

Cabinet

Date and Time - **Monday 28 February 2022 – 6:30pm**

Venue - **Council Chamber, Town Hall, Bexhill-on-Sea**

Councillors appointed to the Committee:

Councillor D.B. Oliver (Leader), S.M. Prochak, MBE (Deputy Leader), C.A. Bayliss, T.J.C. Byrne, K.P. Dixon, K.M. Field, H.L. Timpe and J. Vine-Hall.

AGENDA

1. MINUTES

To authorise the Leader to sign the Minutes of the meeting held on 7 February 2022 as a correct record of the proceedings.

2. APOLOGIES FOR ABSENCE

3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Leader decides are urgent and due notice of which has been given to the Head of Paid Service by 9:00am on the day of the meeting.

4. URGENT DECISIONS

The Leader to give details of those reports that have been referred to the Chairman of the Council to consider designating as urgent, in accordance with Rule 17 of the Overview and Scrutiny Procedure Rules contained within Part 4 of the Council Constitution, and to which the call-in procedure will not therefore apply.

5. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

6. RECOMMENDATIONS OF THE OFF-STREET CAR PARKS TASK AND FINISH GROUP (Pages 1 - 14)

At the discretion of the Leader, the order of the items set out in the agenda may be varied

This agenda can be made available in large print, Braille, audiotape/CD or in another language upon request. For all enquiries please contact Louise Hollingsworth@rother.gov.uk

7. **ANNUAL PROCUREMENT REPORT** (Pages 15 - 24)
8. **ENFORCEMENT OF ENVIRONMENTAL OFFENCES** (Pages 25 - 28)
9. **ENVIRONMENTAL OFFENCES - FIXED AND CIVIL PENALTY NOTICES**
(Pages 29 - 32)
10. **BEECHING ROAD STUDIOS, 18-40 BEECHING ROAD, BEXHILL** (Pages
33 - 36)
11. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL
INVESTMENT STRATEGY** (Pages 37 - 56)
12. **EXCLUSION OF PRESS AND PUBLIC (EXEMPT INFORMATION)**

The following item includes material which is exempt from publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it is recommended that the press and public be excluded. The relevant paragraph of Schedule 12A indicating the nature of the exempt information is stated after the item and is reproduced in full at the end of the agenda. In all the circumstances of each case, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
13. **HOUSING COMPANY BUSINESS PLAN (PARAGRAPH 3)** (Pages 57 - 90)

Malcolm Johnston
Chief Executive

Agenda Despatch Date: 18 February 2022

Extract from Schedule 12A of the Local Government Act 1972 (as amended)

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Local Authorities (Executive Arrangements) (Meetings and Access to Information)
(England) Regulations 2012

Publication of this Agenda constitutes notice that in accordance with Regulation 5(7) of the above, the Chairman of the Overview and Scrutiny Committee has agreed that Agenda Item 13) above is urgent and compliance with the above regulations in respect of private meetings is impractical with regard to this Item.

Rother District Council

Report to: Cabinet

Date: 28 February 2022

Title: Recommendations of the Off-Street Car Parks Task and Finish Group

Report of: Deborah Kenneally – Head of Neighbourhood Services

Cabinet Member: Councillor Field

Ward(s): All

Purpose of Report: To consider the recommendations arising from the Overview and Scrutiny Committee meeting held on 24 January 2022, regarding the final recommendations of the Off-Street Car Parks Task and Finish Group. The report and recommendations arising are reproduced below and the Minutes of that meeting (Appendix C) should be read in conjunction with this report.

Decision Type: Key

Officer

Recommendation(s): It be **RESOLVED**: That:

- 1) the formal response to East Sussex County Council regarding the impact of Civil Parking Enforcement across the district and to inform their annual review, attached at Appendix A to the report, be approved;
- 2) car park charges be suspended in The Polegrove, Bexhill and Rye Salts for 12 months and then either reinstated or removed according to levels of use;
- 3) on-street directional signage for long stay car parks be reviewed on a continual basis as business as usual; and
- 4) recommendations on changes to car park charges remain within the annual 'fees and charges' report as part of the overall setting of the Council budget.

Purpose of Report: To summarise the work of the Off-Street Car Parks Task and Finish Group and outline the Group's Final Recommendations to the Overview and Scrutiny Committee.

The Chairman of Council has already agreed that, subject to the approval of Cabinet, this decision can be taken as an urgent decision to allow the Council to forward their formal response regarding the impact of Civil Parking Enforcement across the district to East Sussex County Council by the end of February 2022 for their annual review.

Introduction

1. This report summarises the work of the Off-Street Car Parks Task and Finish Group (OSCPT&FG) in reviewing the impact of the introduction of Civil Parking Enforcement (CPE) on the use of Rother District Council (RDC) car parks during the last six months and pulls together further recommendations to be approved for submission to the Overview and Scrutiny Committee (OSC) on 24 January 2022.
2. The report also represents the culmination of the work commenced in October 2020, flowing from evidence gathering, stakeholder engagement and car park data from the OSCPT&FG's work over the last 12 months.

Background

3. In September 2020, East Sussex County Council (ESCC) introduced CPE. CPE introduces a variety of restrictions to parking throughout Rother District, including charging to certain on-street parking locations in Bexhill, Rye and Battle, resident parking permits on certain roads, limited parking hours and daily enforcement of double yellow lines.
4. A Civil Parking Enforcement Task and Finish Group (CPET&FG) was formed previously to consider the viability of implementing CPE in the district. In 2018, the group recommended that a review be carried out six months after the introduction of CPE (Minute OSC17/51 refers). As CPE was introduced at the end of September 2020, it was therefore proposed to re-establish the CPET&FG in April 2021 and their work would help inform the 12-month ESCC led annual review expected in February 2022.
5. The Council operates its designated car parks under the District of Rother (Off Street) Parking Places Order 2020 (PPO). The PPO provides a framework under which the Council can manage its car parks effectively and enforce the regulations contained within the Order, including enforcing the Standard Charge Notice when necessary. The Order makes provision for a daily tariff of car park charges in designated car parks, the revenue from which is used to meet operational, maintenance and enforcement costs.
6. In September 2020, Cabinet agreed to amend the PPO 2020 to introduce charges to certain free car parks that fall directly within those CPE areas where on-street charges have been introduced (Minute CB20/45 refers). It was also agreed that those free car parks that are near areas where on-street charges apply should also have charges introduced.
7. Following the changes in paragraphs 3 and 6 above, it was agreed that there is a need to monitor both the impact of CPE on the Council's off-street car parks, alongside the impact of introducing charges to certain car parks.
8. Subsequently, the OSCPT&FG was established in October 2020 to monitor the impact of CPE on the level of use of Council owned off-street car parks and consider any changes to charges, hours of operation and permits, whilst taking into account the need to generate sufficient revenue to maintain the car parks.
9. The OSCPT&FG met on four occasions during the six months to March 2021 to receive a number of presentations from officers advising on monthly car park

income data and the current car park usage compared to previous years (data available on request). The OSCPT&FG reported to the OSC on 26 April 2021, recommending various changes to car park operations for onward recommendation to Cabinet. Cabinet were supportive of the OSC's recommendations which were subsequently actioned (Minute CB21/06 refers).

10. It was also agreed by the OSC in April 2021 (Minute OSC20/57 refers) that the OSCPT&FG should continue its work for a further six months and progress be reviewed by OSC in January 2022, along with a report to ESCC regarding RDC's response to CPE.

Task and Finish Group's last six months' activities

11. Since April 2021, the OSCPT&FG has met on four occasions to receive several presentations from officers advising on monthly car park income data and the current car park usage compared to previous years (data available on request).
12. As the first 'call for evidence' identified from the responses that it was too early in the easing of COVID-19 restrictions to make proper judgements regarding the impact of CPE, a second 'call for evidence' opened on Monday 3 September 2021 and closed on 8 October 2021, a period of six weeks, to give people a further opportunity to make comments. Invitations were issued again to the businesses and organisations previously invited to submit evidence. 17 responses were received, and a full report of the responses is available on request.
13. As well as reviewing the 'call for evidence', discussions of the Group centred on monitoring the use of car parks since the three 'long stay' car parks were in place and since the chargeable hours were brought in line across the district. Further work focused on cost and level of parking permits, impact on sports club parking and Manor Gardens car park.
14. It was noted by Members that a more normal level of car park use was gradually returning since COVID-19 lockdown was lifted in several phases from 8 March 2021, but that car park use was only now returning to near pre-COVID-19 levels.

Summary of last six months' evidence

15. As referred to in paragraph 12 above, the second 'call for evidence' from town and parish councils, local businesses, community groups and sports clubs elicited a total of 17 responses, compared to the 40 responses received from the first 'call for evidence'.
16. Of the 17 responses received, 14 organisations gave a response to one or more of the Task and Finish Group's five questions. Three organisations had no further comments to make but acknowledged the invitation. Most organisations said there was no impact from CPE or did not reply to the questions. There were several reports regarding the operational impact on some organisations ranging from charging in car parks e.g. Manor Gardens, the introduction of CPE in general and 'residents only' zones for on-street parking.
17. The car park data analysis during the last six months are summarised as follows:

- Overall, the number of car park tickets sold has now risen to near pre-COVID-19 pandemic levels and this is reflected in the revenue collected. It is therefore felt that the evidence collected is a reliable reflection of CPE impact.
- There is a small but clear increase in trend across the district of cars remaining in the car parks for longer. The majority continue to park for between 0 to 3 hours, but all-day parking has increased over the six-month period.
- The effect of 'staycation' on car park use during the summer was seen mostly in Camber car parks; to a slightly lesser extent in Rye and Bexhill; and there is no such evidence in Battle.
- There has been a small increase in the numbers of permits in use since new signage promoting their availability was installed in relevant car parks. Maximum take up has been achieved in Eversley Road and Manor Gardens car parks (Bexhill). The number of available Manor Gardens permits will be reviewed once the cash payment machine is in place. De La Warr car park is close to its maximum number.
- 'Long stay' car parks have seen an increase in use overall. Wainwright Road car park (Bexhill) use has increased to the extent that the increase has covered the loss brought about by the recent reduction in charges; as yet this is not the case for Gibbets Marsh (Rye) and Lower Market (Battle) car parks, but the revenue is trending upwards and is expected to cover losses in the near future.
- Although evidence does not exist for the level of use of Manor Gardens car park prior to the introduction of charges, anecdotally the car park does not appear to be used any more than previously, however the ticket sales generated does indicate a good level of use and it remains to be seen if levels of use increase once a cash payment machine is installed in November 2021.
- Previously free car parks adjacent to 'on-street' parking where charges were introduced in October 2020 have generally not seen a large increase in use e.g. Galley Hill Top and Galley Hill Bottom (Bexhill).

Results of last 12 months' activity

18. There are continuing signs that more people are returning to the car parks following the reduction in usage seen during 2020, as there were 52,838 visitors to car parks in September 2019 versus 50,307 in September 2021 (excluding Camber Western as no data was available in 2019). Whilst this is still a reduction in usage, the figures are much closer than comparisons of the earlier months of the year and in line with the patterns seen in the July-August data.
19. The number of visitors choosing the mobile phone App RingGo as a payment option continues to rise year on year. In particular an increase in the rate was witnessed after the first lockdown as RingGo provides customers with a totally contactless option.
20. The Council has seen an increase in visitors staying "all day" in many of its car parks since the introduction of CPE; however, most visitors' duration of stay remains between 0 to 3 hours. There has been no evidence to suggest a particular car park is being overwhelmed with longer-stay users since CPE was introduced.

21. The introduction of the three long-stay car parks has resulted in a small increase of usage in all three, and Lower Market and Gibbet Marsh car parks continue to show an upward trend in visitor numbers and revenue month on month.
22. CPE has had a positive impact on the three town centres in terms of congestion and turnover of 'on-street' parking bays, but has had some adverse impact on certain streets adjacent to the restricted zones and which residents and business have fed back to ESCC for considering future mitigations.
23. The chargeable hours for Council owned car parks have been made uniform across the district, making easier access for residents.
24. Comments regarding Manor Gardens have been considered and a cash payment machine was installed in November 2021, and in common with a few similar locations, a moratorium is in place for school 'drop offs' and 'pick ups' and local Doctors' surgery flu clinics. The number of permits available will be reviewed once the payment machine has been in place for a few months.
25. A distinction in the annual charge has been made for 'nominated permits' whereby the cost for a 'long stay' car park permit is now cheaper to encourage use.
26. Signs have been erected in relevant car parks to show the availability of permits; the number of permits in a car park has been reviewed to ensure fair access for all users.
27. Discussions were had regarding the use of car parks adjacent to sports clubs and it was agreed that a recommendation be put forward to suspend charges at the Polegrove (Bexhill) and Rye Salts car parks temporarily and to monitor the level of parking over a period of 12 months. The risk to free parking in these car parks is that they may become overwhelmed by non-sports users.

Civil Parking Enforcement overview and response to East Sussex County Council

28. With reference to paragraph 3 above and following the OSC meeting in April 2021, the OSCPT&FG's Terms of Reference were amended in order to commence work on considering the impact of the CPE scheme across Rother District in preparation for the first annual review of CPE led by ESCC, which closed on 30 September 2021.
29. During the period October 2020 and September 2021, ESCC reports: -
 - a total of 2,219 valid resident on-street parking permits were issued across Rother District;
 - 7,028 Penalty Charge Notices were issued;
 - 854 warning notices were issued; and
 - that there are nine full time Civil Enforcement Officers (CEO) on the enforcement team; up to six CEOs working throughout any one day; CEOs work both weekends and evenings, and flexible hours according to local needs and special event days.

30. Councillors were asked to encourage residents to give their feedback directly to the ESCC CPE review website, and officers used social media and MyAlerts to remind residents to respond before the deadline. This proved successful as ESCC confirmed they received almost 1,000 responses to their annual review, a response far in excess of the usual response expected of 300. Residents' requests ranged from new permit restrictions to new pay and display areas and additional yellow lines.
31. ESCC reported that it will take time to collate and assess this number of responses and that as a result it will take longer than the normal 14 months for any changes to be implemented, depending on process and legislation required.
32. Members of the parking team have carried out compliance checks and usage surveys across Rother since the start of the scheme; this information will also be used in the first review of restrictions.
33. Points noted to be included in Rother's formal response to ESCC to be considered as part of their annual review are:
 - Overall, CPE has been well received in the town centres and feedback from the Police is positive.
 - It was noted that reduced levels of town centre congestion and parking issues are evident anecdotally, with improved availability of short-term parking on central urban streets due to restricted waiting times.
 - On-street tariffs are felt to be fair and reasonable.
 - Consideration be given to increasing the number of enforcement officers on peak visitor days, particularly in Camber.
 - Hours of enforcement be flexible to cover special events later into the evenings.
 - Seasonal enforcement be considered for Herbrand Walk Bexhill, Camber and Military Road Rye.
 - Streets with time-limited bays were inefficient and costly to enforce, as officers must note time of parking and return to monitor. Therefore, consideration be given to extending the number of resident permit bays and decreasing number of time limited bays.
 - Consideration be given to resolving inappropriate and displacement parking both within and outside the restricted zones in particular Brockley Road; Wickham Avenue, Millfield Rise, Belle Hill, Amherst Road, Cantelupe Road and Woodville Road, Bexhill; Military Road, Rye.
 - Make 'time limited' free parking bays all two hours across the district.
 - Consideration be given to roads surrounding Egerton Park, Bexhill being given restricted parking, and a coach drop-off point and disabled parking near to the drop kerb area outside Bexhill museum.
 - Ticehurst Village and Hurst Green be considered for future extension to the CPE scheme.
 - Enforcement of inappropriate parking on 'yellow lines' be increased in villages, in particular Etchingham and Burwash where commuter parking at railway stations causes frequent congestion.

Recommendations to the Overview and Scrutiny Committee

34. It is recommended that:

- i. Cabinet be requested to approve the formal response to East Sussex County Council regarding the impact of Civil Parking Enforcement across the district and to inform their annual review, attached at Appendix A to the report;
- ii. car park charges be suspended in The Polegrove, Bexhill and Rye Salts for 12 months and then either reinstated or removed according to levels of use;
- iii. on-street directional signage for long stay car parks is reviewed on a continual basis as business as usual;
- iv. the OSCPT&FG be reconvened at a later date to review usage at Manor Gardens car park and ESCC's response to the CPE annual review, and the Terms of Reference be amended accordingly; and
- v. recommendations on changes to car park charges remain within the annual 'fees and charges' report as part of the overall setting of the Council budget.

Financial Implications

35. Loss of revenue from the suspension of charges at The Polegrove - approximately £850 per annum and Rye Salts approximately £850 per annum

Legal Implications

36. There is no impact on Rother District Council (Off -Street) Parking Places Order 2020 (PPO) but the proposed name change of Manor Barn Gardens car park to Manor Gardens car park will need to form part of a future variation to the PPO.

Environment

37. Local congestion is reduced, and the environment improved by a reduction in noise and air pollution in urban areas.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Deborah Kenneally
e-mail address:	deborah.kenneally@rother.gov.uk
Appendices:	Appendix A – Letter to ESCC Appendix B – Amended Terms of Reference Appendix C – Minutes of the Overview and Scrutiny Meeting – 24 January 2022
Relevant previous Minutes:	OSC17/51, CB20/45, CB21/06, OSC20/57
Background Papers:	N/A
Reference Documents:	N/A

Letter to East Sussex County Council – Civil Parking Enforcement

Dear Sir/Madam,

Civil Parking Enforcement Review

I write to you as the Head of Service Neighbourhood Services for Rother District Council (RDC) and as lead officer for RDC Off-Street Car Parks Task and Finish Group (OSCP T&FG). The OSCP T&FG was established in October 2020 to review the impact of the introduction of Civil Parking Enforcement (CPE) on council owned car parks across the district, and to inform the East Sussex County Council (ESCC) CPE annual review on general issues that have been raised directly to the group by stakeholders regarding on-street parking.

Since its inception, the OSCP T&FG has met on more than eight occasions throughout the last twelve months to consider car park data, including levels of revenue, visitor numbers, and most popular hours of use. In addition, two ‘calls for evidence’ have been completed, inviting town and parish councils, local businesses, community groups and sports clubs to comment on if and how off-street car parking used by their community, stakeholders and staff may have been impacted by the introduction of on-street CPE.

RDC is aware that ESCC invited RDC residents and stakeholders to submit their own comments and requests for changes to the existing CPE restrictions, and we understand ESCC is in the process of reviewing nearly one thousand comments to establish commonalities of requests and determine future changes to on-street parking.

RDC would like to add their observations on a formal basis for consideration during the above review as follows:

- Overall, CPE has been well received in the town centres and feedback from the Police is positive.
- It was noted that reduced levels of town centre congestion and parking issues are evident anecdotally, with improved availability of short-term parking on central urban streets due to restricted waiting times.
- On-street tariffs are felt to be fair and reasonable.
- Consideration be given to increasing the number of enforcement officers on peak visitor days, particularly in Camber.
- Hours of enforcement be flexible to cover special events later into the evenings.
- Seasonal enforcement be considered for Herbrand Walk Bexhill, Camber and Military Road Rye.
- Streets with time-limited bays were inefficient and costly to enforce, as officers must note time of parking and return to monitor. Therefore, consideration be given to extending the number of resident permit bays and decreasing number of time limited bays.
- Consideration be given to resolving inappropriate and displacement parking both within and outside the restricted zones in particular Brockley Road; Wickham Avenue, Millfield Rise, Belle Hill, Amherst Road, Cantelupe Road and Woodville Road, Bexhill; Military Road, Rye.
- Make ‘time limited’ free parking bays all two hours across the district.

- Consideration be given to roads surrounding Egerton Park, Bexhill being given restricted parking, and a coach drop-off point and disabled parking near to the drop kerb area outside Bexhill museum.
- Ticehurst Village and Hurst Green be considered for future extension to the CPE scheme.
- Enforcement of inappropriate parking on 'yellow lines' be increased in villages, in particular Etchingam and Burwash where commuter parking at railway stations causes frequent congestion.
- Extend double yellow lines from Camber Sands village along Camber Road on both sides to the A259.

RDC look forward to receiving the details of the ESCC review in due course and I trust our comments above will add weight to the requested changes to CPE that the Council feels will further improve the success of the scheme.

Regards,

Deborah Kenneally
Head of Services Neighbourhood Services

Rother District Council

OFF-STREET CAR PARKS TASK AND FINISH GROUP

**Terms of Reference**

- Aims and Origin** - To review the level of use of Manor Gardens car park since a payment machine was installed in October 2021.

To review East Sussex County Council's (ESCC) response to the Civil Parking Enforcement (CPE) first annual review which ended on 30 September 2021. On behalf of Rother District Council provide a draft written response to ESCC's improvements to the CPE scheme for approval.

In September 2020 ESCC introduced Civil Parking Enforcement (CPE). CPE introduced charging to certain on-street parking locations throughout Bexhill, Rye and Battle, along with restrictions to residents and visitors parking in other streets without charges. On-street charging will not apply to other areas of the district, but other restrictions such as yellow lines may apply.

The introduction of CPE was felt likely to increase the use off-street car parks under the Council's ownership. Increased usage would have an impact on the accessibility of car parks for local businesses and residents as well as increase the maintenance and enforcement costs to the Council.

The Off-Street Car Parks Task & Finish Group (OSCP T&FG) reviewed data regarding levels of car park use and consumer feedback over the last 12 months and made various recommendations which have been implemented following agreement by Overview and Scrutiny Committee and approval by Cabinet. It is considered that this work is now complete other than monitoring the level of use at Manor Gardens car park following the installation of the payment machine.

It was also felt likely that on-street parking restrictions introduced as part of CPE scheme would result in displacement parking and increased congestion of roads without parking restrictions.

Residents, businesses and the community at large were invited to submit feedback to ESCC on suggested changes to the scheme. Following the first 12 months

since implementation of CPE and ESCC's subsequent review of the feedback, it is appropriate for OSCP T& FG to review ESCC's proposed changes to engender improvements to the current scheme.

Scope

- a) Review data regarding levels of use of Manor Gardens car park before and after the payment machine was installed in October 2021.
- b) Review ESCC's response to the CPE annual review and consider their proposed changes to improve the scheme.

Desired Outcome

- Evidence of the effective and appropriate levels of use in Manor Gardens car park.
- Improved use of 'charged for' on street parking
- Reduced congestion on unrestricted roads to support delivery of services such as waste collections and community buses.
- Improved parking availability for residents on unrestricted roads.
- Local environment improved by a reduction in noise and air pollution.

Timescale

- OSCP T&FG to reconvene in October 2022
- Report back to OSC – February 2023

Membership

Minimum of 6 Members – Councillors Mrs V. Cook, P.C. Courtel, L.M. Langlands, C.A. Madeley, P.N. Osborne and G.F. Stevens

Officer Lead

Deborah Kenneally

Quorum

Two

Minutes of the Overview and Scrutiny Meeting – 24 January 2022**OSC21/45. RECOMMENDATIONS OF THE OFF-STREET CAR PARKS TASK AND FINISH GROUP**

Members considered the report of the Off-Street Car Parks Task and Finish Group (OSCPT&FG) which summarised the work and final recommendations of the Group in reviewing the impact of the introduction of Civil Parking Enforcement (CPE) on the use of Rother District Council (RDC) car parks during the previous 12 months, flowing from evidence gathering, stakeholder engagement and car park data.

The OSCPT&FG met on four occasions during the six months from October 2020 to March 2021, to receive a number of presentations from officers advising on monthly car park income data and the current car park usage compared to previous years. The OSCPT&FG reported to the OSC on 26 April 2021, recommending various changes to car park operations for onward recommendation to Cabinet. Cabinet were supportive of the OSC's recommendations which were subsequently actioned.

Since April 2021, the OSCPT&FG had met on a further four occasions. The first 'call for evidence' from stakeholders earlier in the year had identified from the responses that it was too early in the easing of COVID-19 restrictions to make proper judgements regarding the impact of CPE. A second 'call for evidence' opened on Monday 3 September 2021 and closed on 8 October 2021, a period of six weeks, to give people a further opportunity to make comments. 17 responses were received and were summarised in the report.

As well as reviewing the 'call for evidence', discussions of the Group had centred on monitoring the use of car parks since the three 'long stay' car parks were in place and since the chargeable hours were brought in line across the district. Further work focused on cost and level of parking permits, impact on sports club parking and Manor Gardens car park.

It had been noted by the Group that a more normal level of car park use was gradually returning since COVID-19 lockdown was lifted in several phases from 8 March 2021, but that car park use had only just returned to near pre-COVID-19 levels in October 2021. The Council had seen an increase in visitors staying "all day" in many of its car parks since the introduction of CPE; however, most visitors' duration of stay remained between 0 to 3 hours. There had been no evidence to suggest a particular car park was being overwhelmed with longer-stay users since CPE was introduced.

CPE had had a positive impact on the three town centres in terms of congestion and turnover of 'on-street' parking bays but had had some adverse impact on certain streets adjacent to the restricted zones and which residents and businesses had fed back to East Sussex County Council (ESCC) for considering future mitigations.

The Group had previously discussed the use of car parks adjacent to sports clubs and recommended that charges be suspended at the Polegrove (Bexhill) and Rye Salts car parks temporarily and to monitor the level of parking over a period of 12 months. The risk to free parking in these car parks was that they may become overwhelmed by non-sports users.

Councillors had been asked to encourage residents to give their feedback directly to the ESCC CPE review website, and officers used social media and MyAlerts to remind residents to respond before the deadline. This proved successful, as ESCC confirmed they received almost 1,000 responses to their annual review, a response far in excess of the usual response expected of 300. ESCC reported that it would take time to collate and assess this number of responses and that as a result it would take longer than the normal 14 months for any changes to be implemented, depending on process and legislation required.

Attached at Appendix A was Rother's proposed formal response to ESCC to be considered as part of their annual review.

During discussions the following points were noted:

- Councillor Mrs Cook who had chaired the OSCP T&FG paid tribute to the Head of Service Neighbourhood Services and her team for their work and to her fellow members of the Group;
- Members agreed that time-limited bays were difficult to enforce and that ESCC be requested to consider extending the number of resident permit bays in their place;
- Members requested that the signage for the Manor Gardens payment machine be improved as car park users reported not being aware of its existence; and
- Members were impressed with the level of checks being carried out in Camber.

(Overview and Scrutiny Committee Agenda Item 6).

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Rother District Council

Report to: Cabinet

Date: 28 February 2022

Report of: Antony Baden - Chief Finance Officer

Cabinet Member: Councillor Dixon

Wards: All

Purpose of Report: To receive the annual review of the Council's Procurement Strategy

Decision Type: Key

Officer

Recommendation(s): It be **RESOLVED:** That

- 1) the annual review of the Procurement Strategy in Appendix A to the report be noted; and
- 2) a Lead Member for Procurement and Social Value Policy be nominated.

Reasons for

Recommendations: To approve the review of the Rother Procurement Strategy and note the action plan established.

Annual Review of Procurement Strategy

1. The Council's Procurement Strategy was approved by Cabinet in December 2020. This was developed following a workshop with Members in July 2019, run by the East Sussex Procurement Hub (ESPH) in order to review the Council's Procurement Strategy to ensure that it met current legal and policy objectives.
2. In 2020/21 the Council spent £22.56 million on goods, works and services. The importance of effective procurement has never been greater for local government in a post COVID-19 recovery environment. The demand for public services is increasing, while resources are drastically reducing. The pressure to find greater efficiencies and improve productivity is driving councils to look for different ways to deliver better outcomes for local people. The Council uses the services of the ESPH which is hosted by Wealden District Council. It is a three-way partnership including Hastings Borough Council, although the Hub do undertake wider joint procurements across East Sussex and beyond where there is an economic/market advantage in procuring together.

Principles of the Strategy

3. The Procurement Strategy has been developed using Procurement Strategy for Local Government in England 2018 toolkit as its basis. It explains how the Council will continue to develop and benefit from the professional expertise of

the ESPH and the systems employed to make sure that the Council delivers value for money.

4. The strategy explains what the Council is setting out to achieve through the procurement of goods and services including considerations such as the environment and socio-economic issues. It provides reassurance that the Council will continue to spend public money in a way which is fair, accountable and gets the very best value.

Review of Performance against Action Plan

5. The analysis in Appendix A highlights the performance in 2021 against 18 keys measures identified and details actions for the next 12 months against each target. It is acknowledged that progress in some areas has been restricted due to the pandemic and this is reflected in the targets of the action plan outlined for 2022.
6. The key areas for development in the coming year will be the production of the Council's Social Value Policy, which will focus the procurement approaches to Climate Change and social wellbeing. The government have also confirmed that their Transform Public Procurement agenda will see changes to legislation early in 2023 and although the Green paper is still at the consultation stage, it is likely to contain more stringent transparency reporting requirements. The challenge will be to ensure that officers, Members and local supplier chains will be familiar with the changes taking place.
7. Member involvement is crucial if delivering the aims of the strategy is to be achieved in the future. Cabinet is therefore requested to nominate a Lead Member with responsibility for Procurement and Social Value Policy.

Environmental Implications

8. As mentioned in paragraph 6 the Procurement strategy targets for 2022/23 will need to address how the Council approaches procurement in respect of climate change. KPI 3 in Appendix A gives more detail on this.

Conclusion

9. The annual review of the Council's Procurement Strategy highlights the developments that have been made in the first year after adoption and identifies actions that need to be undertaken in the coming year to meet policy and legislative requirements. The procurement strategy gives officers and Members a sound basis for procurement decisions. If accepted, the proposal to nominate a Lead Member will also strengthen procurement governance and Members involvement.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No

Risk Management	No
Chief Executive:	Malcolm Johnston
Report Contact Officer:	Antony Baden, Chief Finance Officer
Email address:	Antony.Baden@rother.gov.uk
Appendices:	Appendix A – Rother Procurement Strategy KPI Performance 2021/22 and Action Plan 2022/23
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

Appendix A

Rother Procurement Strategy KPI Performance 2021/22 and Action Plan 2022/23

	Performance Level	Performance 2020-2021	Action/ Improvement Plan 2022-2023
Key Area	Value for Money and Efficiency	Outcome	Targets
1.	Delivery of budget savings through procurement.	Target based on 1.5% of total external procurement expenditure (£22.56m), which is £338, 000. Savings for the year is calculated to be £823, 195.	Set target for next year based on expenditure for 2021/22.
Key Area	Governance	Outcome	Targets
2.	Procurements are undertaken legally (including in accordance with changes in legislation/case law e.g. Brexit), consistently and within the Council's own Procurement Procedure and Financial Procedure rules.	Transition from EU Regulations successfully undertaken. Changes effectively communicated to Rother staff and updated guidance circulated. All exemptions to PPR are recorded centrally.	Procurement refresher training for all relevant officers to take place in Spring of 2022, to be delivered by the ESPH in conjunction with the Chief Finance Officer and by a combination of online and on-site training. Green Paper Transforming Public Procurement comes into force in late 2022/ early 2023 and a training programme will be established for staff and Members in the Autumn of 2022.

Key Area	Obtaining Social Value	Outcome	Target
3.	Policy and scope.	Principles of Social Value support the Council's Corporate Plan and adds value for Rother residents. Ten procurement projects undertaken in 2020/21 and two of these (Rother Water Safety and Out of Hours Telephone Service) contained the requirement to provide Social Value benefits as part of the exercise. Inconsistent levels of engagement and awareness currently exist.	Establish a baseline of procurement projects containing Social Value requirements and look to increase annually to 50% with subsequent improvements each year. Review approach to embed Social Value culture into procurement processes and create Social Value officer sub-group to enable this change. Key tasks of group will be to develop Social Value Policy in 2022 outlining an approach to maximise environmental and social wellbeing. Future annual reports to detail actual benefits realised from procurement activities.
4.	Councillor or cabinet board/authority member given responsibility for reporting leading on social value.	Not identified appropriate Lead Member and no specific Councillor training undertaken.	Create Lead Member role responsible for Social Value and undertake specific Member training programme in 2022.

5.	Market engagement and Contract Management	Market engagement exercises undertaken on key projects only. Agreed with Members in 2019 to hold a supplier event in Bexhill in 2020/21, but not possible due to Covid restrictions. Production of Social Value Action Plans for each contract being piloted by ESPH. Key element is the link between the action plans produced and the monitoring and reporting of relevant targets.	Social Value Action Plans to be produced for each contract and to be held centrally so that they can be monitored effectively. Explore potential for an Understand the Buyer event in Bexhill 2022.
6.	Governance and accountability	Social Value is recognised as a core principle of the Council's Procurement Strategy and is included in every appropriate procurement activity.	Procurement focus on developing wider understanding of Social Value within the Council and how to apply it through contractual arrangements. All relevant reports to be placed on ESPH and RDC websites. Clear evidence that Lead Member has direct oversight of Social Value and that the Social Value sub-group supports the embedding of culture into all contractual processes.
Key Area	Local SMEs, micro- business and VCSE engagement	Outcome	Target
7.	Policy and scope.	Succeeded in making procurement processes SME friendly and not over bureaucratic. Reviewed processes to reduce barriers to entry for local businesses in a post Covid environment.	Pipeline of opportunities to be published on website to inform relevant parties of local needs and the desired market outcomes.

8.	Facilitating good relationships with SMEs, micro- businesses and VCSE organisations	Target to establish current baseline for local spend/ SMEs. Identified that 4% of spend is within Rother and 14% within East Sussex. SME spend is 22% which is below the government target of 25%. However, all these areas of spend have increased from 2019/20.	Look to increase local spend/ SMEs each year by 5% per year. Undertake analysis of external spend with companies outside of area to identify future opportunities for local businesses. Explore potential for Understand the Buyer event to update local businesses on changes to Procurement regulations in 2022/23.
Key Area	Commercial opportunities	Outcome	Target
9.	Annual Procurement Programme	Annual forward plan of procurement activity approved the beginning of each calendar year.	Forward planning needs to be undertaken across the organisation to consider commercial opportunities. Procurement is engaged in the inception of strategic projects to effectively contribute ideas for revenue generation in the forward planning process.
10.	Tendering	Procurement is an integral contributor to the planning phase of commercial development. Tender documentation is drafted to encourage bidder participation.	Continued focus on ensuring that tendering opportunities are innovative, and that market attractiveness is maximised.
11.	Performance reporting	Performance reporting procedures under review to ensure they are consistent across the Council.	Annual report to Cabinet outlining performance against the Key Performance Indicators of the Council's Procurement Strategy. Quarterly reviews to be undertaken between the ESPH, Chief Executive and Chief Finance Officer.

12.	Post contract review	Post contract reviews do take place but not consistent across authority. Focus on Social Value or commercial benefits needs to be improved.	Identify and publicise criteria for undertaking post contract reviews to ensure that opportunities are being exploited effectively.
Key Area	Supplier relationships and contract	Outcome	Target
13.	Data collection and analysis	ESPH produced a Contract register for projects <£50k. It also produces an annual report covering major 3 rd party spend and local & SME participation.	Need to develop contract register that includes all projects (including those under £50k) in order to have a complete overview of procurement with the Council.
14.	Early engagement with future strategic suppliers	Soft market engagement undertaken with suppliers on major projects. Project programme produced and signed off in February each year.	Publish project pipeline early into each financial year to alert local business of potential opportunities.
15.	Supplier financial distress	Structured approach to dealing with early signs of financial distress through third party financial service alerts service. Areas of concern are shared with officers and together approach difficulties with contractor direct.	Review training and guidance to officers on managing and identifying supplier financial distress during post Covid 19 recovery phase.
16.	Savings and benefits delivery	Structure in place for capturing savings and benefits on contracts issued by ESPH.	ESPH will develop a streamlined approach to savings capture/benefits realisation, which will be applied uniformly across the Council and reported to Cabinet on an annual basis.

17.	Recognition and cultural acceptance	Ethos of effective contract management identified in Council. Contract and relationship management is recognised as being essential to overall contract performance.	Review the approach to contract management to reflect the current requirement for social value monitoring.
18.	Skills and knowledge	Contract management training model being developed to ensure it is acknowledged as a core competency for Rother staff.	Contract management training to be part of induction and appraisal process. Refresher programmes will be available to staff involved in contracts with video training guides available on ESPH Buyer side webpages.

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Rother District Council

Report to: Cabinet

Date: 28 February 2022

Title: Enforcement of Environmental Offences

Report of: Head of Service - Environmental Services, Licensing and Community Safety

Cabinet Member: Councillor Field

Ward(s): All

Purpose of Report: To seek approval to procure a concessionary agreement, as a closed quote with selected providers, to carry out the enforcement of environmental offences.

Decision Type: Key

Officer Recommendation(s): It be **RESOLVED:** That the Deputy Chief Executive be authorised to procure a concessionary agreement as a closed quote with selected providers, to carry out the enforcement of environmental offences.

Reasons for Recommendations: To increase the level of enforcement for environmental offences, in order to improve the quality of the local environment and the lives of residents impacted by such offences.

Introduction

1. The Council could employ a private company, to carry out the enforcement of certain environmental offences, including dog fouling, littering, fly-tipping (unauthorised disposal of waste) using a concession agreement.
2. Other authorities use contractors, who employ uniformed staff to patrol their districts, identifying offences and issuing fixed penalty notices (FPNs). The service would include the prosecution of offenders who fail to pay an FPN, which is a statutory requirement.
3. The company would also be required to carry out promotional work, for example issuing dog waste bags and portable ashtrays and organising litter picks.

Environmental Offences Reported

4. October 2020 to September 2021

Fly-tipping	997
Littering	135
Dog Fouling	72

Fixed Penalty Notices Issued between January 2019 and December 2021

5.

Fly-tipping	2
Waste-duty of care offence	1
Waste- no permit	1
Non-compliance Community Protection Notice	2
Non-compliance Public Spaces Protection Order	1

Current Provision

6. When the Council receives complaints or reports about fly-tipping (unauthorised disposal of waste), Contract Compliance Officers (Neighbourhood Services) visit and check if there is any evidence, where the waste originated from, before arranging for Biffa to clear the waste. If there is evidence, then the matter is referred to the Environmental Services for investigation. This only happens rarely and there are two possible offences, the duty of care offence by the householder or business (where the waste originated from) or the unauthorised disposal of waste offence by the actual fly-tipper. The first offence is easier to prosecute, the second much more difficult because the householder or business are unable or unwilling to identify the fly-tipper. In addition, on occasions, members of the public identify or film fly-tippers, but they are normally reluctant to provide evidence.
7. The Council works with Sussex Police, Trading Standards and the Environment Agency to carry out vehicle stops to check whether waste carriers have a permit.
8. We do not have the resources to carry out regular patrols to detect littering and dog fouling offences unless there is reliable evidence that the offence occurs at a specific place, regularly at the same time.

Prosecutions

9. It is intended the contract will include the use a private Solicitor to carry out prosecutions, if authorised by the Deputy Chief Executive or Head of Service.

Costs to the Council

10. Using a concessionary agreement, there would be no costs, as these would be met from the income received by the company by issuing FPNs. However, there would be associated management costs associated with monitoring the contract.

Procurement

11. This would be a concession agreement and as the value is under the public procurement threshold, an exemption can be made to the open tender route and the procurement run as a closed quote with a select number of providers. Provision would be made to review the contract at 12-month intervals to determine whether to continue or procure a new contract for a longer period.

Conclusion

12. To increase the number of environmental offences detected and the number of FPNs or prosecutions, the employment of a private company for a one-year concessionary agreement, with the option to extend for another year, to a maximum of three years, should be considered.

Crime and Disorder

13. Effective enforcement of environmental offences supports controlling crime and disorder in the district.

Environmental

14. Effective enforcement of environmental offences should improve the local environment and reduce the negative impact of unauthorised waste disposal (fly-tipping) on land and water.

Financial

15. Contained within existing estimates, provided that the company appointed confirm that there would be no costs to the Council. There may be additional costs associated with the handling and administration of complaints received due to increased enforcement of littering offence, particularly during the initial stages.

Human Rights

16. Article 2: Right to life - not applicable
Article 3: Freedom from torture etc - not applicable
Article 4: Freedom from slavery and forced labour - not applicable
Article 5: Right to liberty and security - not applicable
Article 6: Right to a fair trial - complies
Article 7: No punishment without law - complies
Article 8: Respect for private and family life - not affected
Article 9: Freedom of thought, belief and religion - not affected
Article 10: Freedom of expression - not affected
Article 11: Freedom of assembly and association - not affected
Article 12: Right to marry - not affected
Article 14: Right to be free from discrimination - not affected

Protection of property: not applicable
Right to education: not applicable

Legal

17. A company given a concessionary agreement must abide by all relevant Government guidance and codes of practice. Relevant regulations must be complied with, including GDPR and the Public Contract Regulations 2015. The Council's own procurement rules would be adhered to. Any prosecutions undertaken by the provider must be in accordance with the necessary statutory framework.

Risk Management

18. The Council may be criticised for issuing FPNs for littering through discarding cigarette butts etc. In other authorities, 88% of FPNs issued are for littering, with 75% of those offences being for cigarette butts. Councils who have already adopted this approach, have confirmed an initial high number of complaints. There would therefore be an increase in customer complaints that the Council would have to respond to. This could also create negative publicity in tourist areas, as visitors would be unaware of vigorous enforcement being carried out. This would be mitigated by a communication plan to educate and raise awareness of a more robust approach to the enforcement of environmental offences.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	Yes	Equalities and Diversity	No
Crime and Disorder	Yes	External Consultation	No
Environmental	Yes	Access to Information	No
Risk Management	Yes	Exempt from publication	No

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Appendix:	None
Background Papers:	None
Reference Documents:	Code of practice for litter and refuse: Part 1A - effective enforcement (publishing.service.gov.uk)

Rother District Council

Report to: Cabinet

Date: 28 February 2022

Title: Environmental Offences - Fixed and Civil Penalty Notices

Report of: Head of Service - Environmental Services, Licensing and Community Safety

Cabinet Member: Councillor Field

Ward(s): All

Purpose of Report: To approve the levels of fixed penalty notices and civil penalties associated with environmental offences.

Decision Type: Key

Officer

Recommendation(s): It be **RESOLVED:** That the fixed penalty notices and civil penalties be increased to the maximum level with a discount being given for payment within the stated period.

Reasons for Recommendations: To protect the environment by deterring offences from occurring.

Introduction

1. The Council can set fixed penalty notices and civil penalties for some environmental offences.
2. If a fixed penalty notice (FPN) or civil penalty is served and paid within a specified time, then the Council cannot prosecute. If a FPN is not paid, the Council is obliged to prosecute. The standard of proof required to issue a FPN is therefore the same as that required to issue legal proceedings-beyond reasonable doubt. If a civil penalty is not paid then the offender can be pursued through the Courts as a debt.
3. Appendix A sets out the current FPN amount and the recommended increase to the maximum amount, with a discount being given for early payment. Appendix B lists relevant civil penalties.
4. Persons who dispute the issuing of a FPN or civil penalty can ask for the penalty to be cancelled by writing to the Deputy Chief Executive or Head of Service.

Conclusion

5. To protect the environment by deterring offences occurring the amount of fixed penalty notices and civil penalties should be increased.

Crime and Disorder

6. Effective enforcement of environmental offences supports controlling crime and disorder in the district.

Environmental

7. Effective enforcement of environmental offences should improve the energy efficiency of rented properties and the local environment and reduce the negative impact of unauthorised waste disposal (fly-tipping) on land and water.

Financial

8. Contained within existing estimates. Income received from FPNs must be used to fund Council costs associated with that FPN e.g. income received from littering offences must be used for enforcement of this offence or street cleaning.

Human Rights

9. Article 2: Right to life - not applicable
Article 3: Freedom from torture etc - not applicable
Article 4: Freedom from slavery and forced labour - not applicable
Article 5: Right to liberty and security - not applicable
Article 6: Right to a fair trial - complies
Article 7: No punishment without law - complies
Article 8: Respect for private and family life - not affected
Article 9: Freedom of thought, belief and religion - not affected
Article 10: Freedom of expression - not affected
Article 11: Freedom of assembly and association - not affected
Article 12: Right to marry - not affected
Article 14: Right to be free from discrimination - not affected

Protection of property: not applicable

Right to education: not applicable

Other Implications	Applies?	Other Implications	Applies?
Human Rights	Yes	Equalities and Diversity	No
Crime and Disorder	Yes	External Consultation	No
Environmental	Yes	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive	Malcolm Johnston
Report Contact Officer:	Richard Parker-Harding
Telephone Number:	01424 787551
e-mail address:	Richard.parker-harding@rother.gov.uk
Appendices:	A-Fixed Penalty Notices B- Civil Penalties
Background Papers:	None
Reference Documents:	Code of practice for litter and refuse: Part 1A - effective enforcement (publishing.service.gov.uk) https://www.legislation.gov.uk/ukdsi/2015/9780111132432/contents

The Environmental Offences (Fixed Penalties) (England) Regulations 2017

Offence	Act	Existing FPN	Maximum FPN	Discounted FPN for payment within 10 days
Depositing Litter	EPA S88	£100	£150	£100
Distribution of printed material	EPA Sch 3A	£100	£150	£135
Graffiti & Flyposting	ASB 2003 S43	£100	£150	£135
Commercial waste receptacles	EPA S47	£100	£110	£100
Noise	Noise Act 1996	£100	£110	£100
Transporting waste	CoP S5	£120	£300	£270
Duty of care	EPA S34	£200	£400	£360
Deposit of waste	EPA S33	£200	£400	£360
Nuisance Parking	CNEA S6	£100	£100	£90
Non-compliance with CPN	ASB 2014 S48	£100	£100	£90
PSPO non-compliance	ASB 2014 S68	£100	£100	£90

Key

EPA- Environmental Protection Act 1990

ASB 2003-Anti-social Behaviour Act 2003

CoP-Control of Pollution (Amendment) Act 1989

CNEA- Clean Neighbourhoods and Environment Act 2005

ASB 2014- Anti-social Behaviour Crime and Policing Act 2014

CPN- Community Protection Notice

PSPO- Public Spaces Protection Order

Civil Penalties

Domestic waste receptacle offence

Civil Penalty: £80

Discount for payment within 14 days: £70

If a householder is given an instruction how to present their waste and recycles for collection (time, place etc) and does not comply then a civil penalty can be imposed.

Energy Efficiency (Private Rented Property) Regulations 2015

Infringement	Penalty (if under 3 months in breach)	Penalty
Renting out non-compliant property	£2,000	£4,000
Providing false or misleading information on the PRS Exemptions Register	£1,000	£1,000
Failure to comply with a compliance notice	£2,000	£2,000

The regulations prohibited the granting of new tenancies from the 1 April 2018 for properties of an Energy Performance Certificate (EPC) rating below E. This was extended to cover all existing tenancies for properties within the scope of the regulations from the 1 April 2020.

A financial penalty notice can be served 18 months after a breach has occurred. The penalties can be applied for each breach and for each property where the breach has occurred. The maximum penalty the landlord can be fined per property is £5,000. However, should the landlord re let property on a new tenancy further financial penalties of up to £5,000 can be imposed.

A landlord may request the local authority to review the penalty notice and if the penalty is upheld on review the landlord may then appeal the penalty notice at the Property First-tier Tribunal.

A publication penalty means Council will publish the details on the public accessible part of the Property Redress Scheme (PRS) exemptions register. The publication penalty for any breach of regulations is set at 12 months.

Rother District Council

Report to:	Cabinet
Date:	28 February 2022
Title:	Beeching Road Studios, 18-40 Beeching Road, Bexhill
Report of:	Ben Hook – Director Place and Climate Change
Cabinet Member:	Councillor Bayliss
Ward(s):	All
Purpose of Report:	To seek approval from Cabinet to take the necessary steps to manage the Beeching Road Studios in-house on an initial basis while other options are considered.
Decision Type:	Non-Key
Officer Recommendation(s):	It be RESOLVED : That the Director - Place and Climate Change be authorised to enter into the necessary leases, licences and contracts to enable the Council to manage the creative studios at 18-40 Beeching Road, Bexhill.
Reasons for Recommendations:	To ensure the successful management of the Beeching Road Studios project following the withdrawal of Bexhill College as lead operator.

Introduction

1. In 2019, the Council secured £960,000 grant funding from the South East Local Enterprise Partnership (SELEP) to refurbish 18-40 Beeching Road, in order to provide accommodation specifically aimed at cultural and creative business. The Council has worked closely with a steering group of stakeholders, including the De La Warr Pavilion, Bexhill Contemporary Group, Bexhill College, Flatlands and others in bringing forward the project.
2. The vision for the project is that by 2025 Beeching Road Studios will be established as:
 - A distinctive, arts-led creative cluster of artists and makers, craft design and media businesses and their supply chains, specialist training and education providers and their students.
 - A hub that offers tenants, service users and visitors a variety of attractive, affordable and secure spaces; access to high-quality support services, facilities, learning and cultural experiences; and opportunities for collaboration, career development and business growth.

- Accessible and connected to local residents and businesses, other regional creative communities and workspaces, commercial, cultural, educational and civic institutions.
3. During 2021 a wholesale refurbishment of the premises has taken place, supported by the SELEP grant to reconfigure the premises to meet the project objectives. This work is now substantially completed.

Beeching Road Management Options

4. Bexhill College was selected as the preferred Lead Partner to manage the Beeching Road Studios following a procurement process (Minute CB20/48 refers). Bexhill College have recently advised that whilst they remain committed to engaging with the project, they no longer wish to manage the scheme.
5. It is therefore proposed that the Council takes on the management of the project in order to get the studios up and running and set the foundations to realise the project vision. The option to seek a third party organisation to step in and manage the scheme remains open to the Council if deemed desirable at a later date.
6. Details of the proposed management arrangements are set out in Appendix 1. The project is expected to break even, and the budget forecast therefore adopts a 'net zero' approach.

Conclusion

7. If the project is to proceed in a timely fashion the only realistic option is for the Council to take on the management of the scheme itself. A great deal of work is required to ensure that services, systems and legal documentation are in place as soon as practicable, to enable the premises to be occupied.
8. While it is the intention and policy of the Council to operate this as a Creative Arts Centre, it must be acknowledged that the refurbished premises would still be suitable for alternative uses, and therefore represents little overall financial risk for the Council.
9. Cabinet is recommended to authorise the Director - Place and Climate Change to enter into the necessary leases, licences and contracts to enable the Council to manage the Beeching Road Studios, and to recommend the addition of the operating budget to the Council's annual revenue budget.

Financial Implications

10. The project is not expected to generate significant surpluses and the Council should adopt a 'break even' budget approach. The creation of over 30 new tenancies will also place additional workload on the Council's financial administration team. The budget forecast indicates that the annual running costs of the project will be in the region of £120,000 - £130,000 per annum, with income forecast in the first year in the region of £140,000 per annum.
11. Some initial set-up costs will be incurred to complete the fitting-out of the premises to enable occupation. These include commissioning EPC's and Risk

Assessments; purchase of fire extinguishers, CCTV equipment, intruder alarms and a door entry system. These costs are estimated to be in the region of £50,000 and will either be met from the current years' revenue budget or capitalised and met from the capital allocation for the project where appropriate.

12. The running cost forecast includes all maintenance costs for the fabric of the building and the management of services, as well as a provision for facilities management.
13. Income will be derived from rentals to be received from the occupiers of the workshops and studio spaces. The forecast assumes that all of the larger spaces will be fully let within the first year and allows for a 20% ongoing vacancy rate of the smaller studios. It will be necessary to monitor costs carefully and update forecasts on a regular basis.

Legal Implications

14. The creation of over 30 new tenancies will also require significant input from the Legal Services department in preparing and completing the various tenancy agreements. Whilst many of these will be in a standardised form, this represents a significant volume of work to be accommodated.

Human Resources Implications

15. It will be necessary to appoint a part-time post to provide capacity to manage the day-to-day running of the scheme.

Risk Management Implications

16. The Council will put procedures in place to ensure that its statutory compliance obligations with regards to the management of the premises are met; including health and safety risk assessments, fire risk assessments, legionella checks, etc.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

Chief Executive:	Malcolm Johnston
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Appendices:	1 - Beeching Road Studios - Management Arrangements
Relevant Previous Minutes:	CB18/67; CB20/48
Background Papers:	N/A
Reference Documents:	N/A

BEECHING ROAD STUDIOS - MANAGEMENT ARRANGEMENTS

1. The Studios have been refurbished to offer different opportunities for creative businesses at different stages of growth:
 - The two largest units will be self-contained and leased at a commercial rate. Although effectively 'stand-alone' premises, it is expected that the businesses occupying these spaces will contribute to the work of the hub by providing opportunities and support for new creative start-ups.
 - One unit has been divided to provide two smaller self-contained units offering accommodation for new or expanding creative businesses. Again, these will be leased at a commercial rate and the businesses will receive support through the project to develop and expand.
 - Two units have been combined and subdivided into 27 small serviced studios which form the heart of the project, creating a new artists' community that will help to develop new graduate and emerging artists. These will be leased at an 'all inclusive' rent.
 - The remaining unit fronting Beeching Road will be the reception and gallery space, forming the public face of the hub and where exhibitions and other public-facing activities will take place.
2. RDC will be the landlord and as such will be responsible for the day-to-day management and maintenance of the premises, along with all statutory compliance requirements. This will require input from Estates, Building Maintenance, Finance and Legal Services functions.
3. The Steering Group of stakeholders will continue to provide strategic oversight of the Studios project and to maintain the link between the project and other creative pathways. The members of the Steering Group all offer an important role in that ambition, with the college providing the link with students, the De La Warr Pavilion offering creative work experience and opportunities, and Flatlands offering exhibitions and understanding of the studio environment. The Council will act as landlords but also as the link with external funding and County wide initiatives in this area.
4. The Regeneration Officer will provide support to the steering group and liaise with the Steering Group members to support the emerging creative businesses.
5. It is proposed that leases will be on flexible terms, similar to the lease arrangements at Elva Business Centre. The larger, self-contained units will be able to break their leases on three months' notice, whilst the smaller studios will be able to break on one months' notice. The Council will retain responsibility for maintaining the fabric of the buildings. Tenants of the self-contained units will be responsible for their own business rates and utilities, but the small studios will be charged on an 'all-inclusive' basis to include utilities, business rates, and all servicing costs such as cleaning and maintenance of the common areas.
6. Flatlands will operate and manage the gallery/exhibition space and provide networking support and curation services to the artists/tenants at the project through a Service Level Agreement monitored through the Steering Group.

Rother District Council

Report to:	Cabinet
Date:	28 February 2022
Title:	Treasury Management Strategy Statement and Annual Investment Strategy
Report of:	Chief Finance Officer
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To present the Treasury Management Strategy Statement and Annual Investment Strategy for approval
Decision Type:	Key

Officer

Recommendation(s): **Recommendation to COUNCIL:** That the:

- 1) Treasury Management Strategy as set out at Appendix A be approved and adopted;
- 2) Annual Investment Strategy as set out at Appendix B be approved and adopted;
- 3) Minimum Revenue Provision Policy Statement 2022/23 be approved;
- 4) Prudential and Treasury Indicators as set out in Appendix A be approved; and
- 5) authorised limits in this report be approved

Reasons for

Recommendations: To agree the Treasury Management Strategy Statement and Annual Investment Strategy for approval

Introduction

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 in line with the Council's low risk appetite, providing adequate liquidity before investment return.
2. Another key function of the treasury management service to manage the funding of the Council's capital programme. It determines borrowing needs in respect of longer-term cash flow planning so that the Council can deliver its capital plans. This involves arranging long and short-term loans as well as the use of cash flow surpluses. It can also involve restructuring existing debt if this reduces costs or risk exposure to interest rate increases.
3. The Treasury Management function looks to optimize interest income and reduce debt interest payments whilst ensuring that the Council has enough liquidity to meet all its spending commitments. Since cash balances generally

consist of reserves and balances, it is paramount that investments are placed as securely as possible as any loss will result in a hit on the General Fund.

4. CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

5. This report reflects relevant guidance from the Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA codes in respect of borrowing and Treasury Management.

Reporting requirements to Members

Capital Strategy

6. The revised CIPFA Prudential and Treasury Management Codes 2017 require local authorities to prepare a capital strategy report. This was reported to and approved by Cabinet on the 7 February 2022.

Treasury Management Reporting

7. The Council is required to receive and approve at least three main treasury reports each year. These are detailed below:

a. Prudential and treasury indicators and treasury strategy – This is included in this report and is forward looking. It covers:

- the capital plans, (including prudential indicators);
- the Minimum Revenue Provision (MRP) policy, (the statutory revenue charge to repay loan debt used to finance capital expenditure);
- the Treasury Management Strategy, (how investments and borrowings are to be organised), including treasury indicators; and
- an Investment Strategy, (how Investments will be managed).

b. A mid-year treasury management report – This is a progress report that updates Members on the capital position, and reviews prudential indicators and policies.

c. An annual treasury report – This report reviews performance over the past financial year of performance indicators and treasury operations against the estimates in the strategy.

8. The reports are scrutinised by the Audit and Standards Committee before being recommended to Cabinet and full Council.

Expected Investment Returns 2022/23

9. The 2022/23 draft Revenue Budget reported to Cabinet on the 7 February 2022 assumes income of £342,000 from treasury activities. This assumes a return of 0.64% from deposit type investments and 3.60% return from property fund investments. The forecast for the next five years continues to see low returns, based on the forecast use of cash reserves to support the Revenue Budget.

Future Changes

10. On the 20 December 2021 CIPFA published its updated Treasury Management and Prudential Borrowing codes. Local authorities are not required to embed the changes in their 2022/23 Treasury Management and Annual Investment Strategies, but full implementation is required from 2023/24.
11. Members will also note that the DLUHC is proposing to tighten regulations around local authorities financing capital expenditure on investments in commercial projects for yield. To this end, it has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further such expenditure.
12. The DLUHC has also conducted a consultation on amending MRP rules for English local authorities. The proposals will come into effect from the 1 April 2023 and will not be applied retrospectively. They are not expected to have any impact on the Council's proposed MRP policy however, they may have implications for any borrowing that the Council provides to a third party, such as its own housing company. The impact of the changes will be reviewed during 2022/23 and reported to Members.

Conclusion

13. The expectation is that 2022/23 will see a return to some sort of stability in the investment environment but uncertainty around the pandemic will undoubtedly remain. The strategies proposed in this report, together with the interest rates forecast, are in line with the assumptions made when preparing the 2022/23 Revenue Budget. The costs of treasury operations are contained within the 2022/23 draft Revenue Budget.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

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Appendices:	Appendix A – Treasury Management Strategy Appendix B – Annual Investment Strategy
Relevant Previous Minutes:	None
Background Papers:	Capital Strategy approved by Cabinet, 7 February 2022
Reference Documents:	None

Treasury Management Strategy for 2022/23

1. The strategy covers two main areas:
 - a. **Capital**
 - the capital expenditure plans and the associated prudential indicators;
 - the Minimum Revenue Provision policy.
 - b. **Treasury Management**
 - 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
 - the policy on use of external service providers.
2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MRP Guidance (DLUHC), the CIPFA Treasury Management Code and the DLUHC Investment Guidance.

Training

3. The CIPFA Code requires that Members with responsibility for treasury management scrutiny receive adequate and relevant training. A training event will be developed and delivered by the Chief Finance Officer after Full Council has met on the 16 May 2022 and agreed membership of the Audit and Standards Committee for 2022/23. The training needs of treasury management officers are reviewed on an ongoing basis. To this end, the Council purchases a subscription from CIPFA's Finance Advisory Network, which entitles its officers to a number of free courses over the financial year.

Treasury management consultants

4. The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.
5. Responsibility for treasury management decisions always remains with the Council, which ensures that undue reliance is not placed upon its advisors. Decisions will be undertaken with regards to all available information, including that of the advisors.
6. There is a value in employing external advisors in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.
7. The scope of investments within the Council's operations includes conventional treasury investments, (placing cash) and investments in property to support the Property Investment Strategy. The latter requires specialist advisors and the Council uses appropriately qualified companies in relation to this activity.

The Capital Prudential Indicators

8. 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

9. This prudential indicator is a summary of the Council's capital expenditure plans approved by Members. A key aspect of the regulatory and professional guidance is that elected Members are aware of the size and scope of any commercial activity. The capital expenditure figures shown in the two tables below demonstrate the scope of this activity.

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Services	10,828	76,720	21,786	1,937	1,880	1,880
Regeneration Investments	4,520	8,718	3,313	0	0	0
TOTAL	15,348	85,438	25,099	1,937	1,880	1,880

10. The table below summarises the above capital expenditure plans and how they will be financed. Any shortfall in resources is funded from borrowing.

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
	£'000	£'000	£'000	£'000	£'000	£'000
Own Resources	732	1,916	186	187	130	130
External Resources	6,381	7,646	1,625	1,625	1,625	1,625
Debt	6,727	15,384	5,288	125	125	125
Unfunded	1,508	60,492	18,000	0	0	0
TOTAL	15,348	85,383	25,099	1,937	1,880	1,880

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

11. The Council's Capital Financing Requirement (CFR) is the total historic capital expenditure, which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and thus its underlying borrowing need. Any capital expenditure not been financed by revenue, grants or capital receipts will increase the CFR. It does not increase indefinitely because it is reduced by the statutory annual MRP charge to the revenue budget. It broadly reduces indebtedness in line with each assets' life. The CFR includes long-term liabilities such as Private Finance Initiatives and finance leases. The Council currently does not have any such arrangements.

12. The CFR forecasts are shown below:

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	18,168	24,659	38,990	43,206	42,240	41,253
General Fund Services	2,802	4,667	1,975	125	125	125
Regeneration Investments	3,925	10,717	3,313	0	0	0
Less MRP	(235)	(1,053)	(1,072)	(1,092)	(1,111)	(1,110)
Closing Balance	24,659	38,990	43,206	42,240	41,253	40,269

Affordability Prudential Indicator

13. 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 **Ratio of Financing Costs to Net Revenue Stream** indicator below shows the trend in the level of financing costs, (net of investment income), against the net revenue stream.

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Net Financing costs (£000)	278	1,542	1,550	1,558	1,566	1,552
Proportion of net revenue stream (%)	2.07	11.48	12.60	12.31	11.92	11.50

14. The table shows that the proportion of the Council's net revenue stream (council tax, share of business rates and grants) peaks at 12.6% in 2023/24, which is largely due to the investments made under the Property Investment Strategy.

Incremental Impact of Capital Investment Decisions on Band D Council Tax

15. This indicator identifies the revenue costs associated with the capital programme, net of treasury investment returns. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a five-year period.

2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
£29.27	£40.35	£39.64	£39.19	£38.78	£37.89

Core Funds and Expected Investment Balances

16. The application of resources either to finance capital expenditure or other support the Revenue Budget will have an ongoing impact on investments unless resources are increased by, for example, the sale of assets. Detailed below are estimates of the year-end balances for each resource:

Year End Resources	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	2026/27 Budget £ (000)
Funds balances/reserves	9,962	6,942	5,527	5,198	5,739	6,699
Capital Receipts	3,415	3,430	2,730	2,930	3,130	3,330
Less Capital Receipts used to fund Capital Provisions	(185)	(900)	0	0	0	0
Total Core Funds	14,097	10,377	9,162	9,033	9,774	10,934
Working Capital	10,906	10,906	10,906	10,906	10,906	10,906
Expected Investments	25,003	21,283	20,068	19,939	20,680	21,840

**Working capital balances shown are estimated year-end; these may be higher mid-year*

	Actual £'000 31.12.21	Share % 31.12.21	Actual £'000 31.03.21	Share % 31.03.21
Treasury investments				
Lloyds - General	34,754,313	65.89	14,054,021	43.85
Bank of Scotland	46	0.00	11	0.00
Barclays - Call Account	4,996,066	9.47	4,996,066	15.59
Santander – Call Account	2,995,000	5.68	2,995,000	9.35
Santander – 31 Day Notice Account	2,001,866	3.80	2,001,866	6.25
Total managed funds in house	44,747,292	84.83	24,046,759	75.04
Property Funds				
CCLA Local Authority	5,000,000	9.48	5,000,000	15.60
HERMES	2,999,998	5.69	2,999,998	9.36
Total managed externally	7,999,998	15.17	7,999,998	24.96
Total treasury investments	52,747,289	100.00	51,773,369	100.00

Minimum Revenue Provision (MRP) Policy Statement

17. The Council pays off an element of the capital expenditure financed through loan debt (the CFR) each year through the statutory revenue charge known as the MRP. It may also make additional voluntary payments if desired (Voluntary Revenue Provision - VRP).
18. DLUHC regulations require the full Council to approve an MRP Statement in advance of each financial year. A variety of calculation methods are available, and the Council can choose whichever one suits it best, so long as it is deemed to be prudent. The Council is recommended to approve the following MRP policy statement:

Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations. This provides for a reduction in the borrowing need over the assets' life. Note that for investments supporting the Council's Property Investment Strategy, the MRP will be based on an annuity-based method over the asset's life. For schemes which provide capital expenditure for the acquisition of share capital to third parties, repayment(s) of the loans using the asset life method or return(s) received from the share capital for 20 years will be set aside in lieu of MRP.

MRP Overpayments – DLUHC guidance allows for any VRP charges to be reclaimed in later years and used in the revenue budget if deemed necessary or prudent. The policy must disclose annually any such charges made. Up until the 31 March 2021 the total VRP overpayments were nil.

Borrowing

19. The treasury management function ensures the Council's cash is managed in accordance with the relevant professional codes and that sufficient cash is available to meet the requirements of its revenue budget and capital strategy. This involves both the organisation of the cash flow and appropriate borrowing facilities. The strategy covers the relevant treasury and prudential indicators, current and projected debt positions and the annual investment strategy.

20. The prudential indicators include those that ensure the Council operates its activities within certain limits. One of these is to ensure that the Council gross debt does not exceed, (except in the short term), the total of its CFR in the preceding year plus its estimated CFR for 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
21. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR).

	31.3.22 forecast	31.3.23 budget	31.3.24 budget	31.3.25 budget	31.3.26 budget	31.3.27 budget
Gross Debt	18,110	32,442	36,657	35,691	34,705	33,720
Capital Financing Requirement (CFR)	24,659	38,990	43,206	42,240	41,253	40,269

22. The Chief Finance Officer reports that the Council has complied with this prudential indicator in 2021/22 and does not envisage difficulties in future years. This view takes account of current commitments, existing plans, and the budget proposals.

Treasury Indicators: limits to borrowing activity

23. **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing from cash resources.
24. **The authorised limit for external debt.** This prudential indicator is a control on the maximum level of borrowing. It is 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. It effectively gives the Council some limited headroom over its operational boundary limit.
25. Section 3 (1) of the Local Government Act 2003 allows the Government to retain the option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised.
26. Members are asked to approve the following limits:

	2021/22 limit £'000	2022/23 limit £'000	2023/24 limit £'000	2024/25 limit £'000	2025/26 limit £'000	2026/27 limit £'000
Authorised limit – total external debt	98,629	169,012	192,833	194,770	196,050	196,050
Operational boundary – total external debt	93,629	164,012	187,833	189,770	191,650	191,650

Prospects for interest rates

27. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The table below gives their view, as at 11 February 2022, of rates at the 31 March.

	31 March 22	31 March 23	31 March 24	31 March 25
	%	%	%	%
Bank Rate	0.75	1.25	1.25	1.25
3 Month average earnings	0.80	1.20	1.20	1.20
6 Month average earnings	1.00	1.30	1.30	1.30
12 Month average earnings	1.40	1.70	1.40	1.40
5 Year PWLB	2.20	2.30	2.30	2.30
10 Year PWLB	2.30	2.40	2.40	2.40
25 Year PWLB	2.40	2.60	2.60	2.60
50 Year PWLB	2.20	2.40	2.40	2.40

Investment and borrowing rates

28. Investment returns have started improving in the second half of 21/22 and are expected to improve further during 2022/23 as the Bank of England's Monetary Policy Committee (MPC) progressively increases the Bank Rate. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and remain at very low levels although they have recently begun to increase again. The policy of avoiding new borrowing by using cash balances has served the Council well in recent years but further borrowing will be unavoidable if the Council is to deliver the Capital Strategy.

Borrowing Strategy

29. The Council is currently maintaining an under-borrowed position in that its CFR has not been fully funded by loans because the Council has been able to use cash reserves and balances as a temporary measure. This is a prudent strategy because investment returns have been low and counterparty risk is still an issue due to the fallout from the pandemic.
30. Against this background and the risks within the economic forecast, caution will continue to be adopted with the 2022/23 treasury operations. The CFO will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, for example:
- if there is a significant risk of a sharp FALL in long and short-term rates, long term borrowing plans may be postponed;
 - if there is a significant risk of a sharp RISE in long and short-term rates fixed rate borrowing may be drawn whilst interest rates are lower than forecasted.
31. Any decisions will be reported to Cabinet and the Audit and Standards Committee at the soonest available opportunity.

Policy on borrowing in advance of need

32. The Prudential Code and CIPFA guidance says that the Council must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. This does not apply to its PIS investments, which are essentially focused on the delivery of economic sustainability and regeneration in the Rother district.
33. However, the Council has some flexibility to borrow funds in advance of need for use in future years. The CFO may do this under delegated power whereby, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the CFO will adopt a cautious approach, where there is a clear business case for doing so, borrowing may be undertaken to fund the approved Capital Programme.
34. 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

35. The main reasons for debt rescheduling are to generate cash savings or to rebalance the debt portfolio maturity.
36. Rescheduling of the current borrowing in the Council's debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. Any rescheduling will be reported to the Audit & Standards Committee and Cabinet at the earliest opportunity.

Proportionality

37. The Council will consider proportionality alongside affordability needs when analysing funding projects through borrowing. The costs and risks associated with borrowing will be reviewed with reference to the overall financial position so that the Council does not undertake a level of borrowing, which exposes the it to an excessive level of risk.

ANNUAL INVESTMENT STRATEGY

Investment policy – management of risk

1. The DLUHC 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 under treasury management). Non-financial investments, the purchase of income yielding assets, are covered in the Capital Strategy, which was reported to Cabinet on the 7 February 2022.
2. The Council’s investment policy has regard to the following:
 - DLUHC’s Guidance on Local Government Investments
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021
 - CIPFA Treasury Management Guidance Notes 2021
3. The Council’s investment priorities will be security first, portfolio liquidity second and then return.
4. The above guidance documents 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: -
 - a. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and avoids a concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - b. **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, the Council will engage with its advisors to monitor market pricing and consider that information in addition to credit ratings.
 - c. **Other information sources** used will include the financial press, share prices and other relevant information in order to establish a robust scrutiny process on the suitability of potential investment counterparties.
 - d. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 1, namely, ‘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, or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding 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.

- e. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as shown in Appendix 1,
 - f. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 7 below.
 - g. **Transaction limits** are set for each type of investment.
 - h. This authority will set a limit for its investments which are invested for **longer than 365 days**.
 - i. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
 - j. This authority has engaged **external consultants**, to provide expert advice on how to achieve an appropriate balance of security, liquidity and return, given the risk appetite of the Council in the context of the level of cash balances and need for liquidity throughout the year.
 - k. All investments will be denominated in **sterling**.
 - l. As a result of a change in accounting standards for 2022/23 (IFRS 9), the Council will consider the implications on its investments that could result in an adverse change in their value and a charge to the General Fund at the end of the financial year, (in November 2018, the DLUHC, concluded a consultation for a temporary override to allow English local authorities time to adjust their investments portfolio by announcing a delay to the implementation of IFRS 9 until the 31 March 2023. Any such changes would not impact on the revenue budget.
5. The Council will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be reported to the Audit & Standards Committee during the financial year.

Creditworthiness policy

6. The Council uses the creditworthiness service provided by the Link Group. This is a sophisticated model, which utilises credit ratings from the three main credit rating agencies, namely Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following information:
- 'watches' and 'outlooks' from credit rating agencies;
 - Credit Default Swap (CDS) spreads to warn of likely changes in ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
7. This approach combines the above to produce a weighted score, which is combined with CDS data to produce a series of colour coded bands indicating the creditworthiness of counterparties. The Council uses the colour codes to

determine the suggested duration for investments. It will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

8. Typically, the minimum credit ratings criteria the Council use will be short-term (Fitch or equivalents) of F1 and a long-term rating of A-. Counterparty ratings can marginally vary between agencies but may still be used. In these instances, the whole range of ratings, or other market information will be used.
9. Credit ratings are monitored weekly and reported to the Chief Executive. The Council is alerted to changes of all three agencies through its use of the Link creditworthiness service. If a downgrade means the counterparty/investment scheme no longer meeting the minimum criteria, its use as a new investment will be withdrawn. In addition to the use of credit ratings the Council will be advised each day of movements in CDS spreads against the iTraxx European Financials benchmark and other market data the 'Passport' website, (a portal provided exclusively by Link to its customers). Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
10. Sole reliance will not be placed on the use of this external service. The Council will also use market data and market information as well as information on any external support for banks to help support its decision-making process.
11. The time and monetary limits for institutions on the Council's counterparty list are as follows, (these will cover both specified and non-specified investments)

	Colour	£limit or % of Fund Limit	Time Limit
Banks and Building Societies – part nationalised	Blue	30%	1 yr
Banks and Building Societies	Red	50%	6 months
Banks and Building Societies	Green	50%	100 days
Banks and Building Societies	No colour	Not to be used	N/A
Council's banker	Not applicable	Unlimited/ 100%	1 day

Country limits

12. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA-. The list of countries

that qualify using this credit criteria as at the date of this report are shown in Appendix 2. This list will be amended by officers should ratings change in accordance with this policy.

Use of additional information other than credit ratings

13. 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 decisions. This information will be applied to compare the relative security of different investment opportunities.

Investment Strategy

14. Investments will be made with reference to cash flow requirements and the outlook for short-term interest rates. Greater returns are usually obtainable by investing for longer periods. While cash balances are required to manage the ups and downs of cash flow, where cash sums can be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. If it is thought that bank rate is likely to rise significantly within the time horizon being considered, most investments will be short term or variable. Conversely, if it is thought that bank rate is likely to fall, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

15. The bank rate is forecast to reach 1.25% by November 2022. The suggested rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2022/23 - 1.00% (previously 0.50%);
 2023/24 – 1.25% (previously 0.75%);
 2024/25 – 1.25% (previously 1.00%);
 2025/26 – 1.25% (previously 1.25%);
 Years 6 to 10 – 1.50% (previously 1.50%);
 Years 10+ - 2.00% (previously 2.00%);

16. **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set regarding the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The Council is asked to approve the following treasury indicator and limit:

Maximum principal sums invested > 365 days			
	2022/23	2023/24	2024/25
Principal sums invested > 365 days	£10,000,000	£10,000,000	£10,000,000

17. For its cash balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment risk benchmarking

18. The Council will use an investment benchmark to performance of its cash deposit investments with a maturity date of up to one year.

End of year investment report

19. At the end of the financial year, the Council will report to Audit & Standards Committee on its investment activity as part of its Annual Treasury Report.

Policy on the use of external service providers

20. The Council uses the Link Group as its external treasury management advisors.
21. It recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
22. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and assessment of their value are properly agreed and documented.

Scheme of delegation

23. Please see Appendix 3.

Role of the Chief Finance Officer

24. Please see Appendix 4.

TREASURY MANAGEMENT PRACTICE – CREDIT AND COUNTERPARTY RISK

Specified Investments:

- All such investments will be in sterling, with maturities up to maximum of one year, meeting the minimum 'high' quality criteria where applicable.
- A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the following categories shown below:

	Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	50%	1 year subject to guidance
UK Government Treasury bills	UK sovereign rating	20%	1 year subject to guidance
Bonds issued by multilateral development banks	AAA	20%	1 year subject to guidance
Money Market Funds CNAV	AAA	20%	Liquid
Money Market Funds LVAV	AAA	20%	Liquid
Money Market Funds VNAV	AAA	20%	Liquid
Ultra-Short Dated Bond Funds, credit score of 1.25	AAA	20%	Liquid
Ultra-Short Dated Bond Funds, credit score of 1.5	AAA	20%	Liquid
Local authorities	N/A	50%/ £2M	12 months
UK Banks and building societies	Refer to Creditworthiness Policy	100%, Unlimited with Council's own banker, £5m limit in UK banks and building societies other than the Council's subsidiaries where is £10m	1 year
Term deposits with banks and building societies	Refer to Creditworthiness Policy	100%, £5m limit in UK banks and building societies other than the Council's own banker. £10 m in the Council's own bank and its subsidiaries, £2m in foreign banks	1 year
CDs or corporate bonds with banks and building societies	Refer to Creditworthiness Policy	20%	1 year

Non-specified investments – these are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	<p>Supranational bonds greater than 1 year to maturity</p> <p>(i) Multilateral development bank bonds – these are bonds defined as an international financial institution having as one of its objectives economic development, either generally or in any region of the world (e.g. the European Reconstruction and Development Bank etc.).</p> <p>(ii) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	AAA long term ratings
b.	<p>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. As with 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.</p>	
c.	<p>The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	
d.	<p>Certificates of deposit issued by banks and building societies. Refer to Creditworthiness Policy</p>	£3m – 10% of fund
e.	<p>Property funds – the use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.</p>	Specific authorisation required from Members
f.	<p>Property purchases. The criteria for any purchase of property for investment purposes will meet the following broad criteria in the approved Property Investment Strategy (PIS). Appropriate due diligence will also be undertaken before investment of this type is undertaken.</p>	In accordance with the PIS governance arrangements

NOTE 1: The Council will seek further advice on the appropriateness and associated risks with investments in these categories.

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, and also, (except at the time of writing for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating from Fitch, Moody's and S&P

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Hong Kong
- Belgium
- Qatar
- U.K

****As at 9 February 2022***

Treasury Management Scheme of Delegation**1. Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities; and
- approval of annual strategy.

2. Cabinet

- approval of/amendments to the organization's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities; and
- approving the selection of external service providers and agreeing terms of appointment.

3. Audit and Standards Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body; and
- receiving and reviewing regular monitoring reports and acting on recommendations.

4. Chief Executive and the Chief Finance Officer (as Section 151 Officer)

- In the event that a counterparty, subsequent to an investment being made, falls below the minimum ratings required, the following action is delegated to the Chief Executive or in their absence the Chief Finance Officer;
 - Fixed term deposits – allow the investment to mature and not withdraw its funding unless advised otherwise by the Council's treasury advisors;
 - In all situations the Chief Executive and Chief Finance Officer will take the best course of action to protect the value of the investment based on advice received from the Council's treasury advisors.

The Treasury Management role of the Chief Finance Officer

The Chief Finance Officer's duties include:

- 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,
- liaising with external audit,
- recommending the appointment of external service providers,
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe,
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money,
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority,
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing,
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing, which exposes the authority to an excessive level of risk compared to its financial resources,
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities,
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees,
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority,
- ensuring that the authority has adequate expertise, both in house and external, to carry out the above,
- creation of Treasury Management Practices as set out in the Treasury Management code, which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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

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