	3 years

*Specified investments are for a maximum period of 1 year, the maximum limits shown in this column are for non-specified investments with these institutions.

(c) Money Market Funds

Counterparty	Sum	
Invesco Aim – Sterling	£3m	For Short Term Operational Cash Flow Purposes
Blackrock Institutional Sterling Liquidity Fund	£3m	
Goldman Sachs Sterling Liquidity Reserve Fund	£3m	
Fidelity Institutional Cash Fund plc – Sterling	£3m	
CCLA Public Sector Deposit Fund	£3m	
JP Morgan GBP Liquidity LVNAV Fund	£3m	
Federated Short-Term Sterling Prime Liquidity Fund	£3m	

The limit for investing in any one Money Market Fund is £3 million. Total investments in Money Market Funds shall not exceed the higher of £9m or 25% of the total investment portfolio, for more than one week at any one time.

(d) Local Authorities

(i) All the following local authorities mentioned in the Regulations

Schedule Part II Ref	Details	Individual	
		Sum	Period*
1	County Councils (England and Wales)	£3m	5 years
2	District Councils in England and Wales (including Borough, City, Metropolitan Borough Councils and Unitary Councils)	£3m	5 years
3	London Borough Councils	£3m	5 years
4	The Common Council of the City of London	£3m	5 years
5	The Council of the Isles of Scilly	£3m	5 years
7	Combined Police Authorities	£3m	5 years
16	Regional, Islands, or District Councils in Scotland	£3m	5 years
17	Joint boards under s.235 (1) of LG (Scotland) Act 1973	£3m	5 years
28	District Councils in Northern Ireland	£3m	5 years
29	Police Authorities (now Police and Crime Commissioners) under s.3 Police Act 1964 as substituted by s.2 Police & Magistrates Courts Act 1994	£3m	5 years

*Specified investments are for a maximum period of 1 year, the maximum limits shown in this column are for non-specified investments with these institutions.

NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
• Deposits with banks and building societies and Local Authorities • Certificates of deposit with banks and building societies	√ √	 √	5 years	The higher of £10m or 50% of funds	No
Gilts and Bonds: • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £9m or 25% of funds	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority – specifically the Local Authorities' Property Fund	√	√	These funds do not have a defined maturity date.	The higher of £4m or 25% of funds	No
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Subject to test

In determining the period to maturity of an investment, the investment is regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

Accounting treatment of investments

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

- approval of annual treasury management strategy and Annual Investment Strategy
- approval of MRP Statement

(ii) **Executive Committee (e.g. Cabinet)**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) **Audit Committee**

Receiving and reviewing the following, and making recommendations to the Cabinet

- regular monitoring reports on compliance with the Treasury Management Strategy, practices and procedures.

(iv) **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

The Revised CIPFA Treasury Management and Prudential Codes have extended the functions of the S151 role in respect of non-financial investments. Guidance notes giving specific information will follow, but additional responsibilities are likely to include:

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable and affordable in the long term and provides value for money

- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authorities
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

COUNTERPARTIES WHERE THE COUNCIL HAS OPTED UP TO PROFESSONAL INVESTOR STATUS

(i) **Money Market Funds**

Invesco
Federated Investors

(ii) **Building Societies**

Skipton Building Society
Coventry Building Society
Progressive Building Society (paperwork not yet approved)

(iii) **Brokers**

BGC (Sterling)
Tradition
ICAP

(iv) **Other**

ICD (Portal used for money market fund investments)
Link Asset Services

These arrangements will be regularly reviewed as appropriate.

ECONOMIC BACKGROUND

Global Outlook

1. **World growth** has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

2. **Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures

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

4. **The key issue now** is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy.

5. The world **economy** also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

6. **UK.** The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

7. At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

8. It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

9. **Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

10. As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

11. In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

12. **USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

13. The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

14. **Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

15. **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

16. **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

17. **Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing **challenges** in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

18. The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

19. The overall balance of risks to economic growth in the UK is probably neutral.

20. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

21. One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

22. **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

23. **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

24. A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by delaying the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.

25. Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.

26. **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

27. **Other minority eurozone governments**. Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.

28. **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while Italy, in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.

29. Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

30. There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

31. **Geopolitical risks**, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

32. **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.

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

34. The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

35. **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

CAPITAL STRATEGY 2019/20

REPORT OF: HEAD OF CORPORATE RESOURCES
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: Yes
Report to: Council
27 March 2019

Purpose of Report

1. To present the Capital Strategy for 2019/20 for approval by the Council.

Recommendations

2. The Council is recommended to approve the Strategy.

Background

3. Each year the Council is required to approve a corporate plan and budget that shows how it will deliver its services and spend its financial resources in the following financial year. This includes publishing a Capital Programme which sets out the level of investment in the Council's assets and the financing of that investment.

4. Our Corporate Plan has in the past included a Strategy designed to guide such investment but this good practice has now been formalised through a revision to the CIPFA Prudential Code. Authorities need therefore to present and have adopted a Capital Strategy by the end of financial year 2018/19.

5. Appendix 1 contains a draft Capital Strategy to fulfil the requirements of the Code. It sets out the principles by which we will make capital investment and aims to balance needs and expectations with available resources.

6. The Audit Committee has scrutinised the Strategy at its last meeting and satisfied themselves that it represents their collective view and can be approved by Council.

Policy Context

7. Adopting a Capital Strategy fulfils the Councils statutory duties:

Risk Management Implications

8. None. It is not considered that adopting this strategy brings forward any significant risk. All expenditure decisions are assessed individually.

Legal Implications

9. None.

Financial Implications

10. This report has no financial implications.

Equality and customer service implications

11. None.

Background Papers

12. None.

APPENDIX 1

MID SUSSEX DISTRICT COUNCIL

CAPITAL STRATEGY 2019/20 to 2021/22

1. INTRODUCTION

1.1 Overview

This strategy forms the framework for capital investment decisions over the next three years and will inform the detailed annual capital budgets over this period. It is closely linked to the Treasury Management Strategy, the Investment Strategy and the Borrowing Strategy. The strategy aims to balance capital expenditure needs and expectations (e.g. replacement of business critical IT systems) with the scarcity of available resources.

1.2 Member approval and review

The Treasury Management Code allows authorities to delegate the detailed management of Treasury Management, including the Capital Strategy, to a sub-committee and this responsibility is delegated to the Audit Committee. This delegation will facilitate more active discussion of the Capital Strategy and its implementation, though overall responsibility will at all times remain with the full Council.

1.3 Strategic Direction of the Council

A key driver of the Capital Strategy is the Council's Statement of Main Purpose 'To be an effective Council delivering value for money services and helping to create a strong economy, environment and community' and the accompanying priorities:

- Efffective and responsive services
- Sustainable economic growth
- Strong and resilient communities
- Financial independence

This statement gives a strategic direction to the Council to enable it to meet the demands of the future.

1.4 Capital Expenditure

Capital expenditure, defined in accordance with the Council's approved accounting policies and procedures, can be funded in a variety of ways:

- Grants
- Section 106 contributions
- Capital receipts
- Direct Revenue contributions
- Borrowing

The method of funding for any particular scheme will depend on a number of factors and this is covered in more detail below. It should be noted that the Council has limited resources for the funding of capital expenditure, with balances having reduced significantly over recent years due to the use of reserves for property investment, earmarking for certain specific projects and financing the overall capital programme.

1.5 Whole life costing for capital schemes

Whole life costing can be defined as "the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset." In practical terms this means that any appraisal of a proposed capital project will need to consider not just the initial capital cost but all costs and income streams associated with the project that are likely to occur in future years, including possible replacement or disposal costs. This is vital to ensure that the Council is not committing itself to future liabilities that are unsustainable.

1.6 Scheme Evaluation and Risk

Any appraisal of proposed new capital schemes should include a full evaluation of risk, having regard to the whole life costing methodology set out above.

1.7 Monitoring of approved capital schemes

For approved capital schemes it is the responsibility of the relevant budget holder to manage costs and to provide explanations for any variations from the approved budget, in accordance with Financial Procedure Rules. Budget monitoring statements are presented to the Corporate Management Team and Cabinet on a roughly quarterly basis.

2. GENERAL FUND PROGRAMME

2.1 Core annual programme

The Council has a core annual programme comprising asset management (all owned or leased assets), Information Technology and Disabled Facilities Grants (DFGs). DFGs pay for essential adaptations to help people with disabilities stay in their own homes. The DFG programme is entirely funded by Government Grant whereas the asset management and Information technology programmes are funded by revenue contributions.

2.2 Land and Property Revenue Reserve

A property investment fund has been established with the aim of acquiring properties to generate a return for the Council. Property acquisitions have been funded from earmarking a proportion of the Council's general reserve but in the future we will prioritise the use of receipts from land and property disposals. Acquisitions can only be made once a full business case has been completed and the risks fully understood and evaluated. Further details are set out in Corporate Plan 2017/18 which will be restated as a Property Investment Strategy and Process during the next year.

2.3 Other Schemes

In addition to the core annual programme other schemes will be

considered subject to the criteria set out below. However, the key issue here is the level of funding, as reflected in the Council's medium term financial strategy which envisages only a modest programme. It is therefore particularly important that any new schemes have a clear benefit to ensure that limited resources are used in the most effective possible way.

2.4 Prioritising new schemes

In common with other local authorities Mid Sussex is facing a challenging financial climate and it is therefore essential that systems are in place to ensure that scarce resources are allocated in the most effective possible way. New schemes will be assessed against the following criteria:

- Link to the Council's strategic direction
- Availability of specific external funding
- Demonstration of a sound business case
- Whole life cost implications (see 1.5 above)
- Value for money

High priority will be given to the replacement of business critical IT systems for which we have created an ICT reserve to reduce the possibility of funding being unavailable.

New schemes will have a Justification Statement that sets out the key factors considered prior to approval by Members.

2.5 Affordability and available resources

In addition to considering the merits of individual schemes the Council will need to assess the overall affordability of any new programme, having regard to the availability of resources, existing financial commitments and the projected level of balances forecast in the medium term financial strategy. As outlined in 1.4 above, possible sources of funding for capital schemes are:

- Grants
- Section 106 contributions
- Capital receipts
- Direct Revenue contributions
- Borrowing

2.6 Specific resource issues

Grants and Section 106 contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant or section 106 contribution. There is little, if any, latitude in the way this funding can be applied. Capital receipts are derived from the sale of the Council's assets. It is the Council's policy to use these receipts to support the General Fund capital programme. A proportion of these receipts may be earmarked for the purchase of land and property Reserve (see 2.2 above). Revenue contributions are a flexible source of funding but they put an immediate strain on the General Fund balance and can therefore only be used to a limited extent. Borrowing spreads the cost over a number of years but loan servicing costs and the overall level of debt exposure both need to be considered and clearly flagged in a business case.

2.7 Major schemes already approved and committed

The existing capital programme includes a number of schemes which the Council is fully committed to delivering, although these are not individually significant.. It is however likely that until capital receipts become available, the scale of approval for new schemes will be limited.

3. LINKS TO OTHER COUNCIL STRATEGIES

3.1 Treasury Management Strategy

The capital strategy is closely linked to the Treasury Management Strategy and it is essential that any investment decisions are informed by both strategies. In particular the assessment of affordability outlined in 3.5 above will need to have regard to the relevant elements of the Treasury Management Strategy including:

- The incremental impact of capital investment on council tax levels
- The borrowing strategy
- The authorised limit for external debt

3.2 Property Investment Strategy

This Strategy will set out the policies relating to the Land and Property Reserve (see above). While this is being worked up we are working to the general principles outlined in the 2016/17 Corporate Plan and the approval process contained therein; *'Individual transactions would need concurrent agreement by a variety of key Members, i.e. appropriate Cabinet Portfolio Holders and the Chairs of the Scrutiny Committee for Leader and Service Delivery and the Audit Committee.'*

3.3 Asset Management Strategy

As outlined in 2.1 above, there is a core annual programme to cover capitalised repairs and improvements for all the Council's assets. The asset management strategy establishes the priorities for this programme having regard to the condition of the various assets and their respective priorities in terms of delivering Council services or generating rental income.

APPOINTMENT OF REPRESENTATIVES TO THE INDEPENDENT REMUNERATION PANEL FROM 1 JULY 2019.

REPORT OF: Tom Clark, Solicitor to the Council
Contact Officer: Lucinda Joyce, Senior Democratic Services Officer
Email: lucinda.joyce@midsussex.gov.uk 01444 477225
Wards Affected: All
Key Decision No
Report to: Council, 27 March 2019

Purpose of the Report

1. The purpose of this report is to seek Council's approval to appoint independent persons to the Independent Remuneration Panel for a four year term from 1 July 2019.

Summary

2. Three vacancies exist for representatives on the Independent Remuneration Panel. These vacancies have been advertised across the District and applicants have been interviewed by the Appointments Panel. The Council are asked to confirm the Appointment Panel's recommendations regarding the successful applicants.

Recommendations

3. Council is recommended to appoint Neil Gershon, Jane Henry and Jane Rothwell to the Independent Remuneration Panel for terms of 4 years from 1 July 2019, following the recommendations of the Appointments Panel.

Background

4. The Council appoints three independent members to the Independent Remuneration Panel, to serve for a period of 4 years and advise on Member's allowances. Two panel members were appointed in June 2015 and their terms are due to expire in July 2019. The third member was appointed May 2016, but resigned from the post in August 2018 as he no longer lives within the District.

5. It was agreed by Council that a fair and transparent recruitment process of new independent persons to these vacancies would take place in February/March 2019. This was reported to Council on 30 January 2019, along with a proposed Appointments Panel to conduct the interviews.

Recruitment Process

6. The vacancies were advertised through local media, with town and parish Councils and on the Council's website and social media pages, with a deadline of 22 February 2019 to submit applications. The Appointments Panel (comprising Councillors Ash-Edwards, Webster and Llewellyn-Burke) interviewed 4 candidates on 15 March 2019. The Panel was impressed by the quality of the applicants and recommend the following candidates:

Name	Term ends	Committee or Panel
Neil Gershon	30 June 2023	Independent Remuneration Panel
Jane Henry	30 June 2023	Independent Remuneration Panel
Jane Rothwell	30 June 2023	Independent Remuneration Panel

7. Neil Gershon spent his working life in the University sector during which time he was responsible for HR matters and was involved in remuneration committees for non-academic staff. He retired from the post of Registrar at the University of Sussex in 2004. He lives in Haywards Heath. He has served on the Independent Remuneration Panel since July 2015.

8. Jane Henry has experience as both a Barrister and working for a local authority as a Social Worker and is currently the membership secretary for the Mid-Sussex branch of the National Childbirth Trust. She lives in Haywards Heath.

9. Jane Rothwell has over 38 years as an HR professional including as an Operations Manager responsible for controlling pay reviews on an annual basis. Since retirement in 2015 she has been sworn in as a Magistrate and sits on the West Sussex Bench. She lives in West Hoathly.

Policy Context

10. The Local Authorities (Members' Allowances) (England) Regulations 2001 No.1280 require local authorities to establish and maintain an independent remuneration panel. The 2001 Regulations do not specify how a local authority may go about finding members of its remuneration panel.

Financial Implications

11. There were minimal costs incurred for the recruitment process and these were within budget. An allowance is paid to the independent persons.

Risk Management Implications

12. There are no risk management implications.

Equality and Customer Service Implications

13. The recruitment for the new panel members in 2019 was conducted in a fair and transparent way and was open to all members of the public.

STANDARDS COMMITTEE ANNUAL REPORT 2018

REPORT OF:	Solicitor & Head of Regulatory Services
Contact Officer:	Tom Clark, Solicitor & Head of Regulatory Services & Monitoring Officer Email: Tom.Clark@midsussex.gov.uk - Tel: 01444 477459
Wards Affected:	All
Key Decision	N/A
Report to:	Council on 27th March 2019

Purpose of Report

1. To present to Council the annual report of the Standards Committee for 2018

Summary

2. There have been three meetings of the Standards Committee where current issues have been robustly debated. There have been very few Code of Conduct complaints in 2018 and none have required any investigation. This may be due to lack of Neighbourhood Plan activity in the Parish Councils in 2018. The report confirms that the Government are being advised to tighten up the Standards regime and provide some form of sanction other than the remote possibility of a criminal prosecution.

Recommendations

3. **Members are recommended to note the report.**

Background

4 Mid Sussex District Council has a similar Members Code of Conduct to that of West Sussex County Council and about half of the parishes in Mid Sussex. Some Parish Councils have a more relaxed Code of Conduct limited to the Nolan principles. Membership of the Standards Committee has remained unchanged with Councillor Pete Bradbury as Chairman and Town Councillor Chris Ash-Edwards as Vice-Chairman.

Complaints Received.

5. There have been a few complaints received but these have generally related to activities of members outside their role as councillors. The fact that complaints are received indicates that the view of some members of the Standards Committee that the public believe once a councillor always a councillor should apply. It is not the position at law but maybe a view held by a fair proportion of the population.

Following the elections on May 2nd 2019 it is envisaged there will be a workshop style training course for all District Members but on the understanding this training should be given to all new District members. There will be another event by invitation for Town/Parish Councils and their clerks. This is to seek to ensure that all Councils mainstream Code of Conduct issues and thereby avoid serious disputes developing which are expensive and time consuming to sort out.

Standards Committee Meetings in 2018.

6. At the March meeting the Standards Committee considered proposals put forward by the Committee on Standards in Public Life to review local government ethical standards. The Standards Committee made comments on these proposals including a request for a prescribed standard Code of Conduct and some sanctions to impose should serious breaches be identified. As a result of making these representations your Monitoring Officer was invited to a round table meeting with representatives from the Committee on Standards in Public Life and other representatives from County, District, Unitary and Parish Councils to discuss how matters could be improved.

   On the 30th January 2019 the Committee on Standards in Public Life published their report. They are suggesting a voluntary Code of Conduct for Councils to follow and if West Sussex County Council indorse this, it is likely Mid Sussex District Council will do the same. This is because there is a recommendation all Councils in a particular area should have the same Code of Conduct so that the conflicts for the public we described in our representations do not arise. There is a proposal which would allow an elected member to be suspended without remuneration for up to 6 months. There is no proposal to have a central body such as the Standards for England which we had in the pre-Localism Act 2011 regime. These proposals will need primary legislation to become effective. It is unlikely such legislation will come through before 2020 and therefore the “new” District Council will operate under existing arrangements.

7. At the June meeting the Standards Committee considered the Leominster Town Council case. It was clear from that case that any residual general power a parish or town council had to investigate Code of Conduct breaches was moved to the appropriate District or Borough Council by the Localism Act 2011. Hence the investigation purported to be carried by the Town Council had no validity. It was noted that disagreements between clerks and a certain Member or Members of a Town or Parish Council are a common occurrence and the Committee on Standards in Public Life have indicated that should a Code of Conduct complaint be required this should come from the Chairman of the Town or Parish Council and not from the allegedly bullied clerk.

8. At the December meeting the Standards Committee considered a number of current issues. They noted that the Government had indicated they would bring in requirements for candidates to be free from any sex offender registration or anti-social behaviour order to be eligible to be a candidate in the May 2019 elections. Other events in Parliament seem to have delayed the enactment of this change and therefore the eligibility criteria are the same in 2019 as they were in 2015 save for the fact postal addresses no longer need to appear in public given the levels of harassment against individual Members by some members of the public.

The proposals from the Committee on Standards in Public Life were still awaited in December. There was speculation there would be some common code, there would be some sanctions made available and there would be a discussion about social media abuses all of which form part of the published report.

In previous years and in some complaints this year the difficult area of formulating planning policy both at District and Neighbourhood Plan level has given issues for District members and Town/Parish clerks and advice has been given to both.

The Standards Committee also looked at two recent cases. The first from Coventry indicated that when members are completing their registration of interest form they must do so thoroughly and not in an incomplete way. The second complaint involved alleged sexual harassment by the former Leader of Devon County Council and the disciplinary action taken by the Council was upheld by the High Court.

Policy Context

9. Sections 26 – 37 inclusive of the Localism Act 2011 set out the requirements for District Councils to promote high standards of elected member conduct within its own membership and membership of the Town & Parish Councils in its area. There are now proposals to change that legislation. The effect of social media harassment on candidates and elected members has become a serious issue and training will be provided alongside the code of conduct training in how best to manage what may be a shock to some newly elected members.

Other Options Considered.

10. At the present time a dedicated committee for Standards matters is not required. The Committee for Standards in Public Life however suggests that a dedicated Standards Committee should be a requirement which we already have at Mid Sussex.

Financial Implications

11. Complaints are expensive to investigate and therefore training with both District and Parish/Town members following the elections in May 2019 is important.

Risk Management Implications

12. Many complaints would put pressure on the District in terms of personnel and costs.

Equality and customer service implications

13. Complaints are requested to be in writing. If a complainant finds difficulty in writing, officer assistance can be given.

Other Material Implications.

14. On the website details are given on how complaints are dealt with both for a complainant and for the Member in receipt of the complaint. These will be outlined as part of the Member training.

Background Papers.

Standard Committee papers from 2018. The report from the Committee on Standards in Public Life on Local Government Ethical Standards published on 30th January 2019.

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MEMBER DEVELOPMENT WORKING GROUP ACHIEVEMENTS 2017-18

REPORT OF: Terry Stanley, Democratic Services Business Unit Leader
Contact Officer: Email: terry.stanley@midsussex,gov.uk Tel: 01444 477415

Report to: Council – 27 March 2019.

Purpose of Report

At the Leader's request, to provide for information a brief summary of the Working Group's achievements in the period December 2017 – December 2018.

Background

1. At a meeting of the Member Development Working Group (MDWG) on 2nd November 2017, Members offered a vision for overall enhancement of the MSDC Member learning offer that it wished to see developed in the following 12 months. The membership of the group consists of Councillor Sandy Ellis (Chairman), Councillor Colin Trumble, Councillor Phillip Coote, Councillor Michelle Binks, Councillor Claire Fussell with Councillor Mandy Thomas-Atkin, relevant Cabinet Member in attendance.

2. The improvement brief for Officers suggested the following 3 key work streams:

2.1. Learning objectives to be set in advance of all Member learning sessions so that participants and the MDWG can evaluate how Members have benefitted.

2.2. Mindful that some Members work and have other commitments, additional learning methods be developed to provide Members with the flexibility to learn in other ways and at different times, in an effort to promote greater take-up.

2.3. New Member induction training to be reviewed and potential future developments to include; providing an understanding of the Council's service areas, how the business units contribute to the corporate plan and for consideration to be given to a 'New Member Mentoring' system.

Achievements

[Ref: 2.1]

3. Learning objectives are now set for each member learning opportunity and are promoted via the MIS. Each opportunity is clearly indicated to fall within one of the following categories; Committee/Regulatory (Essential), Core Knowledge (Important) and Councillor Skills (Recommended).

4. Following in-person sessions, Members are actively encouraged to immediately complete post-learning evaluation forms relating their experience to the objectives. Evaluations are collected by Democratic Services and the feedback is entered into a central log which is shared with the MDWG. The individual feedback forms are also shared with the Chairman and she actively reviews the content.

[Ref: 2.2]

5. In April 2018 we introduced the Learning Pool, an online platform used across the sector to host a variety of courses in a number of styles. Standard courses are

tailored to meet specific Member requirements or entirely new courses are designed / commissioned (with costs involved).

6. The Learning Pool requires individual log-in and these have been provided to all Members. It is accessible on most devices.

7. A very well attended in-person training session on how to use the Learning Pool was provided to Members and graphical instructions were circulated. Some Members have received individual user support from Democratic Services.

8. Published Learning Pool modules now include; Using Social Media, Business Continuity, GDPR and Annotating PDF/Editing Word documents. Modules currently in development include Safeguarding Vulnerable People, Planning Application Decisions for Non- Planning Members and how to download and use the Council/Committee Member App.

9. In-person learning sessions delivered so far this year include; GDPR and being a Data Controller, Air Quality, PiP & Technical Details, Universal Credit, Planning Application Decisions for Non- Planning Members, Licensing, Council/Committee Member App and an update for Members on the District Council's housing role and responsibilities including the Homelessness Reduction Act 2017. Forthcoming learning sessions include; an overview of Parking Services.

10. Member learning opportunities are generally promoted via the MIS, though in-person sessions are also notified via email and by text. Reminders are also sent by text to Members a day ahead of the scheduled training.

11. Member attendance at in-person training is logged by Democratic Services and the MDWG monitors the report relating to both the number of Members that have attended the sessions and the attendance record of individuals.

[Ref: 2.3]

12. As suggested by the MDWG, New Member induction training has been thoroughly redesigned and this was the subject of a report to the Scrutiny Committee for Customer Services and Service Delivery on 20th March 2019.

13. Proposed new Member mentoring schemes are the preserve of political groups.

14. In addition, Democratic Services reviewed and redesigned the Council's public information document entitled 'Being a Councillor' with the aim of providing an updated resource for those considering standing for election in 2019. The MDWG took an active interest in its development and agreed its final content. This vastly improved publication is available via the Council's website: Being a Councillor

Conclusion

15. Introduction of the Learning Pool occurred 10 months ago and is being accessed by 22 Members. As a year one outcome this level of engagement is encouraging and is a good base from which to build with returning and new Members following the May 2019 elections. In-person learning session attendance has, as an average, doubled on the attendance levels of previous years.

16. It is evident that Member development in general has a higher profile as a result of work done in the past year and as a result Members are more engaged with it.

Post learning evaluations provide much evidence that indicates quality learning outcomes have been achieved and Members feel more knowledgeable.

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