

**The Council's Vision:**

To enable people to live, work and prosper in West Somerset

**WEST SOMERSET DISTRICT COUNCIL**

**Meeting to be held on Wednesday 26 March 2014 at 4.30 pm**

**Council Chamber, Williton**

**AGENDA**

**1. Apologies for Absence**

**2. Minutes**

Minutes of the Meetings of Council held on 19 February 2014 and 26 February 2014 to be approved and signed as correct records – **SEE ATTACHED.**

**3. Declarations of Interest**

To receive and record any declarations of interest in respect of any matters included on the agenda for consideration at this meeting.

**4. Public Participation**

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

**5. Chairman's Announcements**

**6. Capital Strategy and Programme 2014/15**

To consider Report No. WSC 65/14, to be presented by Councillor K V Kravis, Lead Member for Resources and Central Support – **SEE ATTACHED.**

The purpose of the report is to seek approval by the Council on a temporary interim strategy used to influence the Initial Capital Programme for 2014/15 and the subsequent results.

**7. Designated Public Place Orders for Minehead**

To consider Report No. WSC 47/14, to be presented by Councillor D J Westcott, Lead Member for Customer and Community – **SEE ATTACHED.**

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The purpose of the report is to seek approval from Council to designate certain geographic areas in Minehead and Alcombe as Public Place Designation Zones, in accordance with the Police and Criminal Justice Act, 2001 and the Local Authorities (Alcohol Consumption in Designated Public Places) Regulations 2007.

### **8. Licensing Act 2003 – Three Year Review of Statement of Licensing Policy**

To consider Report No. WSC 64/14, to be presented by Councillor K H Turner, Lead Member for Housing, Health and Wellbeing – **SEE ATTACHED.**

The purpose of the report is to present the revised Statement of Licensing Policy to Council following completion of the consultation period.

### **9. Treasury Management Strategy Statement, MRP Policy and Annual Investment Strategy 2014/15**

To consider Report No. WSC 38/14, to be presented by Councillor K V Kravis, Lead Member for Resources and Central Support – **SEE ATTACHED.**

The purpose of the report is to inform Council of the proposed Treasury Management Strategy, Minimum Revenue Policy and Annual Investment Strategy for 2014/15 in line with the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

### **10. Sand Clearance – Minehead Sea Front**

To consider Report No. 51/14, to be presented by Councillor K V Kravis, Lead Member for Resources and Central Support – **SEE ATTACHED.**

The purpose of the report is to seek Council approval for the carrying forward to 2014/15 of an underspent budget in 2013/14.

### **11. Marina Operations – East Wharf, Watchet**

To consider Report No. WSC 53/14, to be presented by Councillor T Taylor, Leader of Council – **TO FOLLOW.**

The purpose of the report is to advise Council of the result of commercial negotiations with the marina operator regarding the lease of land on the East Wharf. The report also informs Members of what the next steps in the process are.

### **12. Minutes and Notes for Information**

Notes and minutes relating to this item can be found on the Council's website using the following links:

- Draft notes of the Watchet, Williton and Quantocks Area Panel held on 4 March 2014

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<http://www.westsomersetonline.gov.uk/Council---Democracy/Council-Meetings/Watchet,-Williton-and-Quantock-Area-Panel/Watchet,-Williton---Quantocks-Area-Panel---3-March.aspx>

- Draft notes of the Exmoor Area Panel held on 6 March 2014  
<http://www.westsomersetonline.gov.uk/Council---Democracy/Council-Meetings/Exmoor-Area-Panel/Exmoor-Area-Panel---6-March-2014>

## **COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS**

### **The Council's Corporate Priorities:**

- Local Democracy:  
Securing local democracy and accountability in West Somerset, based in West Somerset, elected by the people of West Somerset and responsible to the people of West Somerset.
- New Nuclear Development at Hinkley Point  
Maximising opportunities for West Somerset communities and businesses to benefit from the development whilst protecting local communities and the environment.

### **The Council's Core Values:**

- Integrity
- Respect
- Fairness
- Trust

## RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

**Risk Scoring Matrix**

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

<b>Likelihood of risk occurring</b>	<b>Indicator</b>	<b>Description (chance of occurrence)</b>
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officers.

**WEST SOMERSET COUNCIL****Minutes of the Meeting held on 19 February 2014 at 4.30 pm****in the Council Chamber, Williton****Present:**

Councillor A F Knight..... In the Chair  
Councillor B Heywood ..... Vice-Chairman

Councillor A M Chick	Councillor M O A Dewdney
Councillor S Y Goss	Councillor P N Grierson
Councillor A P Hadley	Councillor K V Kravis
Councillor E May	Councillor I R Melhuish
Councillor K M Mills	Councillor C Morgan
Councillor P H Murphy	Councillor D D Ross
Councillor K J Ross	Councillor D J Sanders
Councillor L W Smith	Councillor T Taylor
Councillor A H Trollope-Bellew	Councillor K H Turner
Councillor D J Westcott	

**Officers in Attendance:**

Director of Operations (S Adam)  
Assistant Chief Executive (B Lang)  
Interim Executive Director (A Dyer)  
Section 151 Officer (S Campbell)  
Principal Benefits Officer (P Lamb)  
Meeting Administrator (K Kowalewska)

At the start of the meeting it was announced that this would be the last council meeting to be attended by the Section 151 Officer, Sharon Campbell. She was praised on how she had got to grips, at very short notice, with West Somerset Council's financial pressures and sincere thanks were expressed for the fantastic work she had undertaken.

Sharon responded by stating she had thoroughly enjoyed working for WSC during this challenging time and conveyed how impressed she was with the excellent dedication shown by both staff and Members.

**C117     Appointment of Vice-Chairman**

**RESOLVED** that Councillor B Heywood be appointed Vice-Chairman for the meeting.

**C118     Apologies for Absence**

Apologies for absence were received from Councillors M J Chilcott, H J W Davies, G S Dowding, J Freeman, R P Lillis, S J Pugsley and M Smith.

**C119** Minutes

**RESOLVED (1)** that the Minutes of the Meeting of Council held on 12 November 2013 be approved.

**RESOLVED (2)** that, subject to amending the third line of Minute No. C105 to read "... who was made a Dame Commander of the Royal Victorian Order..." and correcting the spelling of Alyn Jones referred to in Minute No. C111, the Minutes of the Meeting of Council held on 22 January 2014 be approved.

**C120** Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

Name	Minute No.	Member of	Action Taken
Cllr S Y Goss	All	Stogursey	Spoke and voted
Cllr P N Grierson	All	Minehead	Spoke and voted
Cllr P H Murphy	All	Watchet	Spoke and voted
Cllr K J Ross	All	Dulverton	Spoke and voted
Cllr L W Smith	All	Minehead	Spoke and voted
Cllr K H Turner	All	Brendon Hills	Spoke and voted
Cllr D J Westcott	All	Watchet	Spoke and voted

In addition, the following interest was declared:

Name	Minute No.	Description of Interest	Personal or Prejudicial	Action Taken
Cllr A H Trollope-Bellew	C123	Owner of a private water supply	Prejudicial	Left Chamber

**C121** Public Participation

No members of the public spoke at the meeting on any of the items on the agenda.

**C122** Chairman's Announcements

It was announced that the Chief Executive, Penny James had represented the Council and attended a reception for the community/organisations affected by the flooding on the Somerset Levels, which was also attended by His Royal Highness the Prince of Wales.

**C123** Fees and Charges 2014/15

(Report No. WSC 31/14, circulated with the Agenda.)

The purpose of the report was to propose levels of fees and charges for the period 1 April 2014 to 31 March 2015 (in some cases fees increases

would be implemented earlier, as stated in the relevant sections of the report).

The Lead Member for Resources and Central Support presented the report and highlighted that if Members approved the recommendations contained within Item 12 – Dulverton Car Parks Management Arrangements, there would be a change to the Dulverton car park fees.

She proposed the recommendations in the report which were seconded by Councillor M O A Dewdney.

**RESOLVED (1)** that the following fees be unchanged:

- Hackney Carriage/Private Hire Licences
- Private Water Supplies
- Acupuncture/Tattooing/Skin Piercing/Semi-Permanent Skin Colouring Licences
- Land Search Fees
- Animal Welfare Licences
- Street Trading Licences
- Environmental Health Charges
- Housing Inspections for Immigration Purposes
- Gambling Licences
- Car Park Fees
- Court Summons and Liability Orders for Council Tax and NNDR
- Building Control Charges

**RESOLVED (2)** that the following changes to fees be made:

- New charges implemented for Scrap Metal Dealers Licencing
- Harbour Mooring Fees increase in line with inflation
- Green Waste Charges increase from £45 per year to £46.50 per year
- Pre-Planning Advice, VAT to be added to the fees

**RESOLVED (3)** that a full review of Fees and Charges Policy be completed by the end of October 2014.

**C124 2015/16 Council Tax Rebate Scheme Consultation**

(Report No. WSC 5/14, circulated with the Agenda.)

The purpose of the report was to inform Council of the options modelled to incentivise work and encourage people to remain in employment, and seek their decision with regards to which should be used as a basis of consultation with the public.

The Lead Member for Community and Customer presented the report and provided details on the background information relating to the scheme and the various options which could be consulted on.

He went on to propose the recommendations in the report and that Option 5 be consulted on as an alternative to the existing scheme. This was duly seconded by Councillor M O A Dewdney.

Members expressed support to consult on Option 5.

The Principal Benefits Officer provided an explanation of the difference between Option 1 and Option 5 and apologised for the oversight of not including in the report the comments and recommendations made by the Scrutiny Committee.

**RESOLVED (1)** that the consultation for the period 24 February 2014 to 23 May 2014 on possible change to the 2015/16 Council Tax Rebate Scheme be approved.

**RESOLVED (2)** that the residents of West Somerset should be consulted on Option 5 as an alternative to continuing with the existing scheme.

**C125 Revision of Discretionary Housing Payments and Additional Council Tax Rebate Policies**

(Report No. WSC 26/14, circulated with the Agenda.)

The purpose of the report was to obtain Council's agreement to revise the policy for awards of Discretionary Housing Payments and Additional Council Tax Rebate.

The Lead Member for Community and Customer presented the report advising that the Government provided a grant to the Council for awards of Discretionary Housing Payment and any unspent contribution would have to be returned to the Government at the end of the financial year. He brought to Members' attention the proposed changes to the revised policies and that any revisions would be backdated to 1 April 2013. The Lead Member also advised that Government had confirmed that it would continue to make a grant contribution and would award £173,291 in 2014/15.

He proposed the recommendations in the report, subject to the inclusion of a further recommendation that Council continue to help people affected by the spare room subsidy restrictions by extending the sub-scheme approved at September Council for 2014/15. These were seconded by Councillor E May.

During the discussion of this item, the following points were raised:

- Members acknowledged the extra work which would need to be undertaken to retrospectively amend any applications already made and recalculate entitlement.
- Further promotion of the awards scheme was vitally needed to ensure that local residents were fully aware of the opportunity to apply for further assistance with housing costs.



- An explanation was provided on the avenues of where people could seek further assistance in completing application forms and gaining further information on the schemes.

**RESOLVED (1)** that the Discretionary Housing Payments Policy agreed in Minute No. C123 and the Additional Council Tax Rebate agreed in Minute No. C122 be revised.

**RESOLVED (2)** that the revision be effective from 1 April 2013.

**RESOLVED (3)** that officers be authorised to re-assess previous applications to check for increased entitlement.

**RESOLVED (4)** that Council would continue to help people affected by the spare room subsidy restrictions by extending the sub-scheme approved at September Council for 2014/15.

**C126 West Somerset Council Employee Code of Conduct**

(Report No. 22/14, circulated prior to the Meeting.)

The purpose of the report was to enable the Council to endorse proposed enhancements to the existing Employee's Code of Conduct for West Somerset Council staff.

The Lead Member for Resources and Central Support presented the report and advised that the changes to the Code related to the tightening up of guidelines and the protection of employees. She then went on to propose the recommendation in the report which was duly seconded by Councillor E May.

In response to a question as to what extent was WSC's Employee Code of Conduct similar to that of Taunton Deane's, the Assistant Chief Executive explained that the two councils shared an HR Advisor and this had been beneficial in highlighting any differences between the two policies, and to assist in addressing any disparities.

**RESOLVED** that the proposed enhancements to the existing Code of Conduct for Employees of West Somerset Council staff, as set in Appendices A, B, C and D to the report, be endorsed.

**C127 Review of the Policy and Procedure for Confidential Reporting of Concerns ("Whistleblowing")**

(Report No. WSC 21/14, circulated with the Agenda.)

The purpose of the report was for Council to approve the changes to the Whistleblowing Policy.

The Lead Member for Resources and Central Support presented the report and proposed the recommendation in the report which was seconded by Councillor D J Sanders.

**RESOLVED** that the changes to the Whistleblowing Policy, as attached at Appendix A to the report, be approved.

**C128 Appointment of Deputy Monitoring Officers**

In accordance with Section 5 of the Local Government and Housing Act 1989 the authority is required to appoint a Deputy Monitoring Officer(s).

The Assistant Chief Executive and Monitoring Officer reported that at its meeting held on 15 November 2011, Ian Timms, Group Manager for Housing and Community, was appointed to this role. Given the new joint management arrangements it was recommended that Roy Pinney, the Legal Services Manager, and Richard Bryant, the Democratic Services Manager, be appointed as Deputy Monitoring Officers with immediate effect. For clarity, the Deputy Monitoring Officer role was outside the supply of legal advice which is currently provided by Mendip District Council.

There was a request for the contact details of the two newly appointed Deputy Monitoring Officers and it was confirmed that this would be circulated following the meeting.

**RESOLVED** that Roy Pinney, the Legal Services Manager, and Richard Bryant, the Democratic Services Manager, be appointed as Deputy Monitoring Officers with immediate effect.

**C129 Dulverton Car Parks – Management Arrangements**

(Report No. WSC 20/14, circulated with the Agenda.)

The purpose of the report was to seek Member approval of the proposed arrangements that would enable Dulverton Town Council to manage and to operate three car parks in Dulverton owned by West Somerset Council.

The Lead Member for Regeneration and Economic Growth presented the report and gave a brief summary of the report highlighting that Dulverton Town Council had already been successfully managing the operation of the three Dulverton car parks for many years, but had requested a meeting to discuss the current arrangements. Following this meeting a number of changes had been proposed and these were underlined in the report.

It was noted that parking using a permit would be allowed in the Lion Yard Car Park and that Dulverton Town Council had their own parking enforcement arrangements.

The Lead Member then proposed the recommendations in the report, with an amendment to be made to recommendation 3.1 to include 'subject to Dulverton Town Council paying the reasonable legal costs incurred by the Council in drafting the new lease'. These were duly seconded by Councillor M O A Dewdney.

**RESOLVED (1)** that the revised management arrangements, as detailed in paragraph 5.4 of the report, be approved and implemented from 1 April 2014, subject to Dulverton Town Council paying the reasonable legal costs incurred by the Council in drafting the new lease.

**RESOLVED (2)** that the new car parking charges, as detailed in paragraph 5.5.2 of the report, be approved and implemented on 1 April 2014.

**C130 Minutes and Notes for Information**

(Notes and minutes relating to this item, circulated via the Council's website.)

**RESOLVED (1)** that the draft notes of the Watchet, Williton and Quantocks Area Panel held on 3 December 2013 be noted.

**RESOLVED (2)** that the draft notes of the Minehead Area Panel held on 11 December 2013 be noted.

**RESOLVED (3)** that the draft notes of Exmoor Area Panel held on 23 January 2014 be noted.

**RESOLVED (4)** that the draft notes of the Dunster Area Panel held on 27 January 2014 be noted.

The meeting closed at 5.35 pm.



**WEST SOMERSET COUNCIL****Minutes of the Meeting held on 26 February 2014 at 4.30 pm****in the Council Chamber, Williton****Present:**

Councillor G S Dowding ..... Chairman  
Councillor A F Knight..... Vice-Chairman

Councillor A M Chick  
Councillor M O A Dewdney  
Councillor A P Hadley  
Councillor K V Kravis  
Councillor E May  
Councillor K M Mills  
Councillor P H Murphy  
Councillor K J Ross  
Councillor M A Smith  
Councillor K H Turner

Councillor M J Chilcott  
Councillor P N Grierson  
Councillor B Heywood  
Councillor R P Lillis  
Councillor I R Melhuish  
Councillor C Morgan  
Councillor S J Pugsley  
Councillor L W Smith  
Councillor T Taylor  
Councillor D J Westcott

**Officers in Attendance:**

Chief Executive (P James)  
Director of Operations (S Adam)  
Assistant Chief Executive (B Lang)  
Interim Executive Director (A Dyer)  
Principal Accountant (S Plenty)  
HR Consultant (M Griffin)  
Economic Regeneration and Tourism Manager (C Matthews)  
Meeting Administrator (H Dobson)

**C130 Apologies for Absence**

Apologies for absence were received from Councillors H J W Davies, J Freeman, D D Ross, D J Sanders and A H Trollope-Bellew.

**C131 Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

<b>Name</b>	<b>Minute No.</b>	<b>Member of</b>	<b>Action Taken</b>
Cllr P N Grierson	All	Minehead	Spoke and voted
Cllr P H Murphy	All	Watchet	Spoke and voted
Cllr K J Ross	All	Dulverton	Spoke and voted
Cllr L W Smith	All	Minehead	Spoke and voted
Cllr K H Turner	All	Brendon Hills	Spoke and voted
Cllr D J Westcott	All	Watchet	Spoke and voted

**C132 Public Participation**

Agenda Item 9 – East Wharf Development, Watchet – Update Report

Jessica Prendergrast provided an update regarding the funding awarded to the Onion Collective towards a viable community development in Watchet. They have been in regular negotiations to keep the funding for Watchet and have been advised that the funds can start to be drawn down in the next few weeks. The funds will be used to best effect and hope to complete the work in the next few months. They would like to complement the maritime development of the Marina Operator.

**C133 Chairman's Announcements**

The Chairman had no new announcements since the last meeting of full Council, held the previous week.

**C134 Changes to Procedure Rule 15 – Recorded Vote for Budget and Council Tax Setting Decisions**

(Report No. WSC 33/14, circulated with the Agenda.)

The purpose of the report was to agree to amend the existing Council Procedure Rules to ensure compliance with new legislation to provide that votes at key budget decision making meetings are recorded.

The Lead Member for Executive Support and Democracy presented the report and proposed the recommendations, which was duly seconded by Councillor M J Chilcott.

**RESOLVED** that the changes to Part 4 of the Constitution, Council Procedure Rule 15 as set out in Appendix A attached to the report, be approved.

**C135 Annual Budget and Council Tax Setting 2014/15**

(Report No. WSC 32/14, circulated with the Agenda.)

The purpose of the report was to provide Members with all the information required for Council to approve the revenue budget for 2014/15.

The Lead Member for Resources and Central Support presented the report in detail highlighting the following points:

- It was thought that the savings to be found in 2015/16 would mostly be identified through joint services.
- A rise in council tax by 2% or above was deemed excessive by central government hence the recommendation that Council accepted the Council Tax Freeze Grant and not to pass on the increase to the public of West Somerset and therefore the tax remaining at £137.82 at Band D.
- The New Homes Bonus had been included in the revenue budget.

- There was a predicted underspend for quarter 3.

The Lead Member reported that the budget process had been a simpler process this year. She thanked the members for the difficult discussions that had been undertaken in the past and for the decisions that had not affected the public.

The Lead Member proposed the recommendations which were duly seconded by Councillor K H Turner.

During the course of a lengthy debate the following points were raised:

- For the majority of the public it was still a time of severe financial challenge. The Council were in close talks with the Department of Communities and Local Government and were now well thought of. It would help the Council's case if it agreed to freeze Council Tax.
- Concern was raised regarding the issues due to the Council not increasing the Council Tax rate in the past and that to agree to the Freeze Grant would make the council worse off. It would be prudent to keep pace with inflation, therefore, an increase in the Council Tax base of 1.99% would seem a sensible recommendation.
- Concern that Scrutiny Committee had not been able to hold Cabinet to account due the figures regarding, for example, the National Non Domestic Rates (NNDR) varying greatly in reports received by the Committee.
- For the first time in years Members could begin to feel confident. All of the council's front line services were still in place and West Somerset residents were still getting the same as last year for no extra cost.

The Lead Member reported that it was incredibly hard to predict the NNDR figure. She had worked to make a safe and sensible budget within a difficult changing world. She confirmed that a 2% Council Tax rise had been predicted for 2015/16 and was built into the MTFP.

Councillor P H Murphy proposed an amendment to recommendation 2.1, which was duly seconded by Councillor A P Hadley, as follows:

'The Council does not accept the Council Tax Freeze Grant but agrees to increase the Council Tax for 2014/15 by 1.99%.'

On being put to the vote the amendment was declared LOST

Councillor A M Chick	Against	Councillor M J Chilcott	Against
Councillor M O A Dewdney	Against	Councillor G S Dowding	Against
Councillor P N Grierson	For	Councillor A P Hadley	For
Councillor B Heywood	Against	Councillor A F Knight	Against
Councillor K V Kravis	Against	Councillor R P Lillis	Against
Councillor E May	For	Councillor I R Melhuish	For
Councillor K M Mills	Against	Councillor C Morgan	Against
Councillor P H Murphy	For	Councillor S J Pugsley	Against

Councillor K J Ross	Against	Councillor L W Smith	For
Councillor M A Smith	For	Councillor T Taylor	Against
Councillor K H Turner	Against	Councillor D J Westcott	Against

On being put to the vote the original motion was declared CARRIED

Councillor A M Chick	For	Councillor M J Chilcott	For
Councillor M O A Dewdney	For	Councillor G S Dowding	For
Councillor P N Grierson	Against	Councillor A P Hadley	Against
Councillor B Heywood	For	Councillor A F Knight	For
Councillor K V Kravis	For	Councillor R P Lillis	For
Councillor E May	Against	Councillor I R Melhuish	Against
Councillor K M Mills	For	Councillor C Morgan	For
Councillor P H Murphy	Against	Councillor S J Pugsley	For
Councillor K J Ross	Against	Councillor L W Smith	For
Councillor M A Smith	Against	Councillor T Taylor	For
Councillor K H Turner	For	Councillor D J Westcott	For

The Council voted on the remaining recommendations 2.2, 2.3 and 2.4.

**RESOLVED (1)** that the Council Tax Freeze Grant and thus does not increase Council Tax in respect of 2014/15, be approved;

**RESOLVED (2)** that the revenue budget for 2014/15 as presented in Appendix A attached to the agenda, be noted/approved;

**RESOLVED (3)** that the savings shown in Appendix B, Table 10 (as recommended by Scrutiny and Cabinet) are approved, balancing the remainder of the budget using general reserves;

**RESOLVED (4)** that the revised Medium Term Financial Plan as shown at Appendix A, Table 2, be noted/approved.

Councillor A M Chick	For	Councillor M J Chilcott	For
Councillor M O A Dewdney	For	Councillor G S Dowding	For
Councillor P N Grierson	Abstain	Councillor A P Hadley	For
Councillor B Heywood	For	Councillor A F Knight	For
Councillor K V Kravis	For	Councillor R P Lillis	For
Councillor E May	For	Councillor I R Melhuish	Abstain
Councillor K M Mills	For	Councillor C Morgan	For
Councillor P H Murphy	Abstain	Councillor S J Pugsley	For
Councillor K J Ross	For	Councillor L W Smith	For
Councillor M A Smith	Abstain	Councillor T Taylor	For
Councillor K H Turner	For	Councillor D J Westcott	For

**C136 Council Tax Resolution 2014/15**

(Report No. WSC 30/14, circulated with the Agenda.)



The purpose of the report was to enable the Council to calculate and set the Council Tax for 2014/15.

The Lead Member for Resources and Central Support presented the report and proposed the recommendations, which were duly seconded by Councillor M O A Dewdney.

Noted the following amendments to figures in the report, attached to the agenda, at paragraph:

- 5.3 - 'Somerset County Council met on 19 February 2014 and set their precept at £13,590,150.41, adjusted...'
- 5.5 - 'Devon and Somerset Fire and Rescue Service met on 24 February 2014 and set their precept at £1,017,178.00, adjusted...'

**RESOLVED** that the formal Council Tax Resolution, attached as Appendix A, B and C to the minutes, be approved.

Councillor A M Chick	For	Councillor M J Chilcott	For
Councillor M O A Dewdney	For	Councillor G S Dowding	For
Councillor P N Grierson	For	Councillor A P Hadley	For
Councillor B Heywood	For	Councillor A F Knight	For
Councillor K V Kravis	For	Councillor R P Lillis	For
Councillor E May	For	Councillor I R Melhuish	For
Councillor K M Mills	For	Councillor C Morgan	For
Councillor P H Murphy	For	Councillor S J Pugsley	For
Councillor K J Ross	For	Councillor L W Smith	For
Councillor M A Smith	For	Councillor T Taylor	For
Councillor K H Turner	For	Councillor D J Westcott	For

### **C137      Pay Policy Statement 2014/15**

(Report No. 27/14, circulated prior to the Meeting.)

The purpose of the report was to seek approval from Council for the 2014/15 Pay Policy Statement.

Senior Officers (Chief Executive, Director of Operations and Assistant Chief Executive ) whose posts were specifically referred to in the report left the room for this item.

The Lead Member for Resources and Central Support presented the report advising that the main change this year to the Pay Policy Statement were references to West Somerset Council and Taunton Deane Borough Council joint working arrangements. The Lead Member proposed the recommendations, which were duly seconded by Councillor K H Turner.

During the course of the discussion the main points raised included:

- Reassurance that the remuneration package of senior employees would be subject to approval by Full Council.

- Confirmation that once the transition regarding the new joint structure was complete the living wage would be the starting point for all the pay scales.

**RESOLVED** that the Pay Policy Statement 2014/15 as set out in Appendix A to the report and amendments to the Written Statement on the Local Government Pension Scheme Employers Discretions and Key Pensions Policy as set out in Appendix E to the report, be approved.

**C138 Flooding Response – Council Tax, National Non Domestic Rates and Business Support**

(Report No. WSC 43/14, circulated with the Agenda.)

The purpose of the report was to set out the detail of the Government's recently announced flood support schemes and outline the process for supporting those domestic and business properties that have been affected by flooding in West Somerset since 1 December 2013.

The Lead Member for Regeneration and Economic Growth presented the report and thanked the authors for producing the report at such short notice. The Lead Member believed the discount offered to those eligible could significantly improve business resilience for the future and assist homeowners, therefore, she proposed the recommendations which were duly seconded by Councillor M J Chilcott.

The Chairman wished to thank all the people who had helped and who were continuing to help the communities affected by the flooding. He recognised that it had been a distressing time and that many homes and businesses had suffered. The Council sent their best wishes to all who had been affected.

In addition, Councillor M O A Dewdney wished to convey his support to all the staff, communities and the highways team who had worked tirelessly when needed.

During the course of the discussion the following main points were raised:

- Praise that the flood support schemes had been handed down from government to a local level very quickly.
- Suggestions on how to disseminate the information regarding flood support schemes to the public:
  - To write directly to homeowners and businesses who had suffered flood damage.
  - Members contact their respective parishes/towns.
  - The use of social media and a link added at the end of all member's emails.

**RESOLVED (1)** that the Council uses its discretionary powers to introduce a one-off local Council Tax discount of up to 100% for up to 6 months, to be reviewed after 3 months, for residents that have been severely impacted by flooding to their home between 1 December 2013 to 31 March 2014 and are not eligible for any other hardship scheme;

**RESOLVED (2)** that up to £5,000 be allocated from general reserves to support claims resulting from the resolution at (1) above;

**RESOLVED (3)** that the decision making in respect to resolution (1) above, be delegated to the Revenues, Benefits and Debt Recovery Manager in consultation with the Portfolio Holder for Community and Customer for any applications received by the Council prior to the 30 June 2014 only, and a further report on the use of this delegated authority be provided to Scrutiny Committee after it has expired;

**RESOLVED (4)** that additional help is available to businesses as outlined in paragraphs 5.3, 5.4 & 5.5 of the report be noted and that the responsibility for establishing an appropriate Repair and Renewal Grant Scheme and a Flood Relief Business Support Scheme together with decisions regarding individual applications are delegated to the Economic Regeneration Manager in consultation with the Portfolio Holder for Economic Regeneration, and a further report on the use of this delegated authority be provided to Scrutiny Committee in due course.

**NOTE:** Having regard to the special circumstances pertaining in relation to this item – namely the need for the Council to agree how to distribute this funding allocation as soon as possible – the Chairman was of the opinion that, despite its non-inclusion on the agenda, this item should be considered at this meeting as a matter of urgency.

**C138 East Wharf Development, Watchet – Update Report**

(Report No. WSC 43/14, circulated with the Agenda.)

The purpose of the report was to bring members up to date with the results of negotiations that have recently taken place between the Council, the marina operator and Urban Splash. It also identifies, for member approval, potential immediate and future actions.

The Leader presented the report in detail and advised that the Council were holding discussions with Watchet Town Council regarding the future of the Quay West Radio building. It was felt that the sum of £20,000 plus a peppercorn rent offered by the Marina Operator together with the cost of to demolish the existing cargo shed was quite favourable to the Council. Previous quotes obtained by the Council had estimated the cost of the demolition to be up to £40,000. He reported that negotiations had achieved a defined limit for the Marine Operator and referred to Appendix A attached to the report. He reassured the Council that the legal agreement would include timescales and clauses regarding the reconstruction of a new building, subject to planning permission.

The Leader proposed the recommendations of the report, which were duly seconded by Councillor C Morgan.

Councillor M O A Dewdney proposed the exclusion of the press and public which was duly seconded by Councillor K J Ross.

**RESOLVED** that the press and public be excluded from the meeting during consideration of Appendix C to Report No. WSC 34/14, East Wharf Development, Watchet – Update Report, on the grounds that, if the press and public were present during consideration of this document, there would be likely to be a disclosure to them of exempt information of the class specified in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended as follows:

The appendix contained information that could release confidential information relating to commercial business affairs of any particular person (including the authority holding that information). It is therefore proposed that after consideration of all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Executive Director (Interim) advised of the legal advice received so far and explained the detail of Appendix C and answered questions.

**RESOLVED** that the press and public be re-admitted to the meeting.

Councillor D J Westcott congratulated the Executive Director on the progress made to date regarding negotiations with the Marina Operator. He believed the proposals before the Council would provide the only chance to move forward.

In summing up the Executive Director reiterated and emphasised the risks contained within the report and associated with the decision to issue a notice to terminate the conditional development agreement with Urban Splash. Namely the possibility of legal action being instigated by Urban Splash to gain compensation for the money already invested in trying to progress the development. However, he also pointed out that the only way to completely mitigate this risk was to accept the current offer put forward by Urban Splash.

On consideration of the concerns raised by members the Leader proposed a change to recommendation 3.4 attached to the agenda, to read 'that the Interim Executive Director, in consultation with the Leader of the Council, be granted delegated powers to agree rental terms, broadly in accordance with the recommendations of the District Valuer, with Watchet Marine Limited for the lease of the land edged in blue in Appendix A to the report', which was duly seconded by Councillor E May.

**RESOLVED (1)** that the offer from Urban Splash of £180,722 for the purchase of a lease for land edged red in Appendix A, attached to the report, be rejected;

**RESOLVED (2)** that solicitors are instructed to draft and serve a notice that terminates, with effect from 1<sup>st</sup> April 2014, the Conditional Development Agreement between the Council and Urban Splash for the development of the East Wharf, Watchet;

**RESOLVED (3)** that a supplementary estimate of £22,300 be approved and funded from General Reserves. (This allows for a small contingency for interest payments should it not be possible for some reason to serve the termination notice on 1<sup>st</sup> April 2014);

**RESOLVED (4)** that the Interim Executive Director, in consultation with the Leader of the Council, be granted delegated powers to agree rental terms, broadly in accordance with the recommendations of the District Valuer, with Watchet Marine Limited for the lease of the land edged in blue in Appendix A to the report;

**RESOLVED (5)** that a report be presented to Council in March 2014 that includes: - details of case for compensation put forward by Urban Splash together with subsequent legal advice on the merits of their case – details of any new/supplementary leases between the Council and the Marina Operator, including conditions and restrictions, plus any proposed amendments to the existing marina lease – options for the future use of the Quay West Radio building.

The meeting closed at 7.35 pm.



*Report Number:* WSC 65/14  
*Presented by:* Cllr. Kate Kravis, Lead Member for Resources & Central Services  
*Author of the Report:* Paul Fitzgerald, Assistant Director Resources  
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*Report to a Meeting of:* Full Council  
*To be Held on:* 26<sup>th</sup> March 2014  
*Date Entered on Executive Forward Plan Or Agreement for Urgency Granted:* Not Applicable

## CAPITAL STRATEGY AND PROGRAMME 2014/15

### 1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek approval by the Council on a temporary interim strategy used to influence the Initial Capital Programme for 2014/15 and the subsequent results.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 The Initial Capital Programme contains proposed capital expenditure on the transition costs in relation to sharing services with Taunton Deane Borough Council.

### 3. RECOMMENDATIONS

- 3.1 That Council supports the implementation of an interim capital strategy, to approve essential capital schemes as part of an Initial Capital Programme for 2014/15, and that an updated capital strategy and further capital bids are presented to Council during 2014/15.
- 3.2 That the Council approves an Initial Capital Programme for 2014/15 totalling £672,618.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
There are no key risks associated to the recommendations in this report	N/A	N/A	N/A

### 5. BACKGROUND INFORMATION

- 5.1 The current capital strategy and programme was approved by Council on 20<sup>th</sup> February 2013 as part of the budget setting process. A key part of this strategy concerns the approach to funding the capital programme and states that it will be through **(a)** the disposal of land and buildings, **(b)** by maximising third party contributions from grant funding or

private sector investment and **(c)** the use of borrowing, as a last resort, in accordance with the Prudential Code and with full regard of the impact on the revenue budget.

- 5.2 In addition the strategy makes it clear that the Council will not assume the use of any ongoing revenue funding to support the capital programme during 2013-16, other than one-off use of earmarked reserves that have been historically set aside from revenue sources.
- 5.3 Members will be aware that a £3.5m loan from the Public Works Loans Board (PWLB) was repayable last month (February '14), the original intention being to use capital receipts received from the sale of assets to fund the repayment. Unfortunately, the disposals of the assets in question have, for various known reasons, been delayed and as a consequence a six month temporary loan of £3.5m was sourced to finance the repayment. This approach is thought to be crucial in that it provides time to establish a medium to long term strategy where the management of debt complements the capital financing strategy. The intention is for members of the finance team to work with Cabinet to produce a 'joined up' strategy that can then be widely considered through the democratic process, including Corporate PAG, Scrutiny Committee, Cabinet and Council.
- 5.4 With this in mind and until a refreshed strategy emerges it is thought prudent that the initial capital programme for 2014/15 is minimal and only contains schemes that are either **(a)** externally funded, **(b)** a legal requirement, **(c)** a statutory duty / assisting the delivery of a statutory service, **(d)** resolving a health and safety issue or **(e)** be a commitment previously approved by Cabinet or Council. **Table 1** below contains details of those 'bids' that meet this criteria, whilst those bids that are at this stage considered to be an aspiration are detailed in **Table 2** and will receive further consideration once a refreshed strategy has been approved.

**Table 1 – Essential Capital Bids**

Capital Scheme	Detail of Scheme	Capital Expenditure (£)	Proposed Funding Source	
			Capital Receipts (£)	Grants (£)
Dulverton Mill Leat / Weir Structure	Contribution to the reconstruction of Dulverton Weir	Exact amount will depend on the accepted tender.		
Microsoft Licence	Final payment of 'Enterprise Agreement'	13,636	(13,636)	
Watchet Harbour	Impounding Wall – Pile Bracket Fixings	19,100	(19,100)	
Watchet Harbour	Impounding Wall – Precast Concrete Column Units	27,000	(27,000)	
Watchet Harbour	Replacement Ladder	3,000	(3,000)	
Street Cleaning Vehicle	Purchase of small sweeper P316	48,000	(48,000)	
Street Cleaning Vehicle	Purchase of medium 7.5T vehicle	90,000	(90,000)	
CCTV	Installation of CCTV system (Watchet)	65,000	(10,000)	(55,000)



Disabled Facilities Grants	Provision of Grants	183,782		(183,782)
Shared Service Costs With TDBC	ICT Transformation Costs	135,000	(135,000)	
IT Hardware Replacement Programme	Desktop and Server Replacement Program	31,000	(31,000)	
Seaward Way (Housing Land)	Disposal costs (excludes potential overage costs)	20,000	(20,000)	
Seaward Way (Leisure Land)	Disposal costs (excludes potential overage costs)	16,000	(16,000)	
Former Aquasplash Site	Disposal Costs	13,900	(13,900)	
Former Visitor Information Centre	Disposal Costs	4,200	(4,200)	
Townsend Farm	Disposal Costs	3,000	(3,000)	
	<b>Total</b>	<b>672,618</b>	<b>(433,836)</b>	<b>(238,782)</b>

**Table 2 – Aspirational Capital Bids**

Capital Scheme	Detail of Scheme	Potential Funding Source		
		Capital Expenditure (£)	Capital Receipts (£)	Grants (£)
Disabled Facilities Grants	Provision of Grants	80,000	(80,000)	
Decent Homes Grants	Provision of Grants	40,000	(40,000)	
Tourist / Community Bookshop	Replacement Doors / Windows	3,000	(3,000)	
Blue Anchor Hotel	Coast Protection Scheme	25,000	(25,000)	
Car Parks	Upgrade Solar Machines	2,000	(2,000)	
Public Conveniences	Invest to Save	40,000	(40,000)	
Coast Protection	Environment Agency Bid Writing	3,000	(3,000)	
Purchase of Dog / Litter Bins	Purchase of 25 Litter Bins	2,000	(2,000)	
	<b>Total</b>	<b>195,000</b>	<b>(195,000)</b>	

5.5 Table 3 below provides information regarding the availability of capital resources to support the essential bids, and the potential balance available if all projected capital receipts and

capital grants are realised before the end of 2014/15 financial year. This is explained further in the Financial/Resource Implications section of the report below.

**Table 3 – Estimated Capital Resources Available**

	<b>Useable Capital Receipts (£)</b>	<b>Capital Grants Unapplied (£)</b>	<b>Capital Grants Receipts In Advance (£)</b>
<b>Balance Brought Forward 1 April 2013</b>	<b>1,295,534</b>	<b>214,335</b>	<b>213,112</b>
Capital Receipts/Grants Income Received in 2013/14	153,906	468,167	350
Capital Receipts/Grants used to fund capital costs in 2013/14	(645,028)	(418,144)	(60,849)
<b>Balance Carried Forward 31 March 2014</b>	<b>804,412</b>	<b>264,358</b>	<b>152,613</b>
Capital Receipts/Grants <b>confirmed</b> to be received in 2014/15		183,782	
Estimated Capital Receipts/Grants used to fund proposed <b>Essential</b> capital costs in 2014/15	(433,836)	(287,982)	
<b>Balance after financing of Essential capital costs</b>	<b>370,576</b>	<b>160,158</b>	<b>152,613</b>
Estimated <b>Net</b> Capital Receipts from to be completed sale of assets during 2014/15 (net of best estimate of overage costs)	3,916,300		
Potential Balance Carried Forward 31 March 2015	4,286,876	160,158	152,613

### **Comments from Scrutiny Committee**

5.6 The proposed capital strategy and Initial Capital Programme were considered by Scrutiny Committee on 17 March 2014. There were no specific recommendations to Council in respect of the proposals. Questions and comments at the meeting included:

- Clarification was sought about the need to acquire new street sweeping vehicles – this was answered at the committee by the Assistant Director - Operational Delivery to confirm this is an essential requirement.
- Members noted the link between the current external capital borrowing and proposal to repay this loan using income generated from future asset sales
- Members sought clarification of the interest cost of the new £3.5m loan. The previous loan of this amount, which was redeemed in February 2014, had an interest rate of 1.51% and thus an annual interest cost of £52,850. The new loan for £3.5m has been taken for 6 months at an interest rate of 0.45%, thus with an annualised equivalent interest cost £15,750 (£7,875 for 6 months).
- Members noted and raised concerns about the limited capital resources available to support future capital programme aspirations, but recognised the strategy of raising funds through asset sales.

## 6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 As shown in Table 3 above, there is a projected unallocated capital receipts balance of £804,412 available at the start of 2014/15. The draft programme assumes that £433,836 of this sum is needed to support the essential schemes next year, leaving an **unallocated balance of £370,576**.
- 6.2 Table 3 also provides an estimate of predicted future capital receipts in respect of the Aquasplash site, Seaward Way and Townsend Farm. The amount shown is net of a best estimate of potential overage payments where applicable. The projected balance of capital receipts after essential schemes have been funded is therefore in the region of £4.3m. However this balance will not be known with certainty until the value of final sale proceeds and disposal costs are confirmed. Members have previously agreed a strategy to set aside income from future capital receipts to repay the current external loan funding of £3.5m. If all assumptions and estimates are accurate, including the timing of future asset disposals, there will potentially be sufficient funds to support some or all of the aspirational schemes if these meet Members' priorities.
- 6.3 There is also a projected balance Capital Grants available at the start of the year of £264,358. The known grant income for next year of £183,782 relates to funding from Government in respect of Disabled Facilities Grants. After funding the recommended essential schemes next year there is a projected balance of capital grant funding of £312,771, based on information held in the Council's finance system. This mainly represents uncommitted balances from developer contributions (e.g. Section 106 Agreements). The split in Table 3 identifies a projected 'Unapplied' grants balance of £160,158 which relates to contributions without restricted conditions on use, and a projected balance of £152,613 which relates to contributions with restricted conditions on use. The Planning Obligations Group (POG) would consider schemes to be funded from these balances, for consultation and recommendation with Members through to Full Council for approval.

## 7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 As highlighted in the 'Background Information' section of this report, it is proposed at this stage that Members consider approval of essential schemes for the initial Capital Programme for 2014/15, and consider that they are satisfied with the allocation of schemes between essential and aspirational. The proposals have recently been considered and supported by the Asset Management Group, and subsequently by Scrutiny Committee. Further consideration and consultation with Members on the prioritisation and affordability of future schemes, including those identified as aspirational schemes earlier in this report, would then follow with a view to providing a further update during 2014.

## 8. EQUALITY & DIVERSITY IMPLICATIONS

**Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.**

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 8.1 There are no implications directly associated with the recommendations in this report.

**9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 Although there are no implications directly associated with the recommendations in this report the scheme to install CCTV in Watchet will, if ultimately approved for inclusion in the programme, have a positive impact on crime prevention and possibly crime detection.

**10. CONSULTATION IMPLICATIONS**

- 10.1 There are no implications directly associated with the recommendations in this report.

**11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 Although there are no implications directly associated with the recommendations in this report the draft programme includes financial provision for the maintenance of assets thus prolonging their life and well as for costs associated with the disposal of assets.

**12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 Although there are no implications directly associated with the recommendations in this report there are schemes in the draft programme such as Dulverton Weir and the replacement street sweeping vehicles that, if ultimately approved for inclusion in the programme, will have an environmental impact.

**13. LEGAL IMPLICATIONS**

- 13.1 There are no implications directly associated with the recommendations in this report.

*Report Number:* WSC<sup>25</sup> 47/14  
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*Report to a Meeting of:* Full Council  
*To be Held on:* 26<sup>th</sup> March 2014  
  
*Date Entered on Executive Forward Plan* N/A  
*Or Agreement for Urgency Granted:*

## PROPOSAL TO EXTEND PUBLIC PLACE DESIGNATION ORDERS IN MINEHEAD AND ALCOMBE

### 1. PURPOSE OF REPORT

- 1.1 To seek approval from Council to designate certain geographic areas in Minehead and Alcombe as Public Place Designation Zones, in accordance with the Police and Criminal Justice Act, 2001 and the Local Authorities (Alcohol Consumption in Designated Public Places) Regulations 2007.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 This does not directly contribute to our corporate priorities but the making of such designation orders is a statutory function of the authority and also complies with our statutory obligations under Section 17 of the Crime and Disorder Act.

### 3. RECOMMENDATIONS

- 3.1 That Council approve the making of an order (made under the Police and Criminal Justice Act, 2001 and the Local Authorities (Alcohol Consumption in Designated Public Places) Regulations 2007.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
None identified			

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

## **5. BACKGROUND INFORMATION**

- 5.1 At a meeting of Full Council on 22<sup>nd</sup> January members approved the commencement of the statutory consultation process required under the legislation to designate certain additional areas in Minehead and Alcombe.
- 5.2 These designation orders have, in those areas already subject to designation, provided Police and PCSO's with additional powers to address, successfully, anti-social and disorderly behaviour associated with alcohol consumption in these locations. These are discretionary powers which enable Police Officers and PCSO's to:
- request people frequenting a designated area not to drink in that place
  - and / or to surrender alcohol containers if the Officer reasonably believes that the person is, has been, or intends to consume alcohol in that place.
- 5.2 A person commits an arrestable offence if they fail to comply with any such request.
- 5.3 These orders do not represent a ban on the consumption of alcohol in the designated zones and it is perfectly lawful for people to consume alcohol in these areas providing there is not deemed to be an association with anti-social behaviour or disorder.
- 5.4 Recently the Police requested that the zones in Minehead and Alcombe are extended to include the highway and pavements at:
- The Avenue
  - The Parade
  - Wellington Square
  - The locale of the shops in Alcombe (from the junction with Elm Grove to the junction with Marshfield Road).
- 5.5 Although not specifically requested by the Police it is also recommended that the area of the beach above the mean low water mark extending from the harbour eastwards to the groyne in front of the Butlins resort that forms the eastern boundary of the beach is also made subject of designation. Designation of this additional location is considered appropriate to address the possible displacement from other designated locations.

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 There was a requirement for public consultation both prior to the making of any designation orders and, subsequently, to advise the public of the geographic extent of any orders. This included a requirement for public notices to be placed in local newspapers. There is also a requirement to display signs notifying the public of the existence of designation zones. Both of these statutory requirements will incur a cost. These costs, up to maximum of £250, will be met by the anti-social behaviour panel resulting in no costs to the authority excepting Officer time.

## **7. SECTION 151 OFFICER COMMENTS**

- 7.1 Nil

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

- 8.1 These proposed designation zones will not adversely impact upon any particular sections of the community.

**9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 Public Place Designation Zones are supported by the Police as providing an additional measure to address anti-social behaviour and disorder that are associated with alcohol consumption.

**10. CONSULTATION IMPLICATIONS**

- 10.1 There is a statutory requirement, within the legislation, to consult with the public, the owners of land within the proposed areas and with Town and Parish Councils affected. This statutory consultation was undertaken between the 3<sup>rd</sup> February and the 3<sup>rd</sup> March and included an open consultation using our West Somerset Says website together with a public notice which was placed in the West Somerset Free Press on 31<sup>st</sup> January and, additionally, letters have been sent advising Butlins (as owners in respect of the beach) and Minehead Town Council of the proposed extension to the designation zones.
- 10.2 This consultation elicited responses from Butlins and from Minehead Town Council expressing no objections.

**11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 There are no asset management issues.

**12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 Nil

**13. LEGAL IMPLICATIONS**

- 13.1 The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended require that the power to make any such order shall not be the responsibility of an authority's executive.





*Report Number:* WSC 64/14  
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*Report to a Meeting of:* Council  
*To be Held on:* Wednesday 26<sup>th</sup> March 2014  
  
*Date Entered on Executive Forward Plan Or Agreement for Urgency Granted:* Not applicable

## LICENSING ACT 2003 – 3 YEAR REVIEW OF STATEMENT OF LICENSING POLICY

### 1. PURPOSE OF REPORT

- 1.1 To present the revised Statement of Licensing Policy to Council following completion of the consultation period.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 *NO DIRECT CONTRIBUTION TO COPORATE PRIORTIES.*

### 3. RECOMMENDATIONS

- 3.1 That Council adopt the Statement of Licensing Policy appended to this report to take effect from the 1 April 2014.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
Failure to have an up-to-date Licensing Act 2003 policy will prevent the effective discharge of the statutory function.	4	3	12
<i>Develop and amend the policy to provide clarity and consistency for members and officers in decision making.</i>	2	2	4
Failure of West Somerset Council to keep up-to-date with current legislation will cause a failure in service delivery and risk of legal challenge.	3	3	9

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

## **5. BACKGROUND INFORMATION**

- 5.1 This policy sets out the licensing authority's general approach to the making of licensing decisions and the document should be consistent with the Licensing Act 2003, the council has a duty to review its licensing policy every 3 years.
- 5.2 New legislation such as the Deregulation of Regulated Entertainment has recently been introduced and therefore the policy has been updated to reflect this and other recent changes such as responsible authority. The Police Reform and Social Responsibility Act 2011 requires licensing authorities to review the policy every 3 years rather than 5.
- 5.3 From 1<sup>st</sup> October 2013 the licensing team consulted a number of authorities such as the police, fire authority and also local premises and club premises license holders, representatives of personal licence holders, businesses and residents in the district inviting comments on a draft policy. The draft statement of licensing policy 2014-2017 was available on the WSC website and West Somerset Says consultation website for a 3 month period.
- 5.4 Following the statutory consultation, the revised policy was presented at the meeting of the Licensing Committee held on 11<sup>th</sup> March 2014. At that meeting, Members recommended the revised Licensing Policy to Council for adoption. The policy can be seen at Appendix 1.

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 The review of the policy is a mandatory requirement and was required due to changes in the Licensing Act 2003. Although reviewing the policy and the subsequent consultation does have resource implications, it is imperative that a robust policy supports the decisions of licensing officers and licensing committee and therefore reduces the risk of legal challenge.

## **7. COMMENTS ON BEHALF OF SECTION 151 OFFICER**

- 7.1 It is necessary and good practice to keep the Authority's policies up to date. The revision to this policy is timely and ensures that the Council has a point of reference for the next three years.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

**Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.**

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 8.1 The issues in this area will be considered in each review and reported to members as part of that process. At this time there are no implications for equality and diversity.

**9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 The Licensing Policy links into a range of issues around crime and disorder. As they are reviewed the matters regarding how they assist partners such as the Police in managing issues locally are taken into account.

**10. CONSULTATION IMPLICATIONS**

- 10.1 The draft statement of licensing policy 2014 – 2017 was subject to a public consultation exercise for 3 months between 1<sup>st</sup> October and 31<sup>st</sup> December 2013. A total of 12 responses to the consultation were received. These were reported to a sub-committee of members on 4 Feb 2014.

**11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 There are no specific issues linked to this report

**12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 There are broad links to the Statement of Licensing policy which in the main relate to the management of the environment. These include issues such as noise management at premises.

**13. LEGAL IMPLICATIONS**

- 13.1 The council needs to ensure that all of its licensing policies are kept up to date as part of our statutory duties.
- 13.2 It is therefore essential that each policy is reviewed carefully and gives clarity to members and customers about the authority's requirements in order that compliance with the law is achieved.

APPENDIX 1 – WSC STATEMENT OF LICENSING POLICY 2014 -2017



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# Statement of Licensing Policy 2014 – 2017

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## Policy and Contact Details

This Statement of Licensing Policy was considered by the Licensing Committee on

The Policy was adopted by Full Council on the \_\_\_\_\_ for the period 2014-2017.  
The Policy became operative from 1<sup>st</sup> April 2014.

For further information regarding the Licensing Act 2003 and this Statement of Licensing Policy please contact:

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## 1.0 Introduction

### 1.1 Background

1.1.1 West Somerset Council (the Council) is the licensing authority under the Licensing Act 2003 (the Act). It is empowered to administer the following in respect of the sale and/or supply of alcohol and the provision of regulated entertainment and late night refreshment within the district:

- premises licences including provisional statements, variations, transfers, interim authorities and reviews
- club premises certificates
- temporary events notices
- personal licences

1.1.2 Unless otherwise stated this licensing policy will not depart from the revised Secretary of State's guidance. Therefore to reduce repetition if matters are detailed in the guidance they may not be included in this policy

### 1.2 Aim

The Act requires the licensing authority to carry out its various licensing functions so as to promote the four licensing objectives.

The aim of this Licensing Policy is to set out how the licensing authority seeks to promote the four licensing objectives, which are:

- the prevention of crime and disorder
- public safety
- the prevention of public nuisance
- the protection of children from harm

These four objectives will be the paramount considerations when determining a course of action in relation to the licensing authority's licensing functions. Each objective will be given equal importance.

### 1.3 Purpose

The main purpose of this policy is to provide clarity to applicants, interested parties and responsible authorities on how the licensing authority will determine applications to supply alcohol, provide regulated entertainment and operate late night refreshment.

### 1.4 Consultation

1.4.1 Before determining its policy for any three year period, the licensing authority will consult the following:

- the Chief Officer of Police
- the Fire Authority
- persons/bodies representative of local holders of premises licences
- persons/bodies representative of local holders of club premises certificates
- persons/bodies representative of local holders of personal licences
- persons/bodies representative of businesses and residents in the District



- 1.4.2 The licensing authority may consult beyond the statutory requirements, and seek comments from additional bodies, groups or individuals.

## **1.5 Fundamental Principles**

- 1.5.1 This Policy sets out the licensing authority's general approach to the making of licensing decisions and is consistent with the provisions of the Act. Nothing in the policy will undermine the right of any individual to apply for permissions and to have any such application considered on its individual merits. Similarly, nothing in the policy will override the right of any person to make representations on an application or to seek a review of a licence or certificate where provisions have been made to do so in the Act.
- 1.5.2 The licensing authority may only impose conditions on a premises licence if they are consistent with the operating schedule or after receiving relevant representations. Any conditions attached to the licence must relate to the promotion of the licensing objectives.
- 1.5.3 The licensing authority acknowledges that the government believes that in some circumstances flexible hours for the sale of alcohol can help to ensure that the concentrations of customers leaving premises simultaneously are avoided.
- 1.5.4 It is necessary to consider national guidance in the context of local circumstances. Where licensed premises are surrounded by housing, unrestricted extensions of hours could extend the time of such disturbance to later in the night. The guidance acknowledges that tighter control may be justified in residential areas and the licensing authority considers that this is particularly relevant to parts of its administrative area, always having regard to the individual merits of any application.
- 1.5.5 In general terms the licensing authority will closely scrutinise applications for premises licences showing a late terminal hour so as to be satisfied that they will have no adverse impact on the licensing objectives.
- 1.5.6 Once people are beyond the control of the individual, club or business holding the relevant authorisation licensing law is not the primary mechanism for the general control of nuisance and anti-social behaviour. Licensing law will always be part of a holistic approach to the management of the evening and night-time economy in this district.

## **2. General Principles**

In all applications relating to premises, the legislation requires applicants to specify methods by which they will promote the four licensing objectives in their operating schedules. The operating schedule should include reference to the measures the applicant intends to promote the licensing objectives.

### **2.1 Revisions to Policy**

- 2.1.1 The licensing authority have a duty to review their licensing policy and have therefore consulted with responsible authorities and other stakeholders since the implementation of the legislation in order to identify topics that may need to be added or removed from the licensing policy.
- 2.1.2 Areas of change have been necessitated through the implementation of the Police Reform and Social Responsibility Act 2011.
- 2.1.3 Applicants for a premises licence are advised to include in their operating schedule, (where applicable) specifically how they prevent sales of alcohol to persons under 18, minimise glass related injuries and or assaults, prevent noise from licensed premises become a nuisance and manage customers outside their premises who are smoking.

- 2.1.4 Crime statistics locally have indicated that a last time of entry condition has assisted in the promotion of the licensing objectives. It is therefore expected that applicants for late licensed premises will be expected to provide detailed reasons in their operating schedules for seeking to allow any new entry to the premises after 1am.

## 2.2 Children and Cinemas

- 2.2.1 The Act requires applicants for premises licences and club premises certificates to copy details of their applications to a body which:
- a) represents those who, in relation to any such area, are responsible for, or interested in, matters relating to the protection of children from harm, and
  - b) is recognised by the licensing authority for that area for the purposes of this section as being competent to advise it on such matters.
- 2.2.2 The licensing authority's policy is that the "Responsible Authority" in relation to the protection of children from harm will be Somerset County Council's Children and Learning Department at County Hall, Taunton, TA1 4DY.
- 2.2.3 The licensing authority will expect licensees of premises giving film exhibitions to include, in their operating schedules, arrangements for restricting children from viewing age restricted films. Such premises will be subject to a mandatory condition requiring that access will be restricted to only those who meet the required age limit in accordance with any certificate granted by the British Board of Film Classification, or in specific cases where such certificates have not been granted, the licensing authority.
- 2.2.4 The licensing authority does not intend to adopt its own system of film classification but reserves the right to amend the classification imposed by the British Board of Film Classification.
- 2.2.5 If the licensing authority attaches an age-restriction to any film that differs from the BBFC classification or attaches one to an unclassified film, the information about the Licensing Authority's classification will be published on the Council's website at [www.westsomersetonline.gov.uk](http://www.westsomersetonline.gov.uk)

## 2.3 Licensing Hours

- 2.3.1 With regard to licensing hours the licensing authority will consider each application on its individual merits.
- 2.3.2 Applications for premises licences with a terminal hour later than 12 midnight where the sale or supply of alcohol for consumption on the premises is the main activity or where the sale or supply of alcohol is accompanied by musical entertainment, will be subject to close scrutiny by the responsible authorities to ensure that there will be no adverse impact on the licensing objectives. Specifically, the applicant should ensure that the operating schedule for such a premises demonstrates how the licensing objectives will be met. Applicants are strongly recommended to seek the advice of both the council's licensing officers and the Police in this regard.
- 2.3.3 This is a general policy and does not automatically mean that all applications will result in licences being granted until midnight or that no applications will be granted with a closing hour after midnight.
- 2.3.4 In considering these issues the licensing authority will give careful consideration to the nature of the venue proposed. For example, the Council is keen to promote establishments at which the service and consumption of alcohol is not the primary activity. These may include restaurants,

theatres, cinemas, comedy clubs, galleries, museums, and similar venues. The licensing authority's experience is that such venues are liable to give rise to fewer public concerns, and therefore applications for such premises to operate past midnight are more likely to be successful.

- 2.3.5 The licensing authority will pay special regard to the proximity of residential uses to the proposed premises, the parking areas and routes taken by customers when arriving at and leaving the premises. Consideration will be given to the imposition of stricter noise control conditions, if representations are received in areas with a concentration of residential property.
- 2.3.6 The licensing authority will expect premises to be cleared of patrons within a reasonable time of the terminal hour set for the premises. Applicants should state in their operating schedule the time they require to clear the premises. In normal circumstances, this will not exceed 30 minutes from the last sale of alcohol. Where the applicant can show that an extended period would assist in the promotion of the licensing objectives, the Council will consider permitting longer than 30 minutes.
- 2.3.7 Shops, stores and supermarkets will generally be free to provide sales of alcohol for consumption off the premises at any times when the retail outlet is open for shopping, unless there are good reasons for restricting those hours. An example would be where the Police make representations that the premises are a focus of disorder and disturbance.

## **2.4 Maximum Capacities**

- 2.4.1 The type of entertainment offered on licensed premises and the closing hour of premises permitted to provide alcohol to the public often have a direct link to crime and disorder, public nuisance and public safety issues.
- 2.4.2 The licensing authority believes that some of the problems that may occur in late night licensed premises may be controlled by good management practices. However, controlling the numbers of customers allowed into the premises will also assist in promoting the following three licensing objectives:
- **the prevention of crime and disorder**
  - **public safety**
  - **the prevention of public nuisance**

## **2.5 Late Night Refreshment**

- 2.5.1 The licensing authority will expect applicants for licences in respect of late night refreshment premises to detail in their operating schedules how they intend to promote the licensing objectives and in particular how they intend to address queue management, litter and noise disturbance.

## **3.0 Licensing Approach**

### **3.1 Partnership Working**

- 3.1.1 The council recognises that licensing functions are not the only means of promoting the licensing objectives. Delivery must involve working in partnership with Planning, Environmental Health, the Police, the Fire Authority, the Crime and Disorder Reduction Partnership, Pubwatch, local businesses and residents, Somerset County Council, transport operators and those involved with child protection.

- 3.1.2 The council recognises that co-operation and partnership remain the best means of promoting the licensing objectives.

## **3.2 Integrating Strategies**

- 3.2.1 There are many stakeholders involved in the leisure industry and many are involved in the promotion of the licensing objectives. A number of stakeholders' plans and strategies deal with matters related to the licensing function. Where this is the case the council will aim, as far as possible, to coordinate them.
- 3.2.2 Cultural Strategy – The council will monitor the impact of any decisions on the provision of regulated entertainment. The aim is not to deter live music, but to ensure that the licensing objectives are promoted. The council will monitor the effect of licensing on the provision of regulated entertainment, particularly live music and dancing to ensure that any licensing conditions that impose any restrictions on such events are proportionate and reasonable.
- 3.2.3 Equality & Diversity – The council is required by legislation to have due regard to the need to eliminate unlawful discrimination and to promote equality of opportunity and good relations between people. The impact of these issues on the Licensing Policy will be monitored and amendments will be made as necessary.
- 3.2.4 Enforcement Policy – All licensing enforcement will be conducted in accordance with the Regulators Compliance Code and the Environmental Health & Licensing Enforcement Procedures.

## **3.3 Avoiding Duplication**

- 3.3.1 The licensing authority recognises the need to avoid, so far as possible, duplication with other regulatory regimes such as health and safety at work, fire safety, building control and planning. Conditions will not be imposed if the matters concerned are already provided for in other legislation. However, other legislation may not always cover the unique circumstances that arise in connection with licensable activities and in such cases tailored conditions may be necessary but only if relevant representations are received.
- 3.3.2 Non-compliance with other statutory requirements may be taken into account in reaching a decision about whether or not to grant a licence but only if relevant representations are received.

## **3.4 Conditions**

- 3.4.1 Conditions may only be attached if relevant representations are received, any such conditions attached to licences and certificates will be tailored to the individual style and characteristics of the premises and events concerned.
- 3.4.2 However, where it is considered necessary to promote one or more of the licensing objectives the licensing authority will, if relevant representations are received, consider attaching conditions drawn from the Pool of Model Conditions set out in Revised Secretary of State's Guidance. This list is not exhaustive and additional conditions may be attached to any licence or authorisation if a representation is received.

## **3.5 Enforcement**

- 3.5.1 The Council when planning and carrying out enforcement activities will always have regard to the principles in the Regulators' Compliance Code.

- 3.5.2 The Council intends to use appropriate enforcement to promote the licensing objectives. Once licensed, it is essential that premises are monitored to ensure that they are run in accordance with their operating schedules, in compliance with the specific requirements of the Act and any licence conditions. It will also be important to monitor the District for unlicensed activities that require a licence.
- 3.5.3 The Licensing Authority has established protocols with Avon and Somerset Police Authority, Somerset County Council Trading Standards and Devon and Somerset Fire Authority on enforcement issues to ensure an efficient deployment of Police and Council Officers.

### **3.6 Live Music, Dancing and Theatre**

- 3.6.1 The council recognises the need to encourage and promote a broad range of entertainment, particularly live music, dancing and theatre for the wider cultural benefit of the community and in particular for children and young people.
- 3.6.2 When considering applications for such events and the imposition of any conditions if representations are received on licences or certificates, the licensing authority will carefully balance the need to promote the licensing objectives against these wider cultural benefits.

## **4.0 Administrative Issues**

### **4.1 Temporary Event Notices**

- 4.1.1 The Act requires that a temporary event notice must be given to the licensing authority, Avon and Somerset Police and the environmental health team at WSC a minimum of 10 clear working days before the event or in the case of a late temporary event notice not less than 5 clear working days before the beginning of the event.
- 4.1.2 The licensing authority however recommends that notices are submitted at least 28 days before the planned event to allow enough time for the organiser to liaise with the Police, other relevant council officers and organisations to ensure that the event passes off safely with minimum disturbance to local residents.

### **4.2 Applicants for Personal Licences**

The licensing authority places particular emphasis on the role of premises supervisors and licensees and where the Police object on the grounds of prevention of crime and disorder there will be a presumption against issuing a personal licence to any applicant with an unspent conviction for a relevant offence. If the applicant can demonstrate exceptional and compelling reasons for disregarding the conviction, this will be taken into consideration.

### **4.3 Large Scale Events**

Large scale events of a temporary or more permanent nature will generally require detailed planning and more consultation with responsible authorities and possibly representatives of other organisations concerned with safety. For such events it is recommended that applicants contact the licensing team at the earliest opportunity to discuss their proposals.

### **4.4 Reviews of Licence or Club Premises Certificate**

- 4.4.1 The Licensing Act details that where a premises licence or club premises certificate has effect, an interested party or a responsible authority may apply to the relevant licensing authority for a review of the licence. The relevant licensing authority may, at any time, reject on any grounds for review specified in an application under this section if it is satisfied that the grounds are not

relevant to one or more of the licensing objectives, or in the case of an application made by a person other than a responsible authority, that the ground is frivolous or vexatious, or the ground is a repetition.

- 4.4.2 The licensing authority can on review of licence or certificate, revoke the licence or certificate, suspend the licence or certificate, remove the Designated Premises Supervisor, reduce hours or licensable activities or add conditions to the licence or certificate.
- 4.4.3 The licensing authority recommends that persons or bodies considering seeking a review should discuss the matter with the licensing team to discuss possible alternatives and to ascertain the correct procedure.

## 4.5 Administration, Exercise and Delegation of Functions

- 4.5.1 The council has a licensing committee, consisting of 11 elected members, to carry out its licensing functions and to make licensing decisions, except those functions relating to the making of a statement of licensing policy.
- 4.5.2 In the interests of speed, efficiency and cost-effectiveness the committee will delegate certain decisions and functions to sub-committees and officers.
- 4.5.3 A licensing sub-committee of three councillors will sit to hear applications where relevant representations have been received from interested parties or responsible authorities. Ward councillors will not sit on a panel involving an application within their ward.
- 4.5.4 Where there are no relevant representations on an application for the grant of a premises licence or club premises certificate or Police objection to an application for a personal licence or to an activity taking place under the authority of a temporary event notice, these matters should be dealt with by officers.
- 4.5.5 The following table sets out the agreed delegation of decisions and functions to the licensing committee, sub-committees and officers.
- 4.3.6 This scheme of delegation does not prevent the referral of matters to a higher authority if considered appropriate in the circumstances of any particular case.

MATTER TO BE DEALT WITH	SUB-COMMITTEE	OFFICERS
Application for personal licence	If an objection is made	If no objection is made
Application for personal licence, with unspent convictions	All cases	
Application for premises licence/club premises certificate	If a representation is made	If no representation is made
Application for provisional statement	If a representation is made	If no representation is made
Application to vary premises licence/club premises certificate	If a representation is made	If no representation is made
Application for minor variation to premises licence/club premises certificate		All cases
Application to vary designated premises	If a police objection is made	All other cases

supervisor	43	
Request to be removed as designated premises supervisor		All cases
Application for alternative licence condition to be included in licence		All cases
Application for transfer of premises licence	If a police objection is made	All other cases
Application for interim authority	If a police objection is made	All other cases
Application to review premises licence/club premises certificate	All cases	
Decision on whether a complaint is irrelevant, frivolous, vexatious, etc		All cases
Decision to object when local authority is a consultee and not the relevant authority considering the application	All cases	
Determination of a police objection to a temporary event notice	All cases	

## 5.0 The Licensing Authority as a Responsible Authority

- 5.1 There is no requirement under the Act for responsible authorities to make representations about applications for the grant of premises licences or to take any other steps in respect of different licensing processes. The council will therefore determine when it considers it appropriate to act in its capacity as a responsible authority based on the individual circumstances of each situation and in accordance with its duties under section 4 of the 2003 Act.
- 5.2 The licensing authority would not normally expect to act as a responsible authority on behalf of other parties (for example, local residents, local councillors or community groups) although there are occasions where the authority may decide to do so. Such parties can make relevant representations to the licensing authority in their own right, and the licensing authority considers it reasonable to expect them to make representations themselves where they are reasonably able to do so. However, if these parties have failed to take action and the licensing authority is aware of relevant grounds to make a representation, it may choose to act in its capacity as responsible authority.
- 5.3 The licensing authority will normally expect that other responsible authorities should intervene where the basis for the intervention falls within the remit of that other responsible authority.
- 5.4 The 2003 Act enables licensing authorities to act as responsible authorities as a means of early intervention; where it considers it appropriate the Council may do without having to wait for representations from other responsible authorities.
- 5.6 In cases where the Licensing Authority is also acting as Responsible Authority in relation to the same process, it is important to achieve a separation of responsibilities within the authority to ensure procedural fairness and eliminate conflicts of interest. In such cases licensing determinations will be made by the licensing committee or subcommittee comprising elected members of the authority (although they are advised by a licensing officer). Therefore, a separation is achieved by allocating distinct functions (i.e. those of Licensing Authority and responsible authority) to different officials within the authority.

- 5.7 In these cases, the licensing authority where possible will allocate the different responsibilities to different licensing officers or other officers within the local authority to ensure a proper separation of responsibilities. The officer advising the licensing committee (i.e. the authority acting in its capacity as the licensing authority) will be a different individual to the officer who is acting for the responsible authority. The officer acting for the responsible authority should not be involved in the licensing decision process and should not discuss the merits of the case with those involved in making the determination by the licensing authority.
- 5.8 Communication between these officers in relation to the case should remain professional and consistent with communication with other responsible authorities. Representations, subject to limited exceptions, will be made in writing.

## **6.0 Suspension of licences following non-payment of fees**

- 6.1 In order to provide a strong incentive for businesses to pay their fees in a timely manner and save the council the time and cost of pursuing non-payment, the licensing authority will use its powers under the Act to suspend licences due to non-payment of fees.



## GLOSSARY OF TERMINOLOGY

Club Premises Certificate	means a certificate granted to a qualifying club under the Act in respect of premises occupied, and habitually used for the purposes of a club. Alcohol must not be supplied other than to members by or on behalf of the club.
Entertainment facilities	are defined as facilities for enabling persons to take part in entertainment for the purpose of being entertained. The descriptions of entertainment are making music, dancing, and entertainment of a similar description to that falling within those mentioned above. This definition is subject to Part 3 of Schedule 1 to the Licensing Act 2003 (interpretation).
Hot food or hot drink	<p>food or drink supplied on or from any premises is “hot” for the purposes of Schedule 2 to the Act if the food or drink, or any part of it:</p> <p>(i) before it is supplied, is heated on the premises or elsewhere for the purpose of enabling it to be consumed at a temperature above the ambient air temperature and, at the time of supply, is above that temperature,</p> <p>or</p> <p>(ii) after it is supplied, may be heated on the premises for the purpose of enabling it to be consumed at a temperature above the ambient air temperature.</p>
Interested Party	<p>is defined as:</p> <p>(i) a person living in the vicinity of the premises</p> <p>(ii) a body representing persons who live in that vicinity</p> <p>(iii) a person involved in a business in that vicinity</p> <p>(iv) a body representing persons involved in such businesses</p> <p>(v) a member of the relevant licensing authority</p>
Licensable activities and qualifying club activities	<p>are defined in the Licensing Act as:</p> <p>(i) the sale by retail of alcohol</p> <p>(ii) the supply of alcohol by or on behalf of a club to, or to the order of, a member of the club</p> <p>(iii) the provision of regulated entertainment</p> <p>(iv) the provision of late night refreshment - for those purposes the following licensable activities are also qualifying club activities:</p> <p>(v) the supply of alcohol by or on behalf of a club to, or to the order of, a member of the club for consumption on the premises where the supply takes place</p> <p>(vi) the sale by retail of alcohol by or on behalf of a club to a guest of a member of the club for consumption on the premises where the sale takes place</p>

	(vii) the provision of regulated entertainment where that provision is by or on behalf of a club for members of the club or members of the club and their guests.
Operating Schedule	means a document that must be prepared by or on behalf of an applicant for a premises licence or club premises certificate containing a statement including the following matters: <ul style="list-style-type: none"> <li>• the relevant licensable activities</li> <li>• the times at which licensable activities are to take place and any other times the premises are to be open to the public</li> <li>• information about the Designated Premises Supervisor</li> <li>• whether any alcohol sales are on and/or off sales</li> <li>• the steps being taken to promote the licensing objectives.</li> </ul>
Personal Licence	authorises an individual to supply or authorise the supply of alcohol in accordance with a premises licence.
Premises Licence	authorises the premises to be used for one or more licensable activity.
Provision of late night refreshment	is defined as the provision of hot food or hot drink to members of the public, or a section of the public on or from any premises, whether for consumption on or off the premises between 11 pm and 5 am or at any time between those hours when members of the public, or a section of the public, are admitted to any premises, a person supplies, or holds himself willing to supply, hot food or hot drink to any persons, or to persons of a particular description, on or from those premises, whether for consumption on or off the premises.
Regulated Entertainment	is defined as: <ul style="list-style-type: none"> <li>(a) a performance of a play</li> <li>(b) an exhibition of film</li> <li>(c) an indoor sporting event</li> <li>(d) a boxing or wrestling entertainment</li> <li>(e) a performance of live music</li> <li>(f) any playing of recorded music</li> <li>(g) a performance of dance</li> <li>(h) entertainment of a similar description to that falling within paragraph (e), (f) or (g) where the entertainment takes place in the presence of an audience and is provided for the purpose, or for purposes which include the purpose, of entertaining that audience. Any reference to an audience includes a reference to spectators. This definition is subject to Part 3 of Schedule 1 to the Licensing Act 2003 (interpretation).</li> <li>(i) Entertainment Facilities. This definition is subject to Part 1 of Schedule 1 to the Licensing Act 2003 (interpretation).</li> </ul>

Responsible Authority	<p style="text-align: center;">47</p> <p>is defined as:</p> <p>(i) Chief Officer of Police for any Police area in which the premises are situated</p> <p>(ii) the Fire Authority for any area in which the premises are situated</p> <p>(iii) the enforcing authority within the meaning given by section 18 of the Health and Safety at Work etc Act 1974 for any area in which the premises are situated</p> <p>(iv) the local planning authority within the meaning given by the Town and Country Planning Act 1990 (c.8) for any area in which the premises are situated</p> <p>(v) the local authority by which statutory functions are exercisable in any area in which the premises are situated in relation to minimising or preventing the risk of pollution of the environment or of harm to human health</p> <p>(vi) a body which:</p> <p>(a) represents those who, in relation to any such area, are responsible for, or interested in matters relating to the protection of children from harm, and</p> <p>(b) is recognised by the licensing authority for that area for the purposes of this section as being competent to advise it on such matters</p> <p>(vii) any licensing authority (other than the relevant licensing authority) in whose area part of the premises is situated</p> <p>(viii) in relation to a vessel:</p> <p>(a) a navigation authority (within the meaning of section 221(1) of the Water Resources Act 1991 (c.57)) having functions in relation to the waters where the vessel is usually moored or berthed or any waters where it is or is proposed to be, navigated at a time when it is used for licensable activities</p> <p>(b) the Environment Agency</p> <p>(c) the British Waterways Board, or</p> <p>(d) the Secretary of State</p> <p>(e) the Local Licensing Authority</p> <p>(f) Local Health Bodies for the responsible area to include a Primary Care Trust</p> <p>(g) a person prescribed for the purpose of this subsection.</p>
Temporary Event	is defined as the use of premises for one or more of the licensable activities during a period not exceeding 168 hours usually where a premises licence covering the licensable activity is not in place.
Temporary Event Notice	a document giving notice to the Licensing Authority of intention to hold a temporary event.



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*Report to a Meeting of:* Full Council  
*To be Held on:* 26<sup>th</sup> March 2014  
*Date Entered on Executive Forward Plan* N/A  
*Or Agreement for Urgency Granted:*

## TREASURY MANAGEMENT STRATEGY STATEMENT, MRP POLICY AND ANNUAL INVESTMENT STRATEGY 2014/15

### 1. PURPOSE OF REPORT

To inform Council of the proposed Treasury Management Strategy, Minimum Revenue Policy and Annual Investment Strategy for 2014/15 in line with the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None directly in relation to this report, however it is a statutory requirement that the Treasury Management Strategy, Minimum Revenue Policy and Annual Investment Strategy for 2014/15 is approved prior to the commencement of the financial year.

### 3. RECOMMENDATIONS

To approve the combined Treasury Management Strategy, Minimum Revenue Policy and Annual Investment Strategy for 2014/15.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
The Treasury Management Strategy and associated policies are not approved by Full Council in advance of the new financial year and become outdated.	Unlikely (1)	Major (3)	Medium (1)
<i>The Treasury Management Strategy is approved by Full Council in March 2014 at the latest.</i>			

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

## **5. BACKGROUND INFORMATION**

5.1 The full Treasury Management Strategy Statement, Minimum Revenue Policy Strategy and Annual Investment Strategy are attached to this report. In order to comply with both legislative and policy requirements the documents contain a significant amount of data and technical detail. The key principles of the Code are as follows:

- Ensuring that public bodies put in place the necessary framework to ensure the effective management and control of treasury management activities
- That the framework clearly states that responsibility for treasury management lies clearly within the organisation and that the strategy clearly states the appetite for risk.
- That value for money and suitable performance measures should be reflected in the framework.

5.2 The Code also identifies four clauses to be adopted and these are as follows:

- The creation and maintenance of a policy statement and suitable treasury management practices which set out the means of achieving the policies and ensuring management and control.
- The minimum reports (to the body that approves the budget) should be an annual strategy and plan prior to the start of the financial year, a mid-year review and an annual report after its close. A local authority should ensure that its' reporting enables those responsible for treasury management to effectively discharge their duties.
- Details of delegated responsibility for implementation and monitoring of policies and for the execution and administration of treasury management decisions. For this Council the delegated person is the Section 151 Officer.
- Details of the body responsible for the scrutiny of treasury management strategy and policies. For this Council the delegated body is the Audit Committee.

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

6.1 As set out in the report.

## **7. COMMENTS ON BEHALF OF THE SECTION 151 OFFICER**

7.1 Council approves the strategy in advance of the new financial year (this was introduced in 2010) and receives annual and mid-year reports, in accordance with the code.

7.2 The Audit Committee will scrutinise the performance against the strategy on a 6-monthly basis thereafter, strengthening its role and accountability by the Authority.

7.3 With regard to the Authority's Capital Financing Requirement and Minimum Revenue Provision, I believe it is worth detailing a brief explanation below of what the terms refer to and what they mean to West Somerset Council.

- 7.4 The Capital Financing Requirement (CFR) refers to historic capital spend made by West Somerset which has not yet been properly financed. Some of the debt is external, £3.500m, and it is expected that this loan will be repaid from the proceeds of asset sales. The rest of the debt is where the Council has borrowed against its own reserves and working capital to finance capital spend, i.e. the Council has used money sitting in its bank account to finance spend instead of borrowing it. This money has to be found and paid back as the money was being held for a purpose, e.g. reserves and to pay our creditors. The repayment can be either through further asset sales or by making an annual minimum revenue provision. If nothing is done in the long term WSC will need to borrow money as it uses up its reserves.
- 7.5 The Minimum Revenue Provision (MRP) is an amount charged to revenue every year to cover the CFR (e.g. pay it back). Included within the 2014/15 Revenue Budget there is an amount of £0.200m that has been set aside for this purpose.
- 7.6 As mentioned above the other option is to sell assets to fund the CFR, as is being done to fund the external debt. This would mean that asset sales cannot be used to fund further capital expenditure.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

**Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.**

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 8.1 None in respect of this report.

## **9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 None in respect of this report.

## **10. CONSULTATION IMPLICATIONS**

- 10.1 None in respect of this report.

## **11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 None in respect of this report.

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 None in respect of this report.

## **13. LEGAL IMPLICATIONS**

- 13.1 None in respect of this report.





## Treasury Management Strategy Statement 2014/15

### Introduction

On 31 March 2004 the Council approved the adoption of the Chartered Institute of Public Finance and Accountancy's Treasury Management Code. This requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

### External Context

**Economic background:** The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.7% in August 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce.

The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.

Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.

In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked

down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.

**Credit outlook:** The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifesting in relation to holders of subordinated debt issued by the Co-op which will suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

**Interest rate forecast:** Arlingclose's forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the forecast horizon, as the table below shows. Gilt yields are expected to rise over the forecast period with medium- and long-dated gilts expected to rise by between 0.7% and 1.1%.

A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.6%.

### **Local Context**

The Authority currently has £3.5m of borrowing and £4.054m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

**Table 1: Balance Sheet Summary and Forecast**

	<b>31.3.13 Actual £'000</b>	<b>31.3.14 Estimate £'000</b>	<b>31.3.15 Estimate £'000</b>	<b>31.3.16 Estimate £'000</b>	<b>31.3.17 Estimate £'000</b>
General Fund CFR	7,658	7,638	4,195	2,906	2,906
Less: External borrowing *	-3,500	-3,500	0	0	0
<b>Internal (over) borrowing</b>	<b>4,158</b>	<b>4,138</b>	<b>4,195</b>	<b>2,906</b>	<b>2,906</b>
Less: Usable reserves	3,618	2,944	2,503	1,616	1,616
Less: Working Capital	1,471	2,194	2,692	2,290	2,290
<b>(Investments) or New borrowing</b>	<b>-931</b>	<b>-1,000</b>	<b>-1,000</b>	<b>-1,000</b>	<b>-1,000</b>

\* shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years.

*The Director of Operations and Deputy CEO / S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.*

### **Borrowing Strategy**

The Authority currently holds £3.5million of loans, as part of its strategy for funding previous years' capital programmes.

It is the intention of the Council to hold its current external loan until maturity in August 2014, at which point the borrowing will be repaid. It is also the plan to generate capital receipts which would be used to reduce the Capital Financing Requirement. If this strategy is not successful, we would need to consider re-financing part or all of the existing loan and may need to take additional loans if our own cash balances fall from current levels. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Council Officers, in conjunction with the treasury advisors, will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be

more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (except Somerset Pension Fund)
- capital market bond investors
- special purpose companies created to enable joint local authority bond issues.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

**Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

## **Investment Strategy**

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's average core investment balance has been around £4.2million and similar levels are expected to be maintained in the forthcoming year. However during 2014/15 there will potentially be a significant amount of monies received from EDF in respect of the proposed Hinkley Point C development. Therefore if this does happen the total amount available for investment will be higher than it has been in previous years.

Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

The Council may invest its surplus funds with any of the counterparties in table 2 below, subject to the cash and time limits shown.

**Table 2: Approved Investment Counterparties**

<b>Counterparty</b>	<b>Cash limit</b>	<b>Time limit †</b>
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	10 years*
	AA+	5 years*
	AA	4 years*
	AA-	3 years*
	A+	2 years
	A	1 year
	A-	
The Authority's current account bank National Westminster Bank plc if it fails to meet the above criteria	£1m	next day
UK Central Government (irrespective of credit rating)	unlimited	50 years**
UK Local Authorities (irrespective of credit rating)	£1m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£1m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings	£1m each	5 years
UK Building Societies without credit ratings	£1m each	1 year
Money market funds and other pooled funds	£2m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£1.5m each	3 months
	£1m each	1 year
	£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

\* but no longer than 2 years in fixed-term deposits and other illiquid instruments

\*\* but no longer than 5 years in fixed-term deposits and other illiquid instruments

There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented.

In addition, the Council may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

**Current Account Bank:** The Council has a contract until the 31 December 2014 with National Westminster Bank plc for its current accounts. National Westminster Bank plc is currently rated BBB+ which is lower than the minimum A- rating in table 2. The Council may continue to deposit surplus cash with National Westminster plc providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

**Registered Providers:** Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

**Building Societies:** The Council takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council's deposits would be paid out in preference to retail depositors. The Council will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

**Money Market Funds:** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

**Other Pooled Funds:** The Council could consider using pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter term. These allow the Council to diversify into asset

classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Other Organisations:** The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

**Externally Managed Funds:** The Council could choose to use external fund managers. The manager has scope to add value through the use of the investments listed in table 2 and must operate within the same limits. Performance is monitored and measured against the benchmark set for the fund, prevailing economic conditions and investment opportunities.

**Risk Assessment and Credit Ratings:** The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a A- rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other Information on the Security of Investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are

substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Specified Investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Council defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.



**Table 3: Non-Specified Investment Limits**

	<b>Cash limit</b>
Total long-term investments	£6m
Total investments without credit ratings or rated below [A-] (Excluding Local Authorities)	£4m
Total investments in foreign countries (excluding the UK) rated below [AA+]	£2m
Total non-specified investments	£10m

**Investment Limits:** The Council's revenue reserves available to cover investment losses are forecast to be £2.94million on 31st March 2014. In order that no more than the available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £2million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (*e.g. King & Shaxson*), foreign countries and industry sectors as below:

**Table 4: Investment Limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£2m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£2m per manger
Negotiable instruments held in a broker's nominee account	£6m per broker
Foreign countries	£2m per country
Registered Providers	£2m in total
Building Societies	£1m in total
Loans to small businesses	£1.5m in total
Money Market Funds	£7m in total

**Approved Instruments:** The Council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £2 million in total,
- certificates of deposit,

- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

**Liquidity management:** The Council uses a spreadsheet which details the Council's cash flow on a daily basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast

### **Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	<b>Target</b>
Portfolio average credit rating	A-

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	<b>Target</b>
Total cash available within 3 months	£1.5m

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure – Debt	100%	100%	100%
Upper limit on fixed interest rate exposure – Investments	100%	100%	100%
Upper limit on variable interest rate exposure - Debt	100%	100%	100%
Upper limit on variable interest rate exposure - Investments	100%	100%	100%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
50 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£6m	£6m	£6m

### **Other Items**

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

**Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

**Investment Training:** The needs of the Council's treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

**Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by holding quarterly meetings and tendering periodically. The last tender was completed in March 2014.

**Investment of Money Borrowed in Advance of Need:** The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £10 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### **Financial Implications**

The budget for investment income in 2014/15 is £15,000. The budget for debt interest paid in 2014/15 is £42,850. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

### **Other Options Considered**

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Operations & Deputy CEO / S151 Officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain

Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain
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## Appendix A – Arlingclose Economic & Interest Rate Forecast December 2013

### Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1% a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in the uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a housing price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MOC will not hesitate to use macro prudential and regulatory tools to deal with emerging risk (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Q1 2014. The US political deadlock over the debt ceiling will need resolving in Q1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

## Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
<b>1-yr LIBID rate</b>													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>10-yr gilt yield</b>													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>20-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
<b>50-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80



## Appendix B – Existing Investment & Debt Portfolio Position

	31/12/2013 <b>Actual Portfolio £000</b>	31/12/2013 <b>Average Rate %</b>
<b>External Borrowing:</b>		
PWLB - Fixed Rate	3,500	1.51%
<b>Total External Borrowing</b>	<b>3,500</b>	<b>1.51%</b>
<b>Investments</b>		
Short Term	4,054	0.54%
<b>Net Debt / (Investments)</b>	<b>(554)</b>	

## Appendix C – Prudential Indicators

### Prudential Indicators revisions to 2013/14 and 2014/15 – 2016/17

#### 1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

#### 2. Gross Debt and the Capital Financing Requirement:

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

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Director of Operations & Deputy CEO / Section 151 officer reports that the Council had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

#### 3. Estimates of Capital Expenditure:

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

<b>Capital Expenditure</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
Assets	106	0	0
Plant and Equipment	203	0	0
Disabled Facilities Grants	184	0	0
Information Technology	45	0	0
Transformation Costs (WSC/TDBC)	135	0	0
<b>Total</b>	<b>673</b>	<b>0</b>	<b>0</b>

Given the financial position of the authority it was proposed at this stage that Members approve only essential schemes in an initial capital programme for 2014-15. Further consideration and consultation with Members on the prioritisation and affordability of aspirational identified schemes would then follow with a view to providing a further update during 2014-15.

3.2 Capital expenditure will be financed or funded as follows:

<b>Capital Financing</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
Capital Receipts	434	0	0
Capital Grants	239	0	0
<b>Total Financing and Funding</b>	<b>673</b>	<b>0</b>	<b>0</b>

#### 4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. This ratio can be negative for Councils in a net investment position. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>
<b>Total</b>	<b>&lt;1%</b>	<b>0%</b>	<b>0%</b>

## 5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

<b>Capital Financing Requirement</b>	<b>2013/14 Actual</b> £'000	<b>2014/15 Estimate</b> £'000	<b>2015/16 Estimate</b> £'000	<b>2016/17 Estimate</b> £'000
<b>Total CFR</b>	7,638	<b>4,195</b>	2,906	2,906

## 6. Incremental Impact of Capital Investment Decisions:

6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Actual</b> £	<b>2014/15 Estimate</b> £	<b>2015/16 Estimate</b> £	<b>2016/17 Estimate</b> £
Increase in Band D Council Tax	Nil	<b>Nil</b>	Nil	Nil

## 7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

7.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>Estimate £'000</b>	<b>Estimate £'000</b>	<b>Estimate £'000</b>	<b>Estimate £'000</b>
Authorised Limit for External Debt	10,000	<b>10,000</b>	10,000	10,000
Operational Boundary for External Debt	7,500	<b>7,700</b>	7,700	7,700

## 8. Adoption of the CIPFA Treasury Management Code:

8.1 This indicator demonstrates that the Council has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Council approved the adoption of the CIPFA Treasury Management Code at its Executive meeting on 31 March 2004

*The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.*

## 9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on (*select as appropriate*) net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments))

9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on

the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

<b>Interest Rate Exposures</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
	%	%	%
<b><u>Fixed</u></b>			
Interest payable on fixed rate borrowing /Principal sums outstanding on fixed rate borrowing	100	100	100
<b>Less:</b> Interest receivable on fixed rate investments/ Principal sums outstanding on fixed rate investments	(100)	(100)	(100)
<b><u>Variable</u></b>			
Interest payable on variable rate borrowing/Principal sums outstanding on variable rate borrowing	100	100	100
<b>Less:</b> Interest receivable on variable rate investments/ Principal sums outstanding on variable rate investments	(100)	(100)	(100)

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

## **10. Maturity Structure of Fixed Rate borrowing:**

10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit for 2014/15 %</b>	<b>Upper Limit for 2014/15 %</b>
under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and within 20 years	0	100
20 years and within 30 years	0	100
30 years and within 40 years	0	100
40 years and within 50 years	0	100
50 years and above	0	100

## **11. Credit Risk:**

11.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

11.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

11.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

11.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**12. Upper Limit for total principal sums invested over 364 days:**

12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
	£6m	£6m	£6m



## **Appendix D – MRP Statement 2014/15**

Before the start of each financial year, the Council is required to determine the basis on which it will provide for the repayment of borrowing undertaken for the purpose of financing capital expenditure. This annual provision, known as Minimum Revenue Provision (MRP), is designed to ensure that authorities make prudent provision to cover the ongoing costs of their borrowing.

In 2008, the Government became less prescriptive offering Councils a number of options for calculating MRP. For the financial year 2014/15, the Council will calculate MRP as follows:-

- for supported borrowing, 4% on outstanding debt;
- for unsupported borrowing, the debt associated with the asset's useful life.



**Report Number:** WSC 51/14  
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**Report to a Meeting of:** Council  
**To be Held on:** 26 March 2014  
**Date Entered on Executive Forward Plan Or Agreement for Urgency Granted:** Not Applicable

## SAND CLEARANCE MINEHEAD SEAFRONT

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Council approval for the carrying forward to 2014/15 of an underspent budget in 2013/14.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 The recommendations in this report do not impact on the delivery of corporate priorities

### 3. RECOMMENDATIONS

It is recommended that:

- 3.1 The following maximum amount of underspends in the 2013/14 budget are carried forward to 2014/15.
- Account 4319/50495 Coast Protection - Seafront Maintenance £1,725
  - Account 4319/50064 Coast Protection - Maintenance £550

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
<b>Risk</b> (Reputational) – Clearing of sand prior to 31 <sup>st</sup> March increases the risk of there being a concentration of sand at Easter	Possible (3)	Moderate (3)	<b>Medium (9)</b>
<b>Mitigation</b> – Delay clearance until early April	Unlikely (2)	Moderate (3)	<b>Low (6)</b>

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

## 5. **BACKGROUND INFORMATION**

- 5.1 The build-up of sand on Minehead Seafront is a well-known continual problem; to date the following amounts have been spent in the current year tackling the problem.

May 2013	£500
June 2013	£500
July 2013	£1,000
November 2013	£2,500
TOTAL	£4,500

- 5.2 In previous years it has always been the practice to undertake a clearance of sand just prior to the Easter bank holiday period. The problem this year is that the bank holiday period is 18<sup>th</sup> to 21<sup>st</sup> April which is much later than previous years. It therefore makes sense to undertake the sand clearance exercise in early April rather than in March. However, the Easter bank holiday period in 2015 is 3<sup>rd</sup> to 6<sup>th</sup> April necessitating a clearance of sand in late March 2015, both instances therefore being in the same 2014/15 financial year, creating undue pressure on the annual budget.
- 5.3 To overcome this financial issue it is suggested that underspends predicted in the 2013/14 budget are carried forward to 2014/15. Although it is impossible to predict the level of underspend with one hundred percent certainty it is nevertheless not anticipated that there will be the need for any further expenditure in these areas between now and the end of the financial year (31<sup>st</sup> March 2014). The current level of expenditure means that the figures quoted in recommendation 3.1 above are the maximum possible underspend, obviously if it transpires that the actual underspend is less than a reduced amount will be carried forward.
- 5.4 Details of the predicted underspend in 2013/14 as at 10<sup>th</sup> March 2014 is as follows:

### **Cost Centre 4319 Coast Protection**

	<b>Budget 2013/14</b>	<b>Spend @ 10/3/14</b>	<b>Estimated Underspend @ 31/3/14</b>
Account 50064 – Maintenance	£550	£0	£550
Account 50495 – Seafront Maintenance	£7,000	£5,275	£1,725

## 6. **FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 The financial implications are referred to in the background information and recommendation

## 7. **COMMENTS ON BEHALF OF SECTION 151 OFFICER**

- 7.1 Requests for the carrying forward of underspends are subject to Financial Regulation FR3 (10) which states:

*All carry forwards of under-spends must be approved by Council. Carry forwards must be £5,000 or greater. Requests for carry forward of budgets should be identified whilst revising budget estimates in December each year. Requests after this date will not be considered unless exceptional circumstances can be demonstrated.*

It is recognised that not only is this a late request but it is below the £5,000 threshold. However, the clearance of sand on Minehead Seafront is an emotive issue that can, if not addressed, have an adverse impact upon tourism. It is therefore, because of this and the circumstances described above, suggested that Council approve an exemption from Financial Regulations and agree the carry forward of underspends referred to in recommendation 3.1 above.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

**Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.**

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

8.1 There are none directly associated with the recommendations in this report

## **9. CRIME AND DISORDER IMPLICATIONS**

9.1 There are none directly associated with the recommendations in this report

## **10. CONSULTATION IMPLICATIONS**

10.1 There are none directly associated with the recommendations in this report

## **11. ASSET MANAGEMENT IMPLICATIONS**

11.1 If approved the recommendations will enable the Council's assets to be better maintained at a time that is more suited to their use than would otherwise be the case.

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

12.1 There are none directly associated with the recommendations in this report as they concern the timing of sand clearance not the actual clearance itself. They will however, if approved, result in a larger budget for sand clearance in 2014/15 being available than would have been the case.

## **13. LEGAL IMPLICATIONS**

13.1 There are none directly associated with the recommendations in this report