

South Hams Executive



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| Title: | Agenda |
| Date: | Thursday, 15th March, 2018 |
| Time: | 10.00 am |
| Venue: | Repton Room - Follaton House |
| Full Members: | <p style="text-align: center;">Chairman Cllr Tucker Vice Chairman Cllr Wright</p> <p><i>Members:</i> Cllr Bastone Cllr Hopwood Cllr Gilbert Cllr Wingate</p> |
| Interests – Declaration and Restriction on Participation: | Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest. |
| Committee administrator: | Member.Services@swdevon.gov.uk |

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|---|------------------|
| 1. Minutes | 1 - 14 |
| to approve as a correct record and authorise the Chairman to sign the minutes of the meeting of the Executive held on 1 February 2018; | |
| 2. Urgent Business | |
| brought forward at the discretion of the Chairman; | |
| 3. Division of Agenda | |
| to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information; | |
| 4. Declarations of Interest | |
| Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting; | |
| 5. Public Question Time | 15 - 16 |
| a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules; | |
| 6. 2018/19 Treasury Management Strategy | 17 - 60 |
| 7. Waste Policies Review | 61 - 72 |
| 8. South Hams Special Area of Conservation - Joint Supplementary Planning Document | 73 - 102 |
| 9. Exclusion of Public and Press - to consider the following resolution to exclude the public and press:- | |
| "That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act"; | |
| 10. Council Charity Land | 103 - 110 |

**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD AT FOLLATON HOUSE ON THURSDAY 1 FEBRUARY 2018**

| | | | |
|---------------------------------|------------------|---|--------------------|
| Members in attendance: | | | |
| * Denotes attendance | | | |
| ∅ Denotes apologies for absence | | | |
| * | Cllr H D Bastone | * | Cllr R J Tucker |
| * | Cllr R D Gilbert | * | Cllr S A E Wright |
| * | Cllr N A Hopwood | * | Cllr K R H Wingate |

| Also in attendance and participating | | |
|---|---------|---|
| Item 6 | E.60/17 | Cllrs Green, Pennington, Saltern, Baldry |
| Item 7 | E.61/17 | Cllrs Baldry, Bramble, Brazil, Pennington |
| Item 8 | E.62/17 | Cllrs Baldry, Bramble, Brazil, Green, Pearce, Saltern |
| Item 9 | E.63/17 | Cllrs Baldry, Brazil, Cuthbert, Holway, Huntley, Pennington, Pearce, Rowe |
| Item 10 | E.64/17 | Cllrs Bramble, Brazil, Green, Pennington |
| Item 11 | E.65/17 | Cllrs Baldry, Green, Holway, Pennington, Rowe, Saltern |
| Item 13 | E.67/17 | Cllrs Bramble, Hawkins, Holway, Cuthbert, Saltern, Smerdon |
| Item 14 | E.68/17 | Cllr Green |
| Also in attendance and not participating | | |
| Cllrs Hicks, Steer | | |

| Officers in attendance and participating | | |
|---|---------|---|
| All items | | Executive Director (Strategy & Commissioning), and Specialist – Democratic Services |
| Item 6 | E.60/17 | S151 Officer, CoP Lead Finance |
| Item 7 | E.61/17 | S151 Officer, CoP Lead Finance, Group Manager Commercial Services |
| Item 8 | E.62/17 | S151 Officer, CoP Lead Finance |
| Item 9 | E.63/17 | S151 Officer, CoP Lead Finance, Group Manager Commercial Services, Group Manager Customer First and Support Services, CoP Lead Development Management |
| Item 11 | E.65/17 | Specialist – Assets and Place Making |
| Item 13 | E.67/17 | Senior Specialist Environmental Health |
| Item 14 | E.68/17 | CoP Lead Development Management |

E.57/17 MINUTES

The minutes of the Executive meeting held on 7 December 2017 were confirmed as a true and correct record and signed off by the Chairman.

E.58/17 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting and the following were made:

Cllr R F D Gilbert declared a Disclosable Pecuniary Interest in para. 6.24 of Item 9: Budget Proposals Report 2018-19, and he left the meeting for the debate and vote on this specific aspect of the Budget item.

E.59/17 PUBLIC QUESTION TIME

It was noted that the following public questions had been received from Mr Rick Gaehl:

Question 1: The stated cost to SHDC of the 'One Council' consultation is £12,828, but this figure does not appear to include any staff costs. Can the Committee discover and confirm:

- a) details and costs of work by Council staff on the merger?*
- b) details and costs of any new staff required to work on the merger?*

In response, the Leader advised that the costs of the consultation exercise were reported to the Overview and Scrutiny Panel on 12 October, 2017. This was for the website, postcards, telephone survey and events. In addition to these costs, a further £4,000 was spent on advice on council tax equalisation and £6,188 was spent on project officer time. These costs are the South Hams share only of the costs. Council officers are not required to complete time sheets or to time-record. The projects that Council officers were involved in were all part of their everyday role and duties which were set out in their job descriptions. The Council employed officers to carry out these roles e.g. Strategic projects.

Question 2: Council reports indicated the merger would save SHDC £0.5M pa from "staff efficiency reductions" and that these would affect 'less than 10 [staff] roles'. Can the Committee confirm the affected roles, how they would have been affected and the salaries of those roles?

In response, the Leader advised that by removing the complexities inherent in serving two Councils; a single Council would have had a less complex and costly administration. Becoming One Council would have meant releasing some capacity absorbed by serving two bodies. This would have reduced the amount of time spent on complex or duplicated processes. Financial systems would be simpler, with single reporting requirements and a removal of the complexities of recharging money between both Councils and the need for two sets of Accounts and reconciliations (such as bank reconciliation, control account reconciliations, shared service reconciliations).

The main areas of duplication were in finance, case management (support services), senior management team, democratic services and areas such as elections. The staff efficiency reductions were anticipated to generate £370,000 of savings per annum. It was not felt appropriate to specify individual roles and salaries as it was hoped that the reduction in posts could have been largely addressed through natural turnover in these areas.

In addition to these savings, savings from having one financial ledger (£25,000) and a reduction in subscriptions/memberships and audit fees would have saved another £60,000. Further savings of £85,000 per annum were also projected from a 20% reduction in Members.

Question 3: Officers reportedly had 'severe concerns over the future financial stability' of SHDC if the merger did not occur. Is the Committee able to confirm:

- a) predicted deficits for 2018/19, 2019/20 and beyond 2020/21?;*
- b) how the Council proposes to reorganise?;*
- c) how the merger would have avoided deficits?;*
- d) if there is any plan for a Council Tax referendum?*

In response, the Leader advised that:

- a) For SHDC the Council had put forward proposals for a balanced budget in 2018/19 as set out in the Executive report of 1 February, 2018, which was a legal requirement. The predicted deficits are £639,000 in 2019/20 and £561,000 in 2020/21 – a total of £1.2million.
- b) Tough decisions would need to be made on reducing service provision. The budget report for 2018/19 made clear that a decision needed to be made on public conveniences for example in the 2019/20 budget. The Council would be examining other ways to generate more income and be more commercial. Through the joint waste procurement, there would be options for Members regarding the frequency of waste collection in the future e.g. Three weekly, options for optimising the trade waste service, alongside other options such as charging for garden waste. The Council's asset portfolio was being reviewed and options were being drafted for Members as to potential future opportunities. The Council was working in partnership with Eastbourne Borough Council on innovative option appraisals and development opportunities as to how the Council could optimise its asset base.
- c) The Single Council would have realised over £0.5million per year from staffing and other efficiencies plus increased council tax income of £2.5million per year (by the end of the equalisation period) which would have contributed towards the funding gap and improving valued services, providing a strong resilient financial base. A single asset strategy for the Single Council would have been produced, to maximise assets across the whole area of South Hams and West Devon. Longer term savings could have been delivered from a future decision to operate from one main office for example. There would have been an opportunity to derive savings from new contracts and systems requirements when the dual arrangements were replaced by cheaper single contractual relationships.

- d) No. The current proposal is to increase council tax by £5 for 2018/19, as set out in the Executive report of 1 February 2018.

Question 4: Given that the financial case presented in the consultation and other briefings was apparently unanswerable why does this Committee think:

- a) so many South Hams residents objected to the merger proposal?;*
- b) West Devon councillors rejected the merger proposal?*

In response, the Leader advised that over 80,000 residents did not respond, so clearly they were the silent majority.

Question 5: Do members of this Committee believe that the embarrassing public failure of this merger, which wasted considerable public funds, means the current Council leader Mr Tucker should stand down?

(At this point the Leader left the room).

The Deputy Leader then gave the following response:

This authority is facing unprecedented financial pressures. We are all aware of the need to meet these pressures and I am enormously privileged to work alongside a Leader that puts this authority before political gain. Our Transformation 18 Programme places us the envy of a great many local authorities. I do not consider the outcome of the consultation as embarrassing, disappointing maybe. However, we do know through that consultation, on the whole, our residents are happy with the services provided by this authority. So to sum up my answer – a very firm No.

(Upon the conclusion of the response, the Leader returned to the meeting).

Question 6: Is this Committee aware that the web pages containing the procedure for submitting public questions at Executive and other committee meetings do not contain either an email address to which one should submit questions or a telephone number for member services? Will the committee direct that these web pages are updated to contain relevant email addresses and telephone numbers?

In response, the Leader advised that the Executive was aware that a number of the 'How You Can Get Involved' pages on the Council website did not contain relevant contact details up until recently. This was an unfortunate consequence of a number of webpages being transferred from an old to a new website towards the end of last year and had now been rectified.

E.60/17 **REPORTS OF OTHER BODIES****RESOLVED**

That the following be received and that any recommendations contained therein be approved:

a) **Joint Development Management and Overview and Scrutiny Panel – 18 January 2018**

i. **OSDM.2/17 REVIEW OF FEES AND CHARGES**

The Executive noted the recommendations under this item for consideration with the Budget report later on the agenda (Item 9: Revenue Budget Proposals 2018/19)

That the Executive **RECOMMEND** to Council that:-

1. the proposed fees and charges set out for Parks, Open Spaces and Outdoor Sports be approved;
2. the proposed Environmental Health Charges that are outside of the jurisdiction of the Licensing Committee be approved;
3. the proposed Fees and Charges for Development Management (as set out in Appendix C of the presented agenda report) be approved;
4. delegated authority be given to the Group Manager for Commercial Services, in consultation with the lead Executive Member, to set the Dartmouth Lower Ferry Fees to take account of market conditions, including competitor charges;
5. it approves:
 - an overall percentage increase of 2% to car park charges and to delegate responsibility of implementing the increase to the Group Manager for Commercial Services, in consultation with the lead Executive Member, following consultation with representative bodies (including town and parish councils); and
 - the withdrawal of weekly parking tickets;
6. delegated authority be given to the Group Manager for Commercial Services, in consultation with the lead Executive Member, to set the Commercial Waste charges, once all the price modelling factors are known;

7. delegated authority be given to the Group Manager for Commercial Services, in consultation with the lead Executive Member, to set the Public Conveniences 'Pay on Entry' charges (which should not exceed 20 pence), following completion of works and a review of appropriate charges; and
8. the changes to Boat Storage Charges (as set out in paragraph 3.7 of the presented agenda report) be approved.

ii. OSDM.3/17 BUDGET PROPOSALS REPORT 2018/19

It was then **RESOLVED** that Executive **RECOMMEND** to Council:

- a) That the views of the Joint Meeting be taken into account during the 2018/19 Budget Setting Process; and
- b) The unfairness of Central Government Funding for Shire District Councils be brought to the attention of our local MPs, with them both being encouraged to ask a parliamentary question on this point during the weekly Prime Ministers' Question Time

iii. OSDM.4/17 PLANNING ENFORCEMENT SERVICE REVIEW

It was then **RESOLVED** that:

1. the Local Enforcement Plan (as outlined at Appendix 1 of the presented agenda report) be adopted;
2. the Planning Engagement Member Engagement Protocol (as outlined at Appendix 2 of the presented agenda report) be adopted;
3. the proposed Actions (as set out in Section 4 of the presented agenda report) be endorsed; and
4. authority be delegated to the Community Of Practice Lead Development Management, in consultation with the lead Executive Member for Customer First, to make any minor amendments to the Plan, Protocol and Actions prior to their adoption.

E.61/17 **QUARTER 3 REVENUE BUDGET MONITORING 2017/2018**

Members were presented with a report that enabled them to monitor income and expenditure variations against the approved budget for 2017/18, and provided a forecast for the year end position.

The Lead Member for Support Services introduced the report. Relevant Portfolio Holders responded to questions of clarity, and Members discussed the issue of the cost of agency staff, particularly in relation to Commercial Services. The Group Manager Commercial Services responded that the overspend on agency costs had arisen as a result of extraordinary circumstances and not to cover holidays and sickness.

It was then:

RESOLVED:

- 1) That the forecast income and expenditure variations for the 2017/18 financial year and the overall projected underspend of £103,000 (1.2% of the total budget £8.346 million) be endorsed; and
- 2) That Council be **RECOMMENDED** to transfer the income surplus (of up to £20,000) into a Support Services Trading Opportunities Earmarked Reserve at the end of the 2017/18 financial year. This is expected to be £20,000 and was generated by HR and Finance in providing support to other Councils on their Transformation Programmes;
- 3) That Council be **RECOMMENDED** to transfer the underspend on the Leisure budget (of up to £87,000) into a Leisure Earmarked Reserve at the end of the 2017/18 financial year;
- 4) That Council be **RECOMMENDED** to transfer £50,000 of the additional planning income into the Planning Policy & Major Developments Earmarked Reserve at the end of the 2017/18 financial year.

E.62/17 **CAPITAL PROGRAMME MONITORING**

Members were presented with a report that advised of the progress on individual schemes within the approved capital programme, including an assessment of their financial position.

The Lead Member for Support Services introduced the report. During discussion, the following points were raised:

- The Leader brought Members' attention to the amount that had been spent on coastal assets and advised that the Council was working closely with the Environment Agency on obtaining grant funding;

- One Member raised concerns that the project to replace play equipment was behind schedule. In response, officers took responsibility for the slippage (this was due to capacity) and confirmed that the work would proceed and consultation would take place;
- A local Ward Member for Ivybridge asked that the matter of the Old Fire Station Playgroup building be considered as the building was situated at the gateway to Ivybridge and did not give a good impression. The Senior Specialist Environmental Health confirmed that this building fell within an area currently undergoing a transport assessment, as part of a project related to air quality management;
- One Member asked that the cost of wheelie bins on new developments be included within s106 Agreements and it was agreed that this would be investigated. The Waste Working Group had independently agreed that any new requests for bins would result in a charge;
- A Member asked if there were any controls or monitoring that could be undertaken in relation to Occupational Health recommendations for Disabled Facilities Grants, with regard to Disabled Facilities Grants, it was asked whether the Better Care Fund could be spent on improving the condition of properties;
- One Member asked that, in considering options for Whitestrand car park and development of the Harbour Office, that the option of closing the car park during July and August be considered;
- In response to a query regarding when work would commence at Quayside Leisure Centre, Members were advised that the project would commence in May 2018.

It was then:

RESOLVED:

- 1) That the Monitoring Report be endorsed; and
- 2) That Council be **RECOMMENDED** that £145,000 of the capital programme contingency budget of £300,000 is approved to be allocated to the capital projects as set out in exempt Appendix B.

E.63/17

BUDGET PROPOSALS REPORT 2018/19

Members were presented with a comprehensive report that set out how the Council's Medium Term Financial Position was based on a financial forecast over a rolling five year timeframe to 2022/23. The Council had continued to work in partnership with West Devon Borough Council to achieve savings. However, the Councils continued to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. The report set out the options for closing the budget gap.

The Leader introduced the report. In so doing, he advised that the Executive were proposing to make four adjustments to the recommendations arising from the joint meeting of the Development Management Committee and Overview and Scrutiny Panel. These were as follows:

1. Community Reinvestment Fund – would be completely removed;
2. Accepting payment by cash or cheque – would be stopped with effect from 1 April 2018;
3. The subscription to South West Councils would continue; and
4. The payment to the Local Enterprise Partnership would continue.

During discussion on this item, Members asked a number of questions of clarity. A number of Members were concerned at the proposal to transfer or close public conveniences. There were also concerns that savings made in some areas could be lost in the increasing costs of providing front line services in Commercial Services. The Group Manager Commercial Services explained that there were a number of trends nationally and locally that caused the waste budget to be volatile. The current procurement exercise would allow the Project team to look at the current base budget and make comparisons against local costs, national trends and alternative service solutions.

It was then:

RESOLVED that Council be **RECOMMENDED**:

- i) To increase Council Tax by £5 (which equates to a Band D council tax of £160.42 for 2018/19, an increase of £5 per year or 10 pence per week – as shown in 5.12). This equates to a Council Tax Requirement of £6,072,207.
- ii) That the financial pressures in Appendix B of £895,700 be agreed
- iii) That the £10,000 discretionary budget bid for the Citizens Advice Bureau be agreed;
- iv) That the schedule of savings identified in Appendix B totalling £689,350 be agreed;
- v) To approve the budget proposals for Public Conveniences as set out in 6.11, 6.23 and 6.24 (This requires a decision as part of the 2018-19 budget process, due to the implementation timescales).
- vi) That the Collection Fund Surplus of £73,000 as shown in Appendix B be agreed ;

- vii) That the level of contributions to reserves to be included within the Authority's budget, as set out in Appendix C be agreed (this includes using £721,688 of New Homes Bonus funding to fund the 2018-19 Revenue Budget and a contribution of £475,000 into an Economic Regeneration Projects Earmarked Reserve);
- viii) To withdraw the Community Reinvestment Projects budget of £153,900 in 2018/19 onwards (This was previously funded by New Homes Bonus funding as set out in Appendix E)
- ix) To delegate to the S151 Officer, in consultation with the Leader and Executive Member for Support Services to agree the final amount of New Homes Bonus funding for the Dartmoor National Park Sustainable Community Fund for 18/19
- x) To ring-fence £3.5 million from the Business Rates Retention Earmarked Reserve for employment for the creation of local jobs and to better support the local economy, as per Appendix D
- xi) That the Council Tax Support Grant paid to Town and Parish Councils is reduced by 9.85% for 2018/19 as per Appendix A. This equates to a payment of £82,615 for 2018/19.
- xii) That the Council should set its total net expenditure for 2018/19 as shown in Appendix B as £8,902,590.
- xiii) That the minimum level of the Unearmarked Revenue Reserves is maintained at £1,500,000 as per Section 9.
- xiv) That the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates are noted. This is a requirement of Part 2 of the Local Government Act 2003.

E.64/17

CAPITAL BUDGET PROPOSALS FOR 2018/19

Members were presented with a report that set out the capital bids to the 2018/19 Capital Programme totalling £2,555,000 and a suggested way that the Bids could be funded. All items were based on budget estimates and would be subject to the normal project appraisal procedures.

The Leader introduced the report. One Member asked that in refurbishing the industrial units at Garden Mill, that consideration be given to putting solar panels on the roofs.

It was then:

RESOLVED

That Council be **RECOMMENDED** that:

1. the Capital Programme Proposals for 2018/19, which total £1,200,000 (Appendix A), be approved;
2. the Capital Programme Proposals for 2018/19, which total £1,355,000 (Exempt Appendix B) be approved;
3. the 2018/19 Capital Programme of £2,555,000 be funded from the sources as set out in section 4 of the presented report.

E.65/17

COMMUNITY REINVESTMENT PROJECTS FUND 2017/18 GRANT ALLOCATIONS

Members were presented with a report that set out a summary of applications received to the Community Reinvestment Project Fund in 2017/18, along with the officer assessment and recommendations.

The Lead Member for Customer First introduced the report. During discussion, some Members raised concerns over specific recommendations and whether the criteria for the Fund had been met. The Lead Member for Support Services confirmed that legal advice had been sought in relation to the project within a church building, and it was felt that the project was acceptable because the applicant had confirmed that they place no restriction on which groups or individuals can book the facility, regardless of their religious orientation or beliefs. One Member felt that the Grant Allocations were to towns at the expense of villages and the report should be deferred and the applications reconsidered.

It was then:

RESOLVED

That eight grant applications totalling £153,900 from the 2017/18 Community Re-Investment Project Fund, as set out in the presented appendix, be approved.

E.66/17

WRITE OFF REPORT

Members considered a composite report that detailed the debts for all revenue streams within the Revenue and Benefits Service remit up to the value of £5,000, written off by the S151 Officer under delegated authority.

The Lead Member for Support Services introduced the report.

It was then:

RESOLVED

1. That in accordance with Financial Regulations, it be noted that the s151 Officer had authorised the write-off

of individual South Hams District Council debts totalling £68,188.13 as detailed in Tables 1 and 2 of the presented agenda report; and

2. That the write off of individual debts in excess of £5,000 totalling £12,277.16 as detailed in Table 3 of the presented report be approved.

E.67/17 **AIR QUALITY STRATEGY**

Members were presented with a report that set out a draft Air Quality Strategy, devised in co-ordination with Devon County Council, and sought approval to present the Strategy for consultation.

The Leader introduced the report, and the Senior Specialist Environmental Health responded to a number of questions. Members raised a number of points during discussion as follows:

- The issue of emissions from commercial vehicles;
- Whether the Kingskerswell bypass had improved the traffic and air quality issues in Totnes;
- In response to a question about the A38, the Executive Director (S&C) advised Members that strategic discussions about travel routes into the south west took place at the LEP meetings; and
- Green travel vouchers being a waste of time and money and should not be considered a mitigation or solution.

To conclude, the Leader advised that this was a consultation document and Members were able to make their comments as part of the consultation.

It was then:

RESOLVED that Council be **RECOMMENDED** that:

- a) A public and statutory consultation be commenced on the proposed Air Quality Strategy (at appendix 1 of the presented agenda report); and
- b) Authority be delegated to the Senior Specialist Environmental Health in consultation with the Leader to make minor amendments to the document prior to its publication.

E.68/17 **LOCAL VALIDATION LIST FOR PLANNING APPLICATIONS**

Members were presented with a report that sought approval of the revised Local Validation List for planning applications, following a review that had been undertaken. The National Planning Policy Framework set out that local authorities should publish a list of their information requirements for planning applications.

The Lead Member for Customer First introduced the report. In so doing, he asked that an additional recommendation be added that gave delegated authority for minor amendments to be made. The CoP Lead Development Management responded to questions and confirmed that the revised list was clearer, and enabled officers to be more robust in the level of information required.

It was then:

RESOLVED that:

- a) The revised local validation list be approved; and
- b) Authority be delegated to the CoP Lead Development Management in consultation with the Lead Member for Customer First to make minor amendments to the document prior to its publication.

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF E.60/17, E.61/17, E.62/17 (2), E.63/17, E.64/17 AND E.67/17 WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 22 FEBRUARY 2018, WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY, 12 FEBRUARY, 2018 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

(Meeting commenced at 10.00 am and concluded at 12.55 pm)

Chairman

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PUBLIC QUESTIONS AT EXECUTIVE MEETINGS

The Council at its meeting on 21 June 2001 agreed that 15 minutes should be set aside at the beginning of the Council's monthly Executive meetings to allow members of the public to ask questions.

Any member of the public who wants to raise a question at a meeting should:-

- (a) submit the question in writing to the Democratic Services Manager by 5.00 pm on the Monday prior to the Executive meeting. This will allow a detailed answer to the question to be given at the meeting. If advance notice of the question cannot be given, the Chairman of the meeting has the discretion to allow questions on matters which are felt to be urgent;
- (b) ensure that normally questions are no longer than 50 words in length;
- (c) ensure that the question does not relate to a specific planning matter (this is specifically excluded from the public question time);
- (d) ensure that the question relates to something over which the Council has some control and is suitable to be considered, ie, that it is not derogatory to the Council or relates to matters which the Council could consider confidential.

For any further advice on questions for Executive meetings, please contact Kathryn Trant (Member Services Manager).

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Agenda Item 6

Report to: **Executive**

Date: **15 March 2018**

Title: **2018/19 Treasury Management Strategy**

Portfolio Area: **Support Services – Councillor S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Full Council

Authors: Lisa Buckle Role: **Strategic Finance Lead (S151 Officer)**

Contact: Email Lisa.buckle@swdevon.gov.uk 01803 861413

Recommendations:

That the Executive RECOMMEND to Council approval of the following:

- 1. The prudential indicators and limits for 2018/19 to 2020/21 contained within Appendix A of the report.**
- 2. The Minimum Revenue Position (MRP) statement contained within Appendix A which sets out the Council's Policy on MRP.**
- 3. The Treasury Management Strategy 2018/19 and the treasury prudential indicators 2018/19 to 2020/21 contained within Appendix B.**
- 4. The Investment Strategy 2018/19 Appendix C and the detailed criteria included in Appendix D and the counter party list in Appendix E**
- 5. To invest £500,000 into CCLA Local Authority Property Fund (LAPF) and £1 million into the CCLA Diversified Income Fund as per Appendix H.**

1. Executive summary

This report seeks approval of the proposed Treasury Management and Investment Strategies together with their associated prudential indicators.

Good financial management and administration underpins the entire strategy. The budget for investment income for 2018/19 has been set at £123,000. This remains the same as the 2017/18 budget.

The following changes have been made to 2018/19 Treasury Management Strategy,

- **Country and sector limits** – the Council has lifted the restriction to only use UK registered banks. This limit has been widened to allow the use of approved counterparties from countries with a minimum sovereign credit rating of AA- (see Appendix C).
- **Counterparty list** – following the lift of the restriction to only use UK registered banks, the Council's approved counterparty list has been included in Appendix E.
- **CCLA Property Investment Funds** – the Council's list of investment vehicles has been updated to allow the future use of CCLA Property Investment Funds. This will be the Council's only Non-Specified Investment and a limit of £2 million has been set for this asset class. There is a recommendation to invest £1.5 million into CCLA as per Appendix H.
- **Capital Strategy** - In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare an additional Capital Strategy report. Details of what this report is intended to provide can be found at point 2.2 of this report. The Council will produce a Capital Strategy in 2018/19.
- **Prudential Indicators** – the estimates of the incremental impact of capital investment decisions on council tax indicator has been removed from the revised 2017 Prudential Code. However, the Council is retaining this as a local indicator to support Member decision making.
The Council's prudential indicators have been revised to reflect the current schedule of borrowing for the leisure investment (see Appendix A).
- **Asset Class** – the current approach means the Council is just dealing with money market instruments, plus the potential to invest in the property fund (CCLA), so there is not much asset diversification currently.

2. Background

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. CIPFA defines treasury management as:

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

2.1 Reporting requirements

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

Prudential and treasury indicators and treasury strategy (this report)

- The first, and most important report covers:

- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - The above reports are required to be adequately scrutinised before being recommended to the Council. The reports are presented to the Executive prior to being recommended to Council.

2.2 Capital Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare an additional Capital Strategy report, which is intended to provide the following:-

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability arising from longer term capital objectives

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by the Capital Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

2.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

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

Treasury management issues

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- Policy on borrowing in advance of need;
- The investment strategy;
- Creditworthiness policy; and
- Policy on use of external service providers.

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

It is noted that MHCLG released revised Investment and MRP Guidance on 2nd February and the Council will adopt any relevant changes in an updated Strategy during the 2018/19 financial year.

2.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This training has recently been widened to include Non-Treasury Investment. Treasury management training will be organised for Members during the 2018-19 financial year.

The training needs of treasury management officers are periodically reviewed. Officers received training on 31st January 2018.

2.5 Treasury management advisors

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

3. Outcomes/outputs

The budget for investment income for 2018/19 has been set at £123,000. This remains the same as the 2017/18 budget. However an income target of an extra £25,000 has been set for 2018/19.

4. Options available and consideration of risk

In order to maximise investment returns the Council needs to be able to either increase our investment portfolio which could potentially mean increasing the risk factor or maintain the current list of Counter Party's but further increase the limit we can invest in each to avoid using those with the lowest rate of return.

5. Borrowing for the Leisure Investment

The Council is currently modelling its Balance Sheet position for 31/3/18, which will inform the decision as to how to structure the borrowing for the Leisure Investment. The main expenditure occurs in 2018/19. The Council is preparing for the early closedown of its year end Accounts for 31st March 2018 and this work is progressing. A recommendation will be made as part of the Treasury Management Strategy presented to Council on 29th March.

6. Proposed Way Forward

It is recommended for the Council to approve the Treasury Management and Investment Strategy.

7. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--|---------------------------|---|
| Legal/Governance | Y | The elements set out in paragraph 2.2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code, the Department for Communities and Local Government (DCLG) Investment Guidance and the DCLG MRP Guidance. |
| Financial | Y | <p>Good financial management and administration underpins the entire strategy. The budget for investment income for 2018/19 is £123,000. A stretched income target of a further £25,000 is being set.</p> <p>As at 31/3/17 (Balance Sheet position), the Council had £29.175 million in investments. See comments in Appendix H regarding the investment of £1.5 million into CCLA.</p> |
| Risk | Y | <p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive as part of budget reports</p> |
| Comprehensive Impact Assessment Implications | | |
| Equality and Diversity | N | N/a |
| Safeguarding | N | N/a |

| | | |
|--------------------------------------|---|------|
| Community Safety, Crime and Disorder | N | N/a |
| Health, Safety and Wellbeing | N | N/a |
| Other implications | N | none |

Supporting Information

Appendices:

Appendix A - The Capital Prudential indicators 2018/19 to 2020/21.

Appendix B - The Treasury Management Strategy 2018/19

Appendix C - The Investment Strategy

Appendix D - Treasury Management Practice (TMP 1) – Credit and Counterparty Risk Management

Appendix E – Counterparty List as at 16th February 2018

Appendix F - Treasury Management Scheme of delegation

Appendix G - Glossary of Terms Appendix

Appendix H – CCLA Investment Options

Appendix I – LAPF Factsheet (CCLA Option)

Appendix J – DIF Brochure (CCLA Option)

Background Papers:

Executive: 9/03/17 - TMS & Annual Investment Strategy 2017-18

Executive: 07/12/17 - TMS (Mid Year Update)

APPENDIX A

THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

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

Capital expenditure

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

| Capital expenditure £m | 2016/17 Actual | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Total | 3,023 | 3,413* | 7,492 | 2,464 | 410 |

*Note – This figure is £2,415,000 as per the Council report on 9 February 2017, plus £0.998 million for Leisure Investment in 17/18. In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract, with a further £1.5 million of prudential borrowing for a loan facility being subject to a business case. The remaining leisure investment occurs in 18/19 and 19/20.

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

| Capital expenditure (£m) | 2016/17 Actual | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| Total | 3,023 | 3,413 | 7,492 | 2,464 | 410 |
| Financed by: | | | | | |
| Capital receipts | 665 | 877 | 1,111 | TBA | TBA |
| Capital grants | 1,166 | 613 | 700 | TBA | TBA |
| Reserves (including New Homes Bonus Reserve) | 1,192 | 925 | 744 | TBA | TBA |
| Net financing need for the year (This is the prudential borrowing required for capital investment in Leisure) | Nil | 998 | 4,937 | TBA | TBA |

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

The second prudential indicator is the Council's Capital Financing Requirement (CFR). It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life.

In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract. There is predicted to be £1 million of Leisure investment in 2017/18 (this is shown in the movement in CFR). The remaining leisure investment occurs in 18/19 and 19/20.

The Council is asked to approve the CFR projections below:

| | 2016/17 Actual £000 | 2017/18 Estimate £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 | 2020/21 Estimate £000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Financing Requirement (CFR) | | | | | |
| Total CFR | - 98 | 900 | 5,797 | 5,676 | 5,396 |
| Movement in CFR | Nil | 998 | 4,897 | -121 | -280 |
| Movement in CFR represented by: | | | | | |
| Net Financing need for the year | Nil | 998 | 4,937 | 159 | Nil |
| Less MRP and other financing movements | Nil | Nil | -40 | -280 | -280 |
| Net borrowing requirement | Nil | 998 | 4,897 | -121 | -280 |

Minimum revenue provision (MRP) policy statement

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2003 states that 'A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'. The provision is made from revenue in respect of capital expenditure financed by borrowing or credit arrangements.

With all options MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'. However MRP guidance has been issued, which makes recommendations to authorities on the interpretation of that term. Authorities are legally obliged to 'have regard' to the guidance.

The first recommendation given by the guidance is to prepare, before the start of each financial year, an annual statement of the policy on making MRP in respect of that financial year and submit this to Full Council for approval. The guidance aims to ensure that the provision for the repayment of borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.

The MRP policy to be adopted is as below:-

| Borrowing | MRP Methodology |
|--------------------|---|
| Leisure Investment | <p>Asset Life Method MRP is charged using the Asset Life method – based on the estimated life of the asset. (For the Leisure investment, MRP will be charged over the 25 years – therefore 4% per annum).</p> <p>This option provides for a reduction in the borrowing need over approximately the asset's life.</p> |

Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget Requirement.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate |
| Ratio of net financing cost to net revenue stream. | (1.8)% | (1.1)% | 1.0% | 4.1% | 4.3% |

This is a surplus in 16/17 and 17/18 but it becomes a net financing cost from 2018/19 onwards.

TREASURY MANAGEMENT STRATEGY (BORROWING)

Introduction

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

Treasury Indicators: Limits to borrowing activity

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

| Operational Boundary | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-----------------------------|-----------|-----------|------------|------------|
| | Estimate | Estimate | Estimate | Estimate |
| Borrowing | 5,000,000 | 9,000,000 | 10,000,000 | 10,000,000 |
| Other long term liabilities | - | - | - | - |
| Total | 5,000,000 | 9,000,000 | 10,000,000 | 10,000,000 |

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils’ plans, or those of a specific council, although no control has yet been exercised.

2. The Council is asked to approve the following Authorised Limit:

| Authorised limit | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-----------------------------|------------|------------|------------|------------|
| | Estimate | Estimate | Estimate | Estimate |
| Borrowing | 10,000,000 | 14,000,000 | 15,000,000 | 15,000,000 |
| Other long term liabilities | - | - | - | - |
| Total | 10,000,000 | 14,000,000 | 15,000,000 | 15,000,000 |

Prospects for interest rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

| | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bank rate | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.50% |
| 5yr PWLB rate | 1.90% | 2.00% | 2.10% | 2.10% | 2.20% | 2.30% | 2.30% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% |
| 10yr PWLB rate | 2.50% | 2.50% | 2.60% | 2.70% | 2.70% | 2.80% | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% |
| 25yr PWLB rate | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB rate | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in May and November 2018, November 2019 and August 2020.

Investment and borrowing rates

Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing Strategy

In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract, with a further £1.5 million of prudential borrowing for a loan facility being subject to a business case.

There is predicted to be £1 million of Leisure investment in 2017/18 (this is shown in the movement in CFR). The remaining leisure investment occurs in 18/19 and 19/20.

Treasury management limits on activity

There are two related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance.

The indicators are:

- Upper limits on fixed interest rate exposure – This covers a maximum limit on fixed interest rates.
- Upper limits on variable interest rate exposure – This covers a maximum limit for variable interest rates.

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

| Interest rate Exposures | 2018/19 | 2019/20 | 2020/21 |
|--|----------------|----------------|----------------|
| | Upper | Upper | Upper |
| Limits on fixed interest rates based on net debt | 100% | 100% | 100% |
| Limits on variable interest rates based on net debt | 50% | 50% | 50% |
| Limits on fixed interest rates: Debt only | 12,500,000 | 12,500,000 | 12,500,000 |
| Limits on variable interest rates: Debt only | 2,500,000 | 2,500,000 | 2,500,000 |
| Maturity Structure of fixed interest rate borrowing 2018/19 | | | |
| | Lower | Upper | |
| Under 12 months | 0% | 10% | |
| 12 months to 2 years | 0% | 10% | |
| 2 years to 5 years | 0% | 30% | |
| 5 years to 10 years | 0% | 50% | |
| 10 years and above | 0% | 100% | |

Policy On Borrowing In Advance Of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- The Council would not look to borrow more than 18 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

If the Council had to borrow temporarily for cash flow purposes only in an emergency, then the S151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks. A report will subsequently be reported to Council. In all other circumstances, approval to borrow money will always be a decision that can only be made by Full Council and a full report will be brought to Members.

Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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

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

Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

** Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see appendix D.*

The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

Country and sector limits

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

Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and to rise to 1.25% by quarter 1 2021.

Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

- 2017/18 0.40%
- 2018/19 0.60%
- 2019/20 0.90%
- 2020/21 1.25%

The overall balance of risks to these forecasts is currently probably slightly skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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

| Maximum principal sums invested > 365 days | | | |
|--|----------------|----------------|----------------|
| £m | 2018/19 | 2019/20 | 2020/21 |
| Principal sums invested > 365 days | £6m | £6m | £6m |

Icelandic bank investments

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators. As at today, the Council has £22,483 frozen in the Heritable Bank.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council. Heritable Bank is registered in Scotland with an address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fifteen dividends amounting to 98% of the original deposit. The timescale for receiving the final amount outstanding has not been confirmed. The administrators estimate that the return to all unsecured creditors is now between 98-100 pence in the pound.

End of year investment report

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

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year’s duration.
3. A local authority
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society)

Non-specified investments: These are any investments which do not meet the Specified Investment criteria.

CCLA Property Fund investment will be the Council’s only Non-Specified Investment and there is a limit of £2 million for this asset class.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

| | Minimum credit criteria / colour band | Max % of total investments / £ limit per institution | Max. maturity period |
|----------------------------------|--|---|--|
| DMADF – UK Government | N/A | 100% | 6 months |
| Money Market Funds | AAA | £6 million | Liquid |
| Ultra Short Dated Bond Funds | AAA | £6 million | T + 2 |
| Local authorities | N/A | £6 million | 5 years |
| Property Investment Funds – CCLA | N/A | £2 million | No fixed maturity date but will generally be up to 7 years |

| | | | |
|--|-----------|---|-------------------|
| Term deposits with banks and building societies | Yellow | £6 million (£7 million for Lloyds plc – see note) | Up to 5 years |
| | Purple | | Up to 2 years |
| | Blue | | Up to 1 Year |
| | Orange | | Up to 1 Year |
| | Red | | Up to 6 months |
| | Green | | Up to 100 days |
| | No Colour | | Not for use |
| <p>The Council is not recommending using the following investment vehicles and this is reflected by showing 0% against the limit per institution.</p> | | | |
| UK Government gilts | AAA | 0% | Yellow (5 years) |
| UK Government Treasury bills | AAA | 0% | 6 months |
| Bonds issued by multilateral development banks | AAA | 0% | Yellow (5 years) |
| CDs or corporate bonds with banks and building societies | Yellow | 0% | Up to 5 years |
| | Purple | | Up to 2 years |
| | Blue | | Up to 1 year |
| | Orange | | Up to 1 year |
| | Red | | Up to 6 months |
| | Green | | Up to 100 days |
| | No colour | | Not for use |

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

| | Minimum 'High' Credit Criteria | Use |
|--|--------------------------------|----------|
| Debt Management Agency Deposit Facility | - | In-house |
| Term deposits – local authorities | - | In-house |
| Term deposits – banks and building societies | Green | In-house |

Term deposits with nationalised banks and banks and building societies

| | Minimum Credit Criteria | Use | Max % of total investments | Max. maturity period |
|----------------------------------|-------------------------|----------|----------------------------|----------------------|
| Lloyds Bank plc* | Blue | In-house | £7 million | Up to 1 year |
| Other UK part nationalised banks | Blue | In-house | £6 million | Up to 1 year |

| Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): - | | |
|--|------------|----------|
| 1. Government Liquidity Funds | MMF Rating | In-house |
| 2. Money Market Funds | MMF Rating | In-house |
| 3. Ultra Short Dated Bond Funds | EMMF | In-house |

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

| A Guide to Money Market Funds | |
|--------------------------------------|---|
| Definition | A pool of cash managed by an independent fund management company. Frequently these are well known banks or investment houses |
| Investment | Investors purchase units (shares) of the fund which are held on their behalf in a custody account. |
| Returns | Returns in line with either 7-day or 1-month LIBID are targeted by most funds. |
| Liquidity | The funds are very liquid. Shares can be purchased and sold on the same day if necessary and without penalty. Deals are subject to a cut-off time which varies from manager to manager but can be as late as 2pm. |
| Variety | Two types of classes exist – <ol style="list-style-type: none"> 1) Stable Net Asset Value (SNAV) – the most common variety. Prices are fixed and interest is credited to investors in the form of a dividend. 2) Accumulating Net Asset Value (ANAV) – interest is credited to the shares and the price rises to reflect the return achieved. |
| Accounting | Purchases of MMF shares do not score as capital expenditure. Sales do not score as capital receipts. |
| Legality | Local authorities are permitted to invest in sterling denominated funds with an AAA credit rating and domiciled in the EU. |
| Regulation | UK-based Funds are regulated by the Financial Services Authority. Those domiciled in other EU zones (the majority) are regulated via the Undertakings for Collective Investment in Transferable Securities (UCITS) Code. The Code lays down strict common standards of investment and management. |
| Portfolio holdings | Cash is invested in a selection of high quality, high liquidity securities including: time deposits, certificates |

| | |
|-------------------------------|---|
| <p>Credit rating</p> | <p>of deposit, short-dated gilts, corporate bonds and notes, commercial paper etc.</p> <p>Local authorities are empowered to place funds in investment schemes with a high credit rating. Money Market Funds fall into this category and are all rated by one or more of the three rating agencies. Credit Quality – measures the financial strength of the fund (not the manager) and the probability of it defaulting.</p> |
| <p>Risk management</p> | <p>The funds eligible for local authority investment score highly on credit quality and low volatility. All have an AAA rating which means that the chances of default are considered minimal.</p> <p>1) Rating requirements – in order to maintain an AAA rating fund managers must adhere to requirements specified by the rating agencies. These include:</p> <ul style="list-style-type: none"> • A maximum exposure to any one counterparty (concentration ratio) between 5% & 10% • A maximum weighted average maturity (WAM) for the entire fund – typically 60 days • A minimum level of overnight investments to ensure high liquidity • A lower limit on quality of investment counterparty <p>2) Ring fencing – monies received from share purchases are invested in financial instruments by the managing organisation. Deposits/security investments are held in custody by a non-related company that specialises in custody services. Counterparty exposure of the fund (and of the investor) is to the underlying securities and not to the management company.</p> |
| <p>Exposure limits</p> | <p>In view of the funds’ low concentration ratios; quality of asset holdings; maximum WAM and ring-fencing arrangements, counterparty risk is spread widely. MMFs possess the same status as external fund managers operating cash/gilt funds for local authorities. They should have their own counterparty limit which can be considerably greater than that accorded to individual investment counterparties.</p> |

COUNTERPARTY LIST

APPENDIX E

| Counterparty as at 16th Feb 2018 | | Fitch Rating | | | | Moody's Ratings | | | | S&P Ratings | | Suggested Duration | | | |
|---|---|--------------|------------|-----------|---------|-----------------|------------|-----------|------------|-------------|-----|--------------------|------|--------------|-------------|
| | | Long Term | Short Term | Viability | Support | Long Term | Short Term | Long Term | Short Term | | | | | | |
| United Kingdom | | | | | | | | | | | | | | | |
| | Collateralised LA Deposit* | | | | | | | | | | | Y - 60 mths | | | |
| | Debt Management Office Multilateral Development Banks | | | | | | | | | | | Y - 60 mths | | | |
| | Supranationals | | | | | | | | | | | Y - 60 mths | | | |
| | UK Gilts | | | | | | | | | | | Y - 60 mths | | | |
| Banks | Abbey National Treasury Services | PW | A | F1 | | 1 | SB | Aa3 | | P-1 | | R - 6 mths | | | |
| | Bank of Scotland PLC | SB | A+ | F1 | a | 5 | SB | Aa3 | | P-1 | PO | A | A-1 | R - 6 mths | |
| | Barclays Bank PLC | PW | A | F1 | a | 5 | NO | A1 | | P-1 | SB | A | A-1 | R - 6 mths | |
| | Close Brothers Ltd | SB | A | F1 | a | 5 | SB | Aa3 | | P-1 | | | | R - 6 mths | |
| | Goldman Sachs International Bank | SB | A | F1 | | | SB | A1 | | P-1 | SB | A+ | A-1 | R - 6 mths | |
| | HSBC Bank PLC | SB | AA- | F1+ | a+ | 1 | NO | Aa3 | | P-1 | SB | AA- | A-1+ | O - 12 mths | |
| | Lloyds Bank Plc | SB | A+ | F1 | a | 5 | SB | Aa3 | | P-1 | PO | A | A-1 | R - 6 mths | |
| | Santander UK PLC | PW | A | F1 | a | 2 | SB | Aa3 | | P-1 | SB | A | A-1 | R - 6 mths | |
| | Standard Chartered Bank | SB | A+ | F1 | a | 5 | SB | A1 | | P-1 | SB | A | A-1 | R - 6 mths | |
| | Sumitomo Mitsui Banking | SB | A | F1 | | 1 | SB | A1 | | P-1 | SB | A | A-1 | R - 6 mths | |
| | UBS Ltd. | SB | AA- | F1+ | | 1 | SB | A1 | | P-1 | SB | A+ | A-1 | O - 12 mths | |
| Building Societies | Coventry Building Society | SB | A | F1 | a | 5 | SB | A2 | | P-1 | | | | R - 6 mths | |
| | Leeds Building Society | SB | A- | F1 | a- | 5 | SB | A3 | | P-2 | | | | G - 100 days | |
| | Nationwide Building Society | NO | A+ | F1 | a | 5 | SB | Aa3 | | P-1 | SB | A | A-1 | R - 6 mths | |
| | Skipton Building Society | SB | A- | F1 | a- | 5 | SB | Baa1 | | P-2 | | | | G - 100 days | |
| | Yorkshire Building Society | SB | A- | F1 | a- | 5 | SB | A3 | | P-2 | | | | G - 100 days | |
| Nationalised and Part Nationalised Banks | National Westminster Bank | PW | BBB+ | F2 | bbb+ | 5 | PW | A2 | | P-1 | PO | BBB+ | A-2 | B - 12 mths | |
| | Royal Bank of Scotland Group Plc | SB | BBB+ | F2 | bbb+ | 5 | SB | Baa3 | | P-3 | SB | BBB- | A-3 | B - 12 mths | |
| | The Royal Bank of Scotland Plc | SB | BBB+ | F2 | bbb+ | PW | 5 | NW | A2 | NW | P-1 | SB | BBB+ | A-2 | B - 12 mths |

| Key | |
|----------------------|----------------------|
| Watches and Outlooks | Duration |
| SB Stable Outlook | Yellow - Y 60 Months |
| NO Negative Outlook | Blue - B 12 Months |
| NW Negative Watch | Orange - O 12 Months |
| PO Positive Outlook | Red - R 6 Months |
| PW Positive Watch | Green - G 100 Days |
| EO Evolving Outlook | |
| EW Evolving Watch | |

Treasury Management Scheme of Delegation

Full Council:

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on the recommendations
- Approving the selection of external service providers and agreeing terms of appointment

The treasury management role of the Section 151 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers
- To ensure that members with responsibility for treasury management receive adequate training in treasury management.
- To review the training needs of treasury management officers periodically

GLOSSARY OF TERMS

Basis Point

1/100th of 1%, i.e., 0.01%

Base Rate

Minimum lending rate of a bank or financial institution in the UK

Benchmark

A measure against which the investment policy or performance of a fund manager can be compared

Bill of Exchange

A financial instrument financing trade

Callable Deposit

A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre-agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen, the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower

Cash Fund Management

Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio

Certificate of Deposit (CD)

Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD

Commercial Paper

Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing

Corporate Bond

Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies

Counterparty

Another (or the other) party to an agreement or other market contract (e.g., lender/ borrower/writer of a swap, etc)

CPI

Consumer Price Index – calculated by collecting and comparing prices of a set basket of goods and services as bought by a typical consumer, at regular intervals over time.

CDS

Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap

Derivative

A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g., an option is a derivative because its value changes in relation to the performance of an underlying stock.

DMADF

Deposit Account offered by the Debt Management office, guaranteed by the UK government

ECB

European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle

EMU

European Monetary Union

Equity

A share in a company with a limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain

Fed.

Federal Reserve Bank of America – sets the central rates in the USA

Floating Rate Notes

Bonds on which the rate of interest is established periodically with reference to short-term interest rates

Forward Deal

The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed date

Forward Deposits

Same as forward dealing (above)

FSA (Financial Services Authority)

Body responsible for overseeing financial services

Fiscal Policy

The Government policy on taxation and welfare payments

Gilt

Registered British Government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent

Gilt Funds

Pooled fund investing in bonds guaranteed by the UK government

Money Market Fund (MMF)

A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments. It is very similar to a unit trust, however in a MMF

Monetary Policy Committee (MPC)

Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two year's time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment

Open Ended Investment Companies

A well diversified pooled investment vehicle, with a single purchase price, rather than a bid/offer spread

Other Bond Funds

Pooled funds investing in a wide range of bonds

Reverse Gilt Repo

This is a transaction as seen from the point of view of the party which is buying the gifts. In this case, one party buys gifts from the other and, at the same time and as part of the same transaction, commits to resell equivalent gifts on a specified future date, or at call, at a specified price

Retail Price Index (RPI)

Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person

Sovereign Issues (Ex UK Gilts)

Bonds issued or guaranteed by nation states, but excluding UK government bonds

Supranational Bonds

Bonds issued by supranational bodies, e.g., European investment bank. These bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts

Term Deposit

A deposit held in a financial institution for a fixed term at a fixed rate

Treasury Bill

Treasury bills are short term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value

WARoR

Weighted Average Rate of Return is the average annualised rate of return weighted by the principal amount in each rate

WAM

Weighted Average Time to Maturity is the average time, in days, till the portfolio matures, weighted by principal amount

WATT

Weighted Average Total Time is the average time, in days, that deposits are lent out for, weighted by principal amount

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Briefing Note on CCLA Investment Options

Recommendation:

That the Executive RECOMMEND to Council:

1. That the total sum of £1,500,000 from the Council's treasury management funds is invested in CCLA's (CCLA Investment Management Limited's) Local Authorities Property Fund (LAPF) and its Diversified Income Fund (DIF) as detailed in section 4.1 of this Appendix H.

1.0 Executive Summary

- 1.1 This report sets out the rationale for the recommendation of investing £1m into the CCLA DIF and £0.5m into the CCLA LAPF.
- 1.2 Combined, these investments could generate an additional £51k pa in additional investment income, based on current interest rates. In the first year the entry costs to the fund would need to be absorbed so this benefit won't start be realised until the second year e.g. 2019/20 onwards.

2.0 Background

CCLA – Investment Services for Churches, Charities & Local Authorities

- 2.1. A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. The Council's policy in the past, therefore, has been not to invest in these slightly more risky and less liquid forms of investment.
- 2.2. However, a variety of factors suggest that now may be an appropriate time to reconsider that approach, e.g.:
 - (a) The perception of increased risk in bank deposits.
 - (b) A growing UK economy that could support a more positive outlook for other forms of investment.
 - (c) A challenging budget outlook that would benefit from the influx of additional investment income.
- 2.3. Officers have therefore considered a variety of different forms of investment and have concluded that investment in to CCLA represents a balanced investment opportunity, splitting investment in to CCLA's two funds – the LAPF, which invests in UK Property and the DIF, which invests in global distributed investments. The latter pays dividends earned from revenue income generated from cash, AAA or BBB short-dated bonds and diverse investments in things such as energy / renewables, aircraft leasing, student accommodation, care homes, and some property.

2.4. **LAPF**

The CCLA (Churches, Charities and Local Authorities) Local Authority Property Fund has been specifically set up for local authorities, and currently has investments of over £933 million, with over 166 local authority investors including 9 county councils, 7 metropolitan councils/London boroughs and over 40 unitary and district councils. Devon County Council, Plymouth City Council, West Devon Borough Council and four Devon town councils are invested in the Fund. The fund own and operate 62 commercial properties across the UK, across various sectors with many having blue-chip tenants. By investing in this fund, South Hams would be able to diversify its risk exposure across the UK and multiple property types and sectors, generating a yield significantly higher than that generated by current treasury management investments, which averaged around 0.6% in the past 12 months.

- 2.5. The income yield over the course of the investment is likely to be around 4-5%, significantly above the rates available for term deposits with banks. The income yield will vary from year to year, but tends to be within a fairly narrow range – the 12 months to Dec 2017 averaged a net income (after management costs) of 4.58%. A £500k investment would have the potential to yield £21k additional investment income in its first full year to help offset the budget pressures facing the Council.
- 2.6. However, there are risks that should not be discounted. The capital value of property can go down as well as up, and therefore the capital redeemed at the end of the investment could be less than the sum initially invested. There are also charges that would need to be met; there is a bid offer spread of 8.3%, so the initial value of the fund will be lower than the initial amount invested. The management charge is 0.65% of income generated per year, but dividends are paid after this has been deducted. These factors combined mean that any investment needs to be a minimum of 5 years, and capital growth would need to be around 2% per year to ensure that the capital redeemed at the end of the investment was at least equal to the initial amount invested. The investment can be redeemed at any time, but it may take 3 to 4 months from the time that the redemption request was made for CCLA to liquidate sufficient holdings in order to return the funds. If the Council only invested £500k, in normal market conditions it is likely that this could be returned to the Council within one month of the request.
- 2.7 It should be noted that the charges above are similar to those that the Council would incur if it were to buy residential property. Stamp duty on an investment property is 5%, whilst agents fees on disposal, legal fees on acquisition and disposal and ongoing management fees for the property would equate (or even exceed) the above costs. The management charge of 0.65% is lower than most typical investment bonds / pension funds, which typically charge 0.75% as an annual fee.

2.8. Appendix A shows a CCLA LAPF Fact Sheet. Further details about CCLA can be found at www.ccla.co.uk Investments into this fund do not count as capital expenditure and dividends are treated as revenue income. The Council could invest and then sell at a later date and this means not only does the Council obtain regular returns (Paid quarterly), it also has the potential to benefit from an increase in “capital” value.

2.9. The potential return of 4.58% is approximately 7.6 times higher than the forecast treasury management return. In 2017/18, the average current return achieved was approx. 0.6%.

2.10 **DIF**

The DIF is a newer fund and is available to a wider pool of investors (whereas the LAPF is only available to Local Authorities). It was launched in late 2016 and so far has £74m in managed funds. There are 10 Local Authority investors, including one county and four boroughs / districts. The minimum investment is £1m and on average the fund has generated a dividend yield, after management costs of 3%.

2.11 The lower return is due to the inherent lower risk appetite of the fund, with strict rules in place to ensure that at any time ,the maximum exposure to equities is 40%. Due to the nature of the investors, Churches, Charities & Local Authorities, all investments are closely scrutinised to ensure no investor would be embarrassed by inappropriate acquisitions or investments. The fund place a significant proportion of its managed funds in short dated bonds and cash instruments, meaning that withdrawals from the scheme are more liquid than the LAPF fund. With this in mind, the bid/offer spread is far lower, at 0.44%.

2.12 Like the LAPF, the scheme accepts revenue investments and on exit, revenue will be returned to the local authority. All dividends are paid as revenue income. This is one of the fundamental reasons why the CCLA investment is being proposed, and why CCLA is popular with Local Authorities as an investment opportunity.

2.13 A minimum £1m investment would generate annual returns of c£30k based on the current 3% yield, after the initial cost of acquisition. Appendix B shows a CCLA DIF Brochure. Further details about CCLA can be found at www.ccla.co.uk

2.14 In 2017/18 the average return on investments was 0.6%.The DIF yield of 3% is 5 times higher.

3.0 **Options available and consideration of risk**

3.1. Members could opt to follow the recommendation or invest a higher or lower sum. Alternatively, Members could opt to pursue an alternative investment strategy. Investment into the LAPF should only be considered if the investment can be maintained for a medium – long term, i.e. 5 years minimum. If the investment needs to be liquidated before that timeframe, it is highly possible that the sum returned would be less than the sum originally invested.

- 3.2. The DIF is not subject to the same bid/offer spread and therefore is more liquid as the LAPF and therefore this investment will be easier to liquidate if the Council choose to divest. Based on this difference and taking a balanced risk approach, it is recommended that Members agree to invest £1m into the DIF (averaging 3% dividend yield pa) and £0.5m into the LAPF (averaging a 4.58% dividend yield). Assuming dividend rates stay roughly stable, investing at these sums would generate an additional £51k pa for the Council.
- 3.3. The Council has for many years adopted a very cautious and prudent approach to treasury management. Lending has only been made to banks and building societies which have strong credit limits and meet the criteria set by the Council, using information published by the three major credit rating agencies. This policy has been maintained in the knowledge that putting security before liquidity or yield does impact on the income being generated from these investments.
- 3.4. Officers have consulted with two other local authorities who have already invested into the LAPF and one who has invested in the DIF. All suggested they were very happy to recommend investment.
- 3.5. The DIF itself is inherently more liquid than the LAPF as it reflects the underlying assets not being solely invested in property, there are established markets for equities and bonds.

4.0 Proposed Way Forward

- 4.1. It is proposed that if the Council approve this report's recommendations, officers invest the £500,000 into CCLA LAPF and £1m into CCLA DIF after 1 April 2018. These investments would be monitored as part of the treasury management function, but it is anticipated that the investment would be left to generate income for a minimum of five years. Balancing the investment across these two funds will help create a more diversified, risk managed fund for the Council in addition to the other funds it already manages.

5.0 Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|----------------------|---------------------------|--|
| Legal/ Governance | Y | <p>The Treasury Management Strategy Statement (TMSS) for 2018/19, set out the Council's investment priorities as being:</p> <ul style="list-style-type: none"> • Security of capital; • Liquidity; and • Yield. <p>The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.</p> |

| | | |
|-----------|---|---|
| | | <p>In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.</p> <p>The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required together with a limit of £3m per counterparty. The TMSS has been updated accordingly for the recommended CCLA investments.</p> <p>Agreeing to invest in the CCLA fund requires Council approval.</p> |
| Financial | Y | <p>An investment in to CCLA will represent an increased risk of loss of capital in comparison to the use of term deposits with banks and building societies.</p> <p>Such an investment has the potential to provide an increase in investment income that could contribute towards the predicted budget gaps highlighted in the Medium Term Financial Strategy. In the first year there will be a cost of entering into the investment (envisaged to be up to 6%) and this cost is recommended to be met from the extra treasury management income generated of £51,000, plus the stretched target set for treasury management income of £25,000, with any residual being a charge to the treasury management investment income budget.</p> <p>If there is a downward valuation in the CCLA investment in 2018/19, the decrease would be an expense to the Income and Expenditure Account of the Council, as the Available for Sale Reserve is not available in 18/19, due to a change in the Accounting Code of Practice. This could be significant, for example a 10% drop in the valuation of the £1.5 million investment at the year end would mean a charge to the Income and Expenditure Account of £150,000 in that year. Therefore this would affect the 'bottom line' of the Council adversely by £150,000. The converse is true - in that if the valuation increased, a gain would be realised in the Income and Expenditure Account. So the Council would see extra income in its Revenue Outturn for that year.</p> |

| | | |
|---|---|--|
| | | |
| Risk | Y | <p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements.</p> <p>See the risk of fluctuations in the valuation of the investment in the 'financial' section.</p> <p>Investment interest income is reported quarterly to SLT and the Executive.</p> |
| Comprehensive Impact Assessment Implications | | |
| Equality and Diversity | N | N/A |
| Safeguarding | N | N/A |
| Community Safety, Crime and Disorder | N | N/A |
| Health, Safety and Wellbeing | N | N/A |
| Other implications | N | N/A |

Supporting Information

Appendices:

Appendix I – CCLA LAPF Fund Fact Sheet

Appendix J – CCLA DIF Brochure

The Local Authorities' Property Fund

Fund Fact Sheet – 31 December 2017

Investment objective

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

Investment policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

Suitability

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property.

Independent Governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

Who can invest?

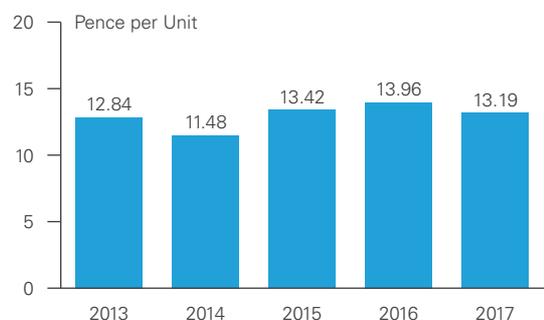
Any local authority in England, Wales, Scotland and Northern Ireland.

Income

| | |
|--|--------|
| Gross dividend yield | 4.58%* |
| AREF/IPD™ Other Balanced Property Fund | |
| Index yield | 3.58% |
| Official Bank Rate | 0.50% |

* Based upon the net asset value and historic gross annual dividend of 13.7122p

Rolling 12 month distributions to 31st March:



Unique accounting advantages

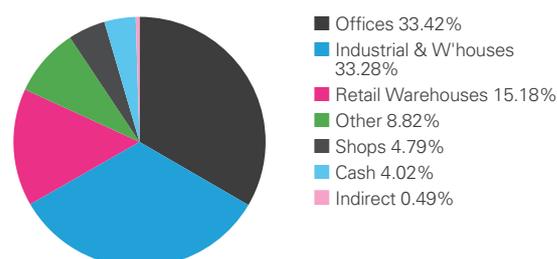
Unlike other property fund investments or even direct property purchases, investment in the Fund does not count as capital expenditure for English or Scottish local authorities. Dividends are treated as revenue but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

Fund update

The prime focus of our investment strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to total returns and to the income payment to investors. We also bias the subsector weightings to reflect our view of their relative attractiveness. At present, this means a relatively high weighting to industrial and office assets and a relatively low weighting to retail, with no shopping centre or supermarket holdings.

The Fund has continued to enjoy a strong inflow of new money. Reflecting these cash receipts and the wish to avoid a drag on returns from unwanted cash holdings, the focus of activity has been on acquisitions; five properties have been bought. These include two hotels, one on the outskirts of the City of London, the other in Brighton. The initial yields on both are under 4%, but rents are RPI based and the leases are long, 31 years in both cases. We have also bought three industrial warehouse investments, in Milton Keynes, Northampton and Bolton. Total expenditure has amounted to £127m, with another purchase expected to complete shortly. There was one sale, of a small retail asset, the proceeds were materially above valuation. Rent reviews made a positive contribution to income but these were being offset by the temporary rental loss from refurbishment work, such as in Kingsway. At the end of the quarter the void rate was 7.6%, similar to the level at the end of September and significantly below that of the market.

Asset allocation



The Fund has credit facilities which, at quarter end, were not utilised.

Discrete year total return performance (net)

| 12 months to 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------------------------|---------|--------|---------|---------|--------|
| The Local Authorities' Property Fund | +9.68% | +2.12% | +14.09% | +19.50% | +8.92% |
| Benchmark | +10.58% | +3.66% | +12.97% | +17.34% | +9.25% |

Annualised total return performance (net)

| Performance to 31 December 2017 | 1 year | 3 years | 5 years |
|--------------------------------------|---------|---------|---------|
| The Local Authorities' Property Fund | +9.68% | +8.52% | +10.71% |
| Benchmark | +10.58% | +9.00% | +10.67% |

Benchmark AREF/IPD™ Other Balanced Property Fund Index. Net performance shown after management fees and other expenses. Past performance is no guarantee of future returns. Source: CCLA

Top ten property holdings – total 37.28%

| | |
|---------------------------------|------------------------------------|
| London, Kingsway | Elstree, Centennial Park |
| London, Goodman's Yard | Bristol, Gallagher Retail Park |
| London, Stockley Park, Longwalk | Brighton, West Street |
| London, Beckton Retail Park | Cambridge, Cambridge Science Park |
| Bracknell, The Arena | Bolton, Wingates Industrial Estate |

Key facts

| | |
|---|------------------------------------|
| Total fund size | £931m |
| Current borrowing | £0m |
| Number of holdings | 62 |
| Income units | |
| Offer (buying) price | 319.44p (xd) |
| Net asset value | 299.24p (xd) |
| Bid (selling) price | 294.60p (xd) |
| Launch date | 18 April 1972 |
| Unit types | Income |
| Minimum initial investment | £25,000 |
| Minimum subsequent investment | £10,000 |
| Dealing day | Month end valuation day* |
| Sedol & ISIN numbers | 0521664, GB0005216642 |
| Dividend payment dates | End January, April, July & October |
| Annual management charge (taken 100% from income) | 0.65% |

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a bank holiday, the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Tax reclaims should be addressed to: Glynis Free, Specialist Repayment Team 7 South, Ty - Glas, Cardiff, CF14 8HR.
Telephone 03000 580618, 9.30am - 1pm.

Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosure

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.

DIVERSIFIED
INCOME FUND

Designed to provide an attractive
immediate income with rising income
and higher capital values over time

DIVERSIFIED INCOME FUND

Designed to provide an attractive immediate income with rising income and higher capital values over time.

The need for an alternative to cash deposits

Interest rates are expected to remain at very low levels for the foreseeable future. In contrast, inflation is forecast to rise, the increase accelerated by the sharp fall in the value of the pound. For cash investors higher inflation permanently reduces the real value of both income and capital.

Even in a less damaging environment cash is a poor choice for longer term investments. Returns are limited to the repayment of the original investment and a modest income which fluctuates in line with short term interest rates and which can never truly grow.

As well as poor returns cash investors also face higher risks following the introduction of the Bank Recovery and Resolution Directive. In times of crisis there is now the risk of 'bail-in', with the threat both to income and capital.

Investors seeking stronger returns therefore have to look beyond cash deposits – but which assets should they choose? History shows us that asset choice is the most important contributor to long-term performance and so making the wrong choice can have unexpected and unwanted effects on values. For those investors seeking improved returns and for whom risk control is essential, the prudent path is to take a portfolio approach, holding not one, but many assets and actively changing the blend to reflect evolving conditions.

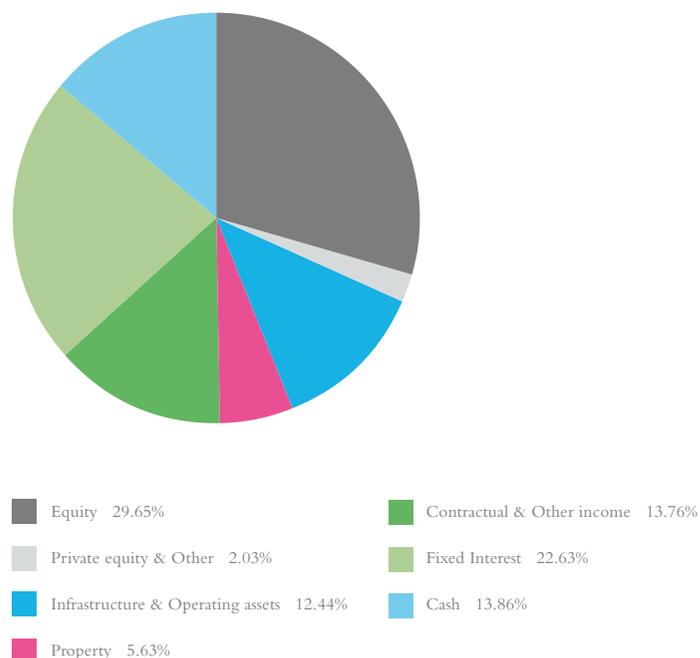
A carefully constructed diversified portfolio spreads risk efficiently by investing in a range of assets whose characteristics complement each other, creating a balance of risk and return no single asset class fund can give. The result is that for any given level of return, volatility – the exposure to the day to day fluctuations in values – is consistently lower. The Diversified Income Fund has been structured with this lower volatility as one of its key aims.

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The asset universe – a wide range of opportunity

The Fund can invest in a wide range of assets, actively changing the allocation to reflect the expected economic environment. The list of available assets is long and varied and includes conventional choices such as property and equities in the UK and overseas but the less common too, such as infrastructure, with three main areas of focus – civil (toll roads, ports and similar), social (such as care and nursing homes, doctors' surgeries and student accommodation), environmental and energy-related (including new forms of energy generation and efficiency, forestry and renewables). These should provide an attractive income and when combined with holdings in equities and bonds, a powerful source of risk diversification.

ASSET ALLOCATION



Source: CCLA as at 31 March 2017

An attractive income, rising over time

The only true sources of a growing income are real assets such as equities and property which are directly linked to rising activity in the economy. In contrast, income from fixed interest investments does not change whilst yields on cash can vary but do not rise on a consistent basis. The key to achieving an attractive and dependable income is therefore to combine the right asset mix with top quality individual holdings which are themselves able to support higher income payments in the future.

Responsible investment, an integral part of the process

We avoid companies with high governance risks because poor governance can destroy value and cause lasting reputational damage for all concerned. We seek to avoid investing in companies with the poorest governance, whilst in others, where we identify risks, we work to reduce them. We support these policies with an active voting programme. We believe that responsible investment supports returns and reduces the risks which conventional financial analysis cannot see.

Pooled fund approach, the sensible choice

Using a pooled fund has a number of important advantages for investors. It brings a consistent approach to fund management across all the assets in the portfolio, ensuring that structure, strategy and tactics are always consistent. Within the portfolio costs are better controlled, whilst charges are kept down. Administration is efficient with a single investment report providing transparency to reporting that multiple asset exposures simply do not have.

ABOUT THE FUND

Objective

The Fund aims to provide income and the potential for capital growth over the long-term from an actively managed diversified portfolio.

Distribution dates

Income will be distributed quarterly at the end of February, May, August and November to investors holding units on the last day of the preceding December, March, June and September.

Minimum subscription

The minimum initial investment is £1 million. The minimum additional investment is £25,000.

Fees

The Annual Management Charge (AMC) is 0.60%, the estimated Ongoing Charges Figure (OCF) is 0.75%. For investors which acquire units before the 31st March 2018 there will be a discount of 0.15% on the AMC which expires on the 31st March 2019.

The OCF includes our fees and is the total cost of managing your investments.

Spread

The Fund has no entry or exit charges and is single priced with a dilution levy. The rate or amount of the dilution levy will depend on the mix of assets in the relevant sub-fund and the transaction costs applying to them. In respect of the Fund, the estimated dilution levy charged by the ACS Manager based on future projections will be between 0% and 1.5% of the price of a unit, this charge arising on all deals. It is therefore not possible to predict the dilution levy accurately. In such circumstances if a dilution levy is not made then this may restrict the future growth of the sub-fund(s).

Dealing

Daily. Settlement proceeds will usually be paid within two working days after trade date.

Structure

The Fund is a sub-fund of the CCLA Authorised Contractual Scheme (ACS) and is a NURS.

The CCLA Authorised Contractual Scheme is an FCA regulated tax transparent fund which has been constituted as a co-ownership scheme. As a consequence of this the Fund will be treated as tax transparent for the purpose of income and/or gains by the relevant tax authorities. Each investor should take appropriate professional advice as to the tax treatment of their investment in the Fund.

A NURS is a Non-UCITS Retail Scheme, in accordance with the FCA Rules, an authorised fund which is neither a UCITS scheme nor a qualified investor scheme.

Depository and Custodian

HSBC Bank Plc, 8 Canada Square, London EC14 5HQ

ACS Manager

CCLA Fund Managers Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Investment Manager

CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Eligible Investors

As the Fund is an ACS, it is only marketable to Eligible Investors.

These are investors who are UK tax resident and also one of the following:

- (a) A professional ACS investor (being a person who is a professional client for the purpose of the Markets in Financial Instruments Directive);
- (b) A large ACS investor (being a person who in exchange for units makes a payment of not less than £1 million or contributes property with a value of not less than £1 million);
- (c) A person who already properly holds units in the Fund.

In addition to the above, there is currently only one sub-fund which is principally targeted at local authorities, public sector organisations and charities who meet the eligibility criteria. Since only gross paying units are available, investors must be able to receive income payments gross.

Investment in the Fund is for Public Sector Eligible Investors only and may not be suitable for all investors. If you are in any doubt about the suitability of the Funds to your needs you should seek appropriate professional advice.

Past Performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is authorised in the United Kingdom and regulated by the Financial Conduct Authority as an Alternative Investment Fund and a NURS established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 2 December 2016. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

Investments in the Fund and the Fund are covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may also pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

CCLA Investment Management Limited is the manager of the Diversified Income Fund.

CCLA

www.ccla.co.uk

CCLA, Senator House, 85 Queen Victoria Street, London EC4V 4ET

Client Service Freephone: 0800 022 3505

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Report to: **South Hams Executive**
Date: **15 March 2018**
Title: **Waste Policies Review**
Portfolio Area: **Cllr Gilbert - Commercial Services**
Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y / N**

Author: **Natalie Johnson** Role: **Senior Specialist (Waste Strategy & Commissioning)**

Contact: **Email: natalie.johnson@swdevon.gov.uk**
Tel: 01822 813407

Recommendations:

- 1. That the Executive approve the policy updates as recommended by the Waste Working Group , outlined in paragraph 5 of this report and provided in full in Appendix 1**
- 2. Any minor changes considered necessary to the terms as highlighted are delegated to the Commissioning Manager (Waste) in consultation with the Lead Executive Member for Commercial Services and Chair of the Waste Working Group.**

1. **Executive summary**

- 1.1. Following a review of current policies in conjunction with industry best practice, it is proposed that a number of waste policies are updated. These policies will formalise current practice as well as supporting planned consolidation exercises that aim to improve waste collection service efficiencies. Ensuring waste policies are as up to date as possible will also empower bidders in the current waste procurement exercise to provide more accurate and cost effective solutions. Policies to be updated include Assisted Collection, Bulky Waste Collection, Clinical Waste Collection and Collections from Private Lanes.

- 1.2. Recommendation comes from the Waste Working Group to adopt policy changes as detailed in paragraph 5 and Appendix 1.

2. **Background**

- 2.1. Policies on waste collection in South Hams were last reviewed in March 2014. Since then collection methods and ways of working, including back office functions, have been developed and improved in order to access savings and realise efficiencies.
- 2.2. Action is now required to outline and support these changes through formalised policies. In addition, by reviewing and updating current policies opportunities have arisen to look closer at the provided service and identify areas that require attention.
- 2.3. Up to date and ambitious policies will also potentially improve the outcome of the procurement exercise currently underway for the provision of waste collection services. It allows the authorities to be clear with bidders regarding the level of service expected to be provided as part of the contract and enables bidders to present accurate and cost effective solutions.
- 2.4. The policies we propose are updated are as follows:
 - 2.4.1. **(1) Assisted Collection** – is a service offered to disabled or infirm residents who are not able, and do not have anyone else able, to move their waste to their property boundary for collection. Therefore, an operative collects their waste from an agreed location on their property. In the past, residents receiving this service have not been subject to regular review which has resulted in some properties receiving the service when not eligible, i.e. the resident originally receiving the service has moved or passed away.
 - 2.4.2. **(2) Bulky waste collection** – is a service offered to collect bulky waste items which residents would find difficult to recycle/dispose of otherwise. The current charging structure is 2 items of white goods for £31.50 with additional items charged at £15.70 per item. Other items are charged at £51.50 per load with a load being defined as what can reasonably fit into a transit van. South Hams is the only Devon authority to charge on a load basis. This way of charging has led to the service not being used just for bulky items but instead as a house clearance service of sorts. Residents regularly add multiple bags of refuse sacks or 'boxes of junk' to their requests. Residents have benefitted from several years of comparatively low prices, when compared with neighbouring authorities with no annual inflationary increases, whereas most councils increase their prices every year. Updating the policy will help enforce the use of this service for only bulky items, and is expected to deliver an increase in annual income of £6,000 and will gain additional operational savings.
 - 2.4.3. **(3) Clinical waste collection** – is a service offered to residents who produce clinical waste or sharps as a result of at home healthcare and such collections are available on a weekly or ad-hoc basis. As part of the revised Controlled Waste Regulations 2012, it was clarified that 'offensive' healthcare waste (i.e. sanitary products, nappies, absorbent hygiene products) does not need to be disposed of through a separate collection and can be disposed of as residual (black bag) waste. Therefore, a review exercise has taken place to

identify who is using the clinical waste collection for this purpose and advising them on how to correctly dispose of this waste. This exercise resulted in 30% of properties on the clinical waste collection being removed from the collection list and advised to put 'offensive' waste in their black bags. As the disposal of clinical waste is significantly higher compared with residual waste this will inevitably create savings. A policy is now needed to support this change and to ensure any potential new users of the service are advised of the difference between clinical and offensive waste with additional services provided as appropriate.

- 2.4.4. **(4) Collections from Private Roads** – Historically, there are a number of properties in the district where refuse and recycling vehicles have travelled over private roads to collect waste. A large majority of these lanes and roads feature poorly maintained road surfaces and overgrown vegetation. Such obstacles impact upon the authority's ability to provide a safe working environment for their workforce but can also cause damage that results in expensive vehicle repairs. Annually, around £12000 worth of refuse and recycling fleet repairs can be linked to damage that occurred on private roads. The authority is not lawfully bound to collect from such roads and including them on collection rounds can cause delays and create inefficiencies, as some can take 10-15 minutes to collect from as opposed to the roughly 30 secs to 2 minutes that most collections take. A policy is required to define the criteria for refusal of collections in certain circumstances and instead require residents to present their waste at the edge of the public highway.
- 2.4.5. **(5) Collection from Private Roads Review** – outlines how a review of existing collections from private roads will be conducted during 2018-19.

3. **Outcomes/outputs**

- 3.1. Proposals put forward plan to formalise existing practise through policy, improve efficiency, keep records up to date, improve service delivery, reduce costs and increase income from bulky waste.

4. **Options available and consideration of risk**

- 4.1. An alternative option is for the policies to remain the same however this will result in continued 'grey' policy areas which impact on residents and customer services. It would also leave bidders of the contract unsure of our position which ultimately could cause them to overprice their bids to account for uncertainty.
- 4.2. Leaving the bulky waste collection policy and pricing as it is would mean limiting the authority's ability to access additional income. Operational costs would not be reduced by continuing with the current practice for assisted and clinical collections.
- 4.3. Existing policies and all policy changes put forward in paragraph 5 have been compared and contrasted against best practice examples from other local authorities both locally and nationally. This highlighted that while current policies are of good quality there is room for improvement.
- 4.4. The policies have been reviewed and agreed on by the Waste Working Group, in consultation with waste specialist officers. As appropriate, case

managers and CST team leaders have been consulted with regard to the potential impacts of the policies on customer first staff and those accessing the affected services to endeavour to reduce failure demand.

5. **Proposed Way Forward**

5.1. Proposed changes and updates to policies

5.1.1. **(1) Assisted Collection** – users of this service on a 'permanent' basis will now be subject to a review every two years. This is to ensure our records are kept up to date so we can deliver an effective and efficient service.

5.1.2. **(2) Bulky waste collection** – Update charging mechanism and prices to move closer to that of neighbouring authorities. The proposed new charge is £18 per item, planned to be applied from 1st April 2018.

5.1.3. **(3) Clinical waste collection** – users of this service on a 'permanent' basis will now be subject to a review every two years. Residents receiving the service will be reminded to opt in to the service every two years. This is to ensure our records are kept up to date so we can deliver an effective and efficient service. The policy has also been updated to clarify what type of waste is eligible for this collection. This has been paired with a review of current customers which has resulted in a 30% reduction of those using the service.

5.1.4. **(4) Collections from Private Roads** – formalises policies to support safe working practice and reduce likelihood of vehicle damage.

5.1.5. **(5) Collection from Private Roads Review** – it is proposed that these collections are reviewed in 2018-19 against a set of criteria as detailed in Appendix 1.

6. **Implications**

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|------------------|---------------------------|---|
| Legal/Governance | Y | <p>The revised Controlled Waste Regulations 2012, defines the types of waste that are considered to be household waste and where it is appropriate for local authorities to charge for the collection of these wastes.</p> <p>The Environmental Protection Act 1990 defines the duties of a waste collection authority and the powers that they have to refuse collection of waste situated at a place which in the opinion of the authority is so isolated or inaccessible that the cost of collecting it would be unreasonably high.</p> <p>If adopted, the procurement documents (specification) will need to be updated so that bidders can consider and factor in their pricing. Bidders have already been made aware that</p> |

| | | |
|-----------|---|--|
| | | <p>policies are expected to change before contract award.</p> |
| Financial | Y | <p>A direct financial implication would be additional income from bulky waste pricing change. Through modelling using 16/17 figures these changes could increase income by up to 35%, roughly £6,000. There is no additional financial or staff expenditure involved with this change.</p> <p>Indirectly, other financial implications could include reductions in the costs of delivering clinical waste and assisted collection service. However, these are difficult to measure as they are intertwined with other service delivery.</p> <p>Also indirectly, these policies could aid in the realisation of savings from re-procuring the waste collection contract, however again this would be difficult to measure and attribute to a particular area.</p> <p>Costs of vehicle maintenance is likely to be reduced by travelling down less poorly maintained private roads. Currently, around £12000 worth of refuse and recycling fleet repairs a year can be linked to damage that occurred on private roads.</p> |
| Risk | Y | <p>There is a minor risk that changing to a charge per item system for bulky waste could result in a reduction of residents using the service. As the operational staff and vehicles that provide this service are also used for other work, e.g. fly tip removals and missed bin collections, a reduction in collections would mean that the related staff and vehicles resources would simply be reassigned to other jobs as required.</p> <p>There are concerns that a reduction in residents using the service could result in fly tipping however we have spoken to other authorities about whether they saw an increase when they have made price changes and they have all advised there was no notable increase. In addition the council will continue to actively monitor fly tip hot spots and seek appropriate action and prosecution.</p> <p>There are risks that changes in policies, particularly private roads, could result in loss of reputation. To mitigate this, in any instances where collection points from private roads/lanes are relocated to the edge of the highway all affected properties will be given sufficient notice that will explain the council's position as effectively as possible.</p> |

| Comprehensive Impact Assessment Implications | | |
|--|--|--|
| Equality and Diversity | | Not applicable. |
| Safeguarding | | Not applicable. |
| Community Safety, Crime and Disorder | | Not applicable. |
| Health, Safety and Wellbeing | | <p>Helps to ensure we provide our frontline staff with a safe working environment and that risk of injury is reduced by limiting travel over hazardous surfaces and manual handling over long distances.</p> <p>CST will be fully briefed and the related website pages will contain all the relevant information to ensure that the classification of clinical waste is as clear as possible. This will help prevent any genuine clinical waste, such as infectious material or sharps, from being placed in the residual waste stream. Operatives are trained to conduct brief visual checks for such items before collecting and manual handling of waste is kept to a minimum.</p> |
| Other implications | | |

Supporting Information

Appendices:

Appendix 1 – South Hams Policy Review

Background Papers:

None

South Hams Waste Policies Review 2018

These policies were endorsed by Exec Committee on 15 March 2018 and approved by Full Council on 29 March 2018. Any existing waste policies that are not stated in this document will remain unchanged.

1. Assisted Collection

1.1 Where householders are infirm and/or disabled either on a temporary or permanent basis and there is no-one else who can place and remove recycling and waste containers for them, an assisted collection will be offered. Individuals who require an assisted collection must complete a signed declaration stating;

- Medical condition / reason for needing an assisted collection;
- That there is no other person at the household who can complete the task;
- If the condition is 'temporary' or 'permanent';
- The location of the containers on the property and that there is safe direct access to them;

1.2 Assistance will be given to individuals completing the form if required. Regular checks will be made to ascertain eligibility and the Council may check the validity of the details at any time.

1.3 WDBC/SHDC reserve the right to withdraw or change (by relocating the collection point) the service at any time if it is deemed that collecting from the chosen collection point puts the collection crew at unnecessary risk. In such cases a representative of the Council, or a contractor working on the Council's behalf, or both, will arrange a meeting with the householder at the property to discuss a suitable collection point.

1.4 For householders who receive the service on a 'temporary' basis, i.e. if the condition is expected to last 6 months or less, the service will cease on this date and the householder will be required to present their bin at the property boundary for future collections unless the householder contacts the Council before this date for reassessment.

1.5 Householders who receive the service on a 'permanent' basis will be subject to a review every two years whereby householders will have to be reassessed to opt in to the service.

2. Bulky Waste Collection

2.1 A chargeable service is offered to all householders for the collection of bulky waste items. Bulky waste includes but is not limited to:

- White goods, such as washing machines and fridges
- Cookers
- Beds and mattresses
- Wardrobes
- Sofas

2.2 Bulky waste collections do not include fixtures and fittings, oversized items or any hazardous, or potentially hazardous, materials. Items not collected as part of this service include, but are not limited to:

- Gas containers or oil tanks

- pianos
- radiators
- DIY waste such as plasterboard, plastic window or door frames, carpet, baths, shower trays and screens
- builder's waste (including soil and sand)

2.3 Items for collection must be outside the property in an accessible place by 7am on the collection day. Customers should make every effort to ensure that any items to be collected do not obstruct pavements and the public highway. Operatives are not permitted to enter premises, nor to take any payments.

2.4 Collections will be made using a transit van sized vehicle. If a requested collection exceeds this capacity it will be split into two collections. While every effort will be made to ensure these collections are made on the same day, the Council reserves the right to collect on two separate dates. The customer will be informed of this if required.

2.5 This service does not extend to commercial premises or commercial waste including commercial fridges/freezers/air conditioning units from residential properties. The Council reserves the right to refuse a collection if they have reason to believe it contains commercial waste. In such instances, any payment taken will be refunded.

2.6 Prices

2.6.1 With effect from 1st April 2018 the price will be £18 per item.

2.6.2 All prices will be subject to an annual review.

3. Clinical Waste Collection

3.1 The Council offers a separate collection for clinical waste and sharps which can be categorised as follows:

- *Clinical waste*

This collection includes dressings, bandages and swabs contaminated with

- Materials known to cause diseases in humans or other living things
- Medicines containing a biological active pharmaceutical agent e.g. cytotoxic or cytostatic drugs.

Please note that this does NOT include the collection of 'Offensive' waste – please see 3.5 below for further details. If residents are unsure about whether the above apply to their waste they should contact the council for further information. These items should be placed in a yellow clinical waste sack.

- *Sharps*

This collection includes all syringes, needles and other sharp instruments. All sharps should be placed in a yellow sharps box which, in the first

instance, are available on prescription from a GP or healthcare professional.

- 3.2 Residents will be requested to complete a self-assessment to ensure they are eligible for and are accessing the correct service for their type of waste. It is the responsibility of the resident to ensure they request the correct service and that the information they provide is correct.
- 3.3 Residents can request this service on an ad-hoc or ongoing basis depending on their requirements.
- 3.4 Residents who receive the service on an ongoing basis will be subject to a review every two years whereby householders will have to opt in to the service.
- 3.5 It is the responsibility of the householder to ensure that contact details for them held by the Council are kept up to date.
- 3.6 Customers using the clinical waste service should place their waste out on their scheduled collection day, which may be different to their regular collection day, in the correct receptacle, as stated in 3.1, no later than 7am. Clinical waste or sharps put out for collection in the incorrect receptacle will not be collected. If required, replacement receptacles will be left at the collection point following the collection.
- 3.7 This service is for households only and does not extend to nursing homes or hospices, though does include sheltered housing.
- 3.8 *Other Waste*
 - This service does not include the collection of offensive waste, which includes the following:
 - Sanitary products
 - Incontinence pads
 - Empty Stoma bags
 - Empty Catheter waste
 - Home dialysis waste (empty saline or glucose IV bags and tubing)
 - 'Peg' or stomach feeding equipment
 - Nappies
 - Provided the above items do not contain infectious materials/substances they should be double bagged and collected as part of the residual waste stream.
 - Unused medicines, including unused epi-pens, will not be collected as part of this service and should be returned to a pharmacist for correct disposal.

4. Collections from Private Roads

- 4.1 Where possible, waste and recycling should be placed at the kerbside which is defined as the point where the public highway begins and private land ends (the edge of the property). In the majority of cases this will be where gates or drives meet the pavement.
- 4.2 The council understands that for some properties the distance to the highway may be significant. In such cases, the property or lane will be assessed on a case to case

basis as to whether it is appropriate for the collection vehicle to collect closer to the property. As a minimum requirement the property/lane must:

- Be adequately surfaced at all times and capable of bearing the weight of refuse collection vehicles, i.e. it must be constructed to withstand a gross vehicle weight of 26 tonnes and axle loading of 11.5 tonnes. Manhole covers, gratings etc. situated in the road must also be capable of withstanding these loads;
- Be of adequate width and, if necessary, have passing places for the above vehicles i.e. a minimum of three metres. Overgrown trees / hedges etc. which restrict access will result in a withdrawal of service until these are cut back;
- Have an adequate turning area for the above vehicles, i.e. a minimum of 18 metres.
- Have written permission and acceptance of general wear and tear to the road through use by these vehicles that can be obtained from the road owner(s).

4.3 Decisions made by the Council will be final and will be based around providing a safe working environment for operatives and a resource efficient service. Historical collection arrangements will not be a factor in the decision.

4.4 If it is judged that the property is so isolated or inaccessible that the cost of collection would be unreasonably high, or where there are health and safety issues, the Council will nominate a point of collection. Costs will be determined based upon vehicle availability and type of vehicle required to collect recycling and waste from the property in question.

4.5 This will not affect an individual's right to apply for an assisted collection of recycling and waste.

5. Collections from Private Roads Review

5.1 During 2018-19 a review will be conducted of all properties on private or unadopted roads which currently receive a collection from the curtilage of their property. This review aims to help the council to ensure they are providing a safe and cost effective waste and recycling collection service.

5.2 Collections from the curtilage will be maintained on private roads that meet the following:

- The minimum requirements as outlined in 5.2
- There are 10 or more properties on the road

5.3 Private roads that do not meet these requirements will be evaluated on a case by case basis with the Council's decision being final.

5.4 Where it is decided that collection from the curtilage is not safe or cost effective residents will be asked to present their waste at a designated collection point at the edge of the public highway. Residents will be advised by post of this collection point and the date from which they will be required to use it.

5.5 Where designated collection points are put in place containers should be placed at the point no sooner than 5pm the evening before and should be removed as soon as possible following collection and no later than noon the day after collection. Where a collection point is used by multiple properties residents are advised to, where possible, write their house name/number on their containers to ensure they are not swapped amongst properties.

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Authority, Devon County Council, Teignbridge District Council and Torbay Council.

- 1.3 It is intended to run a joint consultation on the draft SPD for a period of 6 weeks from mid-April to the end of May.

2. Background

- 2.1 The South Hams SAC is a European Site designated in part for its population of greater horseshoe bats and includes both maternity and hibernation roosts vital to the survival of the species. The South Hams SAC is thought to hold the largest population of Greater horseshoe bat in the UK, and is the only one containing more than 1,000 adult bats (31% of the UK species population). It contains the largest known maternity roost in the UK and possibly in Europe, and also hibernation roosts, both of which are vital for the survival of the species.
- 2.2 Unusually, the South Hams SAC comprises five separate but linked component Sites of Special Scientific Interest (SSSIs). A sixth site at High Marks Barn was designated as a SSSI in 2012 as an important greater horseshoe bat maternity roost. Whilst not formally part of the SAC, the colony is an integral part of the overall SAC population and accordingly it is considered important in terms of maintaining the integrity of the South Hams SAC.
- 2.3 The existing 'South Hams SAC Greater Horseshoe Bat Consultation Zone Planning Guidance' published by Natural England in 2010 has been used by the five LPAs, developers and consultant ecologists since 2010. The original Guidance was written to assist LPAs (competent authorities) with meeting their statutory obligations under the Habitats Regulations (namely whether a proposed development would have significant impacts on the South Hams SAC), and also to assist consultant ecologists and developers with identifying developments which could have an impact on the South Hams SAC, the survey effort required to make an informed decision on the significance of impacts, mitigation measures, and ultimately acceptability or otherwise of a proposed development.
- 2.4 The update and replacement with the draft Joint SPD takes on board feedback from developers, consultants and planners on the 2010 guidance, new data relating to greater horseshoe bats roosts and activity and experience gained over the last eight years.
- 2.5 Unlike adopted Local Plans, an SPD does not form part of the statutory Development Plan and does not contain policies. Instead, the SPD is intended to sit alongside the relevant adopted and emerging local plans to help all developers, applicants and competent authorities determine, through a clear, rationalised decision process, whether plans and projects within the proposed Consultation Zone require a Habitats

Regulations Assessment (HRA) Screening in order to promote the protection and enhancement of the South Hams SAC greater horseshoe bat population.

- 2.6 An HRA Screening is essentially a means of clearly recording the likelihood of significant effects of a proposed development on the features associated with the South Hams SAC, and the significance of these effects once avoidance and/or mitigation measures are taken into account. Based on this the Local Planning Authority can make a decision as to whether the proposal will have an adverse effect on the SAC greater horseshoe bat population (if so, it would trigger further stages within the HRA process).
- 2.7 The draft SPD has been prepared jointly by the authorities in partnership with Natural England and in consultation with leading experts in the field of bat ecology.

3. Approach within the draft Joint SPD

- 3.1 Greater horseshoe bats travel relatively large distances across the landscape and have large foraging territories. As such, they are not confined to the designated SAC sites, but move across the wider landscape and between the SAC sites, using key features in the landscape to navigate and forage. The species are long-lived (in excess of 30 years) with the bats remaining faithful to the important roosting sites, returning year after year. They feed primarily in and around woodlands, hedges and grazed pasture (particularly cattle grazed). Any loss or degradation to such areas can have an impact including removing key food sources and eradication or features used by the species to navigate and commute between roost sites and feeding areas.
- 3.2 Building upon the 2010 Guidance approach of Sustenance Zones (4km foraging areas around the SSSIs) and Strategic Flyways (main flyways between roosts, typically rivers) the draft Joint SPD establishes a South Hams SAC Consultation Area (Shown in Figure 1, page 10 of Appendix 1) to assist those developing, determining and commenting on planning applications in this area.
- 3.3 The draft Joint SPD provides guidance on the implementation of national policy and local Development Plan policies with respect to the South Hams SAC by providing clarity on planning requirements in order to reduce costs and delays to both developers and LPAs and to ensure that the legal duties associated with the Habitats Regulations are met with regards to the South Hams SAC.
- 3.4 The SPD clearly sets out, through defining a South Hams SAC Consultation Area (encompassing Sustenance Zones and a Landscape Connectivity Zone), where and under what circumstances there is the potential for plans and projects to have a likely significant effect on the South Hams SAC and therefore when an HRA Screening is required. It

also outlines the information required from the applicant at each stage of the planning process in the case of an HRA Screening being required including survey, mitigation and monitoring requirements. The main changes are listed in Annex 3 of Appendix 1.

- 3.5 To support the SPD, the important features of the South Hams SAC alongside data on potential 'pinch points' are mapped and will be available on Devon County Council's online Environment Viewer mapping service. This information will be publicly available to assist in the early identification of potential in-combination effects to be assessed through the HRA Screening process.
- 3.6 A series of Advice Notes are being developed to sit alongside the SPD to provide more detail and technical information. These Advice Notes do not form part of the SPD and therefore are not subject to this consultation.
- 3.7 **HRA Screening in Sustenance Zones**
Sustenance Zones are the area within 4km of designated maternity and hibernation roosts which include critical foraging habitat and commuting routes for bats using the roosts. The SSSI/SAC roosts and the Sustenance Zones are strategically important in maintaining the population of greater horseshoe bats across the South Hams SAC. Development within, or in close proximity to, these sites could therefore have a Likely Significant Effect on the integrity of the South Hams SAC. Even small-scale changes to the landscape have the potential to affect the integrity of the SAC and therefore HRA Screening will be required for any plan or project which impacts on greater horseshoe bat habitat or flight lines in a Sustenance Zone.
- 3.8 **HRA Screening in Landscape Connectivity Zone**
The Landscape Connectivity Zone provides a different function to the Sustenance Zones, offering an important network of commuting routes used by the SAC population of greater horseshoe bats. In the Landscape Connectivity Zone, greater horseshoe bat activity occurs in smaller numbers than within the Sustenance Zones and bats are much more dispersed across this area. As such only developments which severely restrict the movement of bats at a landscape scale could impact on the SAC bat population (generally therefore large housing / road / quarry developments) and would be subjected to HRA Screening.
- 3.9 The Joint SPD approach will enable clarity and consistency across the five Local Authority areas, including survey effort, mitigation approach, and HRA Screening, which will assist planners, developers and consultant ecologists.

4. Consultation Arrangements

- 4.1 The consultation, lasting for 6 weeks and anticipated to run between mid-April and the end of May, will be administered centrally by Devon County

Council on behalf of the five Local Planning Authorities. Documents will be available to view online, at the relevant Council offices and at libraries within the consulting authority areas. Paper copies of the document will be available on request to the County Council. Comments will be able to be submitted by using a consultation response form available online or by post which can be submitted electronically or by post.

- 4.2 The consultation invites views on 7 main questions (listed on page 4 of Appendix 1) relating to changes to the draft Joint SPD from the 2010 Guidance, and concerning the clarity of aspects of the SPD.
- 4.3 Following the end of the consultation period, the Local Planning Authorities will consider all submitted representations and, having made any necessary amendments to reflect consultation responses, the final SPD will be brought back to Executive before proceeding to adoption of the SPD at a full Council Meeting.

5. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--|---------------------------|--|
| Legal/Governance | | The Council is a 'Competent Authority' with respect to European Sites, and associated obligations under The Conservation of Species and Habitats Regulations (2017). The Council is required to consider whether proposed plans or projects would have a significant effect on European Sites (such as the South Hams SAC). The draft Joint SPD is a means of assisting the Council with its consideration of likelihood and severity of impacts from a proposed plan or project on the South Hams SAC. There is also a requirement to consider impacts 'in combination' and the draft Joint SPD will assist with cross-boundary considerations. |
| Financial | | There are no financial implications to the Council associated with this proposal. It is anticipated that the Joint SPD may reduce some costs and delays to both Local Planning Authorities and developers by providing clarity and consistency on planning requirements associated with the South Hams SAC. |
| Risk | | None directly arising from this report. |
| Comprehensive Impact Assessment Implications | | |

| | | |
|--------------------------------------|--|---|
| Equality and Diversity | | None directly arising from this report. |
| Safeguarding | | None directly arising from this report. |
| Community Safety, Crime and Disorder | | None directly arising from this report. |
| Health, Safety and Wellbeing | | None directly arising from this report. |
| Other implications | | None directly arising from this report. |

Supporting Information

Appendices:

Appendix 1 – South Hams SAC Consultation Draft Joint SPD (February 2018)

South Hams Special Area of Conservation

Greater Horseshoe Bats



Supplementary Planning Document

Consultation Draft February 2018



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Every effort has been made to avoid technical terms and acronyms in this document. However, some have had to be included for clarity. Technical terms (highlighted and emboldened when first used) and acronyms are listed and defined in the Glossary.

Consultation Statement

[This statement does not form part of the draft Supplementary Planning Document, and will be omitted from the Document on its adoption]

Supplementary Planning Documents are developed to provide guidance on the implementation of policies in the statutory Development Plans produced by Local Planning Authorities (such as Local Plans, Waste Plans and Mineral Plans). The policies to which the SPD relates are included in Appendix XX of the SPD.

This Supplementary Planning Document is being prepared to provide guidance on the implementation of policies relating to the South Hams Special Area of Conservation, specifically on the population of greater horseshoe bats for which the site is (in part) designated. It covers five Local Planning Authority areas, Dartmoor National Park Authority, Devon County Council, South Hams District Council, Teignbridge District Council and Torbay Council.

The document updates and replaces the *South Hams Special Area of Conservation Greater Horseshoe Bat Consultation Zone Planning Guidance* published by Natural England in 2010.

The document is aimed at those preparing to submit and those determining and commenting upon planning applications across the five Local Planning Authorities including: land owners, developers, planning agents, ecological consultants, Council Members and other organisations.

It includes:

- An overview of why the document is needed.
- A description of the Consultation Area for the South Hams Special Area of Conservation (including a map).
- A flow chart to help clarify whether the Local Planning Authority is required to undertake a Habitats Regulations Assessment.
- An overview of the information which the Local Planning Authority requires from the developer.
- An explanation of changes made to the 2010 guidance (*South Hams Special Area of Conservation Greater Horseshoe Bat Consultation Zone Planning Guidance*).

A series of Advice Notes is also being developed to sit alongside this Supplementary Planning Document. These are not part of the formal consultation but any comments on those that have been drafted would be very welcome.

This consultation is being undertaken in accordance with Regulations 12 and 13 of The Town and Country Planning (Local Planning) (England) Regulations 2012.

Screening for Environmental Assessment

The Environmental Assessment of Plans and Programmes Regulations 2004 require that environmental assessment is undertaken for a plan or programme that is (a) “required by legislative, regulatory or administrative provisions”, and (b) “sets the framework for future development consent”. The Local Planning Authorities consider that this Supplementary Planning Document is not required by any of the provisions

mentioned above. It is therefore considered that environmental assessment under the provisions of the 2004 Regulations is therefore not required.

While section 19(5) of the Planning and Compulsory Purchase Act 2004 requires sustainability appraisal to be undertaken for development plan documents there is no such requirement for a supplementary planning document. Strategic environmental assessment alone can be required in some exceptional situations. This is usually only where either neighbourhood plans or supplementary planning documents could have significant environmental effects¹.

Screening for Habitats Regulations Assessment

The Conservation of Habitats and Species Regulations 2017 (as amended) require that, where a land use plan is likely to have a significant effect on a European site, appropriate assessment should be undertaken by the plan-making authority before the plan comes into effect. Habitats Regulations Assessment has been undertaken for all development plans relevant to this Supplementary Planning Document. As the Supplementary Planning Document provides guidance on the implementation of policies relating to a European site (the South Hams Special Area of Conservation) it is considered that no additional Habitats Regulations Assessment is necessary.

Anyone disagreeing with the Local Planning Authorities screening opinions given above is entitled to state this in their consultation response and provide the reasons for their view.

How to have your say

Devon County Council is leading the consultation process on behalf of the five Local Planning Authorities.

The consultation period starts on **Monday 16th April 2018**
and closes at **5.00pm on Wednesday 30th May 2018**

Responses cannot be accepted after this deadline.

Viewing the Draft Supplementary Planning Document

The Draft Supplementary Planning Document can be viewed:

- Online at the County Council's website: www.devon.gov.uk/haveyoursay
- At the relevant Council offices during normal office hours (see Contact Details in Annex 1)
- By contacting Devon County Council using the details below to receive a paper copy.
- At libraries within the consulting authority's areas

What are the issues to comment on?

The five Local Planning Authorities are keen to receive your views on the following matters:

¹<https://www.gov.uk/guidance/strategic-environmental-assessment-and-sustainability-appraisal>

1. Is the Draft Supplementary Planning Document clearly structured and legible?
2. Do you agree with the proposed approach to replacing Strategic Flyways with the Landscape Connectivity Zone? If not, please explain why.
3. Do you agree with the proposed boundary of the Landscape Connectivity Zone and Sustenance Zones shown on Figure 1 (also available online at: <http://map.devon.gov.uk/DCCViewer/>)? If not why not?
4. Does the Flow Chart help in clarifying which planning applications will require a Habitat Regulations Assessment? If not, how can this be improved?
5. Does the document help to clarify the information which the Local Planning Authority require from the developer? If not, how can this be improved?
6. Are the proposed arrangements for monitoring and review of the Supplementary Planning Document clear and appropriate?
7. Do you have any further comments?

Note that the Local Planning Authorities are unable to take into account any comments on the content of existing or proposed Development Plan Policies as these matters are considered through separate processes.

Submitting Comments

Responses to this consultation can be submitted by using the **Consultation Response Form** (which includes the eight questions listed above). This form is available to download at <https://new.devon.gov.uk/haveyoursay/> or can be provided using the contact details below.

Completed forms should be returned by post or email (with name and postal address included) to the contact details below before the deadline (25th May 2018).

Please note that all submitted representations will be made publicly available, including on the County Council's website, with the person/organisation making the representation (but not their personal signatures or email and telephone contact details) being identified.

Comments received after the deadline or sent to the other Local Planning Authorities will not be accepted.

What Happens Next?

Following the end of the consultation period, the Local Planning Authorities will consider all submitted representations and, having made any necessary amendments to reflect consultation responses, proceed to adoption of the Supplementary Planning Document at a full Council Meeting. The adopted Supplementary Planning Document will be published on the Local Planning Authority websites together with an Adoption Statement and will be available for inspection in accordance with the relevant Statements of Community Involvement for each Local Authority.

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1 Introduction

Greater horseshoe bats² are one of Britain's rarest bats and are confined to South West England and South Wales. A significant proportion of the British population is found in South Devon and the Buckfastleigh **maternity roost** is thought to be the largest in Europe. The South Hams Special Area of Conservation (SAC) has been designated³ by Natural England to help protect a population of over 2000 greater horseshoe bats. SACs form part of a network of designated sites across Europe and are sometimes referred to as **European or International sites**.

1.1. What is the purpose of this Supplementary Planning Document?

- 1.1.1 This Supplementary Planning document (SPD) is aimed at all those developing, determining or commenting on **planning applications** (including prior notifications and outline applications) in the **South Hams SAC Consultation Area** shown on Figure 1. It provides guidance on the implementation of national and local **Development Plan** policies with respect to the **South Hams SAC**, specifically in relation to the population of greater horseshoe bats for which the site is, in part⁴, designated as an SAC. Further information on SPDs is given in Annex 1.
- 1.1.2 By providing clarity on planning requirements, the guidance aims to reduce costs and delays to both developers and Local Planning Authorities.
- 1.1.3 The South Hams SAC Consultation Area lies within five **Local Planning Authority** areas: Dartmoor National Park Authority, Devon County Council, South Hams District Council, Teignbridge District Council and Torbay Council (referred to as the **LPAs**). Details of these LPAs and links to their Development Plans are given in Annex 2.
- 1.1.4 This SPD updates and replaces the *South Hams SAC Greater Horseshoe Bat Consultation Zone Planning Guidance* published by Natural England in 2010. The update takes on board feedback from developers, consultants and planners on the 2010 guidance, new data on greater horseshoe bats and experience gained over the last eight years. For those familiar with the 2010 Guidance, an explanation of changes is provided in Annex 3
- 1.1.5 Information in this SPD can also be used to ensure that development plans (such as Local Plans and Neighbourhood Plans) and infrastructure projects which don't need planning permission, meet requirements relating to the protection of the South Hams SAC.
- 1.1.6 A series of Advice Notes are being developed to sit alongside this SPD to provide more detailed technical information on issues such as greater horseshoe bat ecology, the stages of a Habitats Regulations Assessment and mitigation.

² For a fact sheet on Greater Horseshoes see http://www.bats.org.uk/data/files/Species_Info_sheets/greaterhorseshoe.pdf.

For more information on the ecology of Greater Horseshoe Bats see Advice Note 1.

³ Under the European Habitats Directive and the UK Habitats Regulations – see Advice Note on HRA, when published.

⁴ The South Hams SAC is also designated to protect habitats including sea cliffs, heathland, semi-natural grasslands, scrub, caves and woodland. This SPD however only relates to greater horseshoe bats

- 1.1.7 The SPD is based on the best available evidence currently held on the South Hams SAC greater horseshoe bat population and habitat. Should significant new evidence come to light that challenges the contents of the document, the SPD will be reviewed and updated as necessary.

1.2. What is the status of the SPD?

- 1.2.1 This SPD is being prepared as a Local Development Document under the Planning and Compulsory Purchase Act 2004. The policy guidance contained within the SPD is supplementary to each of the Local Plans adopted by the partner authorities (see Annex 2), the overall purpose being to provide clarity and detail on how the policies of the Local Plans relating to the South Hams SAC are to be interpreted and achieved.
- 1.2.2 SPDs are a **material consideration** in determining planning applications. They have a high level of 'weight' in the decision-making process as they must be prepared in accordance with national planning policies and go through a statutory consultation process. This SPD is consistent with the National Planning Policy Framework and has been prepared in accordance with the existing European legislation which is in place at the time of publishing.

1.3. What are the headline requirements for Local Planning Authorities and Developers?

Local Planning Authorities

- 1.3.1 When determining **planning applications**, LPAs have a legal duty to ensure that there will be no adverse effects on the South Hams SAC population of greater horseshoe bats. Any application which will have an adverse effect will be refused, other than in exceptional circumstances (see Advice Note 1, when produced, for further details).
- 1.3.2 If there is **any** potential for a development to have a **likely significant effect** on the SAC's population of greater horseshoes, the LPA must carry out an assessment known as a **Habitats Regulations Assessment (HRA)**. Simplistically, this will include:
- an assessment of likely impacts on the SAC from the proposed development, using greater horseshoe survey information and details of the proposal. The assessment must look at the impacts of the development on its own, as well as the impacts of the development **in-combination** with other existing and proposed developments;
 - any **mitigation** measures required to avoid an adverse effect; and
 - clarification as to how these measures will be secured e.g. through conditions attached to the planning permission, or a legal obligation agreed with the developer.

Developers/Applicants

1.3.3 It is the developer's responsibility to provide the LPA with:

- sufficient information to enable the LPA to decide whether HRA is required.
- sufficient information for the LPA to be able to undertake the HRA.

1.3.4 To help LPAs and developers meet these requirements, this SPD includes:

Section 2

Background information on the South Hams SAC Consultation Area.

Section 3

A flow chart to help clarify when HRA is required.

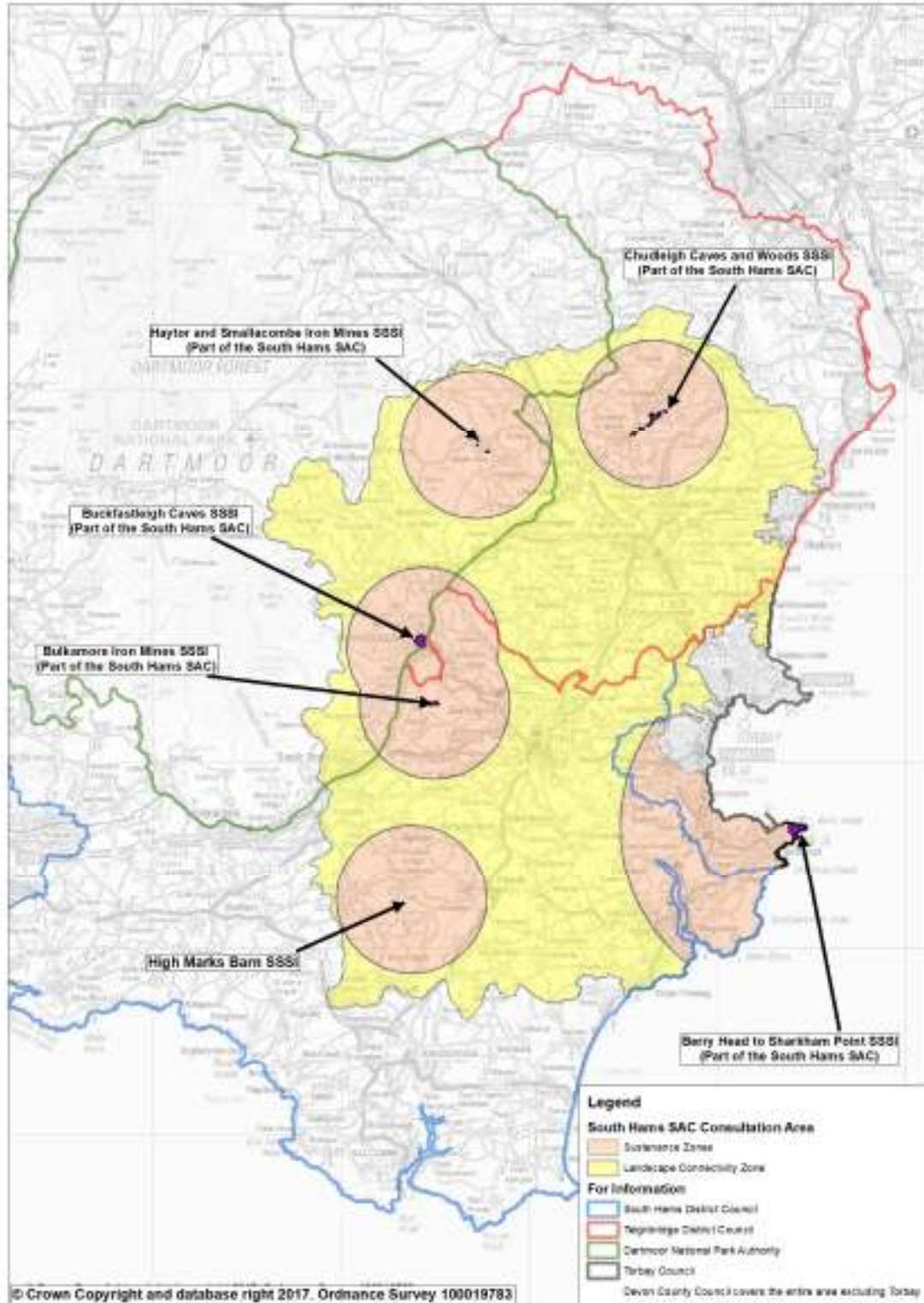
Section 4

Guidance on the information required from the developer.

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Figure 1: South Hams SAC Consultation Area

For a more detailed map see: <http://map.devon.gov.uk/DCCViewer>



2 The South Hams SAC Consultation Area

2.1. General greater horseshoe bat requirements

2.1.1 Greater horseshoe bats use a network of dark **Roosts**, **Foraging Habitats** and **Commuting Routes**. Definitions of these features are given below. Features must be dark as greater horseshoe bats are normally extremely sensitive to increased light levels. They will typically avoid areas where conditions are brighter than full moonlight on a clear night (typically recorded as being between 0.25 and 1 lux). Further detailed information on greater horseshoe bat requirements, including lighting, is set out in the Advice Notes (when published).

Roosts

2.1.2 *Roosts - a range of structures used by bats for shelter and protection*

2.1.3 A variety of structures are used throughout the year for hibernating, raising young bats (maternity roosts), feeding, mating and resting. Greater horseshoe bats are long lived (in-excess of 30 years) and remain faithful to these roosts for generations. Large numbers of bats can be found in hibernation roosts (used by all bats during the winter) and maternity roosts (used during the summer by mothers and their young). Other roosts tend to be used by individuals or small numbers of bats at a time.

Foraging Habitat

2.1.4 *Foraging Habitat – areas where bats feed.*

2.1.5 Greater horseshoe bats feed in different habitats during the year as availability of prey changes. Foraging habitats include cattle grazed pastures, the edges of broadleaved woodland, stream corridors, wetlands, tree lines and tall, thick hedges where prey is found (moths, dung beetles, cockchafer beetles and dung flies, crane flies, parasitic wasps and caddis flies). Research has shown that adult greater horseshoe bats using maternity roosts largely forage within 4km of the roost while juveniles hunt mainly within 1km of the roost and are highly dependent on grazed pasture⁵.

Commuting Routes

2.1.6 *Commuting Routes – linear features which bats follow when moving around the landscape between roosts and between roosts and Foraging Habitat.*

2.1.7 Greater horseshoe bats have a weak **echolocation** call (which bats use to navigate) and therefore generally fly close to the ground (up to ~ 2m) and close to linear landscape features such as hedges, woodland edge and vegetated watercourses which they use for navigation.

⁵ Research into foraging around maternity roosts is referenced in the Advice Note on greater horseshoe bat ecology (when published).

2.2. The South Hams SAC Consultation Area and potential impacts

2.2.1 The South Hams SAC Consultation Area has been developed to help clarify where and when, impacts, on Roosts, Foraging Habitat and Commuting Routes, are most likely to have a significant effect on the SAC and therefore require HRA. The Consultation Area is shown on Figure 1 and consists of the features discussed below.

* Indicates that the feature is mapped on the DCC Environment Viewer at <http://map.devon.gov.uk/DCCViewer>. Note that Foraging Habitats and Commuting Routes are not mapped on the Viewer as specific habitats and routes used by greater horseshoe bats are largely unknown. Any known data on greater horseshoe bat distribution is available from Devon Biodiversity Records Centre. There will be a charge for this information.

Designated Roosts*

- 2.2.2 *Designated Roosts* - the six maternity and/or hibernation roosts designated as SSSIs and believed to support an important proportion of the total greater horseshoe bat population across South Devon.
- 2.2.3 Five of the Designated Roosts are included within the South Hams SAC designation. The sixth roost at High Marks Barn SSSI is considered integral to the SAC population. It was not included in the original SAC designation but is part of the SAC Consultation Area. The six Designated Roosts are listed in Box 1.
- 2.2.4 **Developments impacting on these roosts (and any others that meet SSSI criteria) could impact upon the SAC population and require HRA – see the flow chart in Section 3.**

Box 1: The Designated Roosts (M=Maternity H=Hibernation)

| Site Name | Roost description | M | H |
|---|-------------------------|---|---|
| Berry Head to Sharkham Point SSSI and NNR | Caves on sea cliffs | ✓ | ✓ |
| Buckfastleigh Caves SSSI (supports the largest known maternity roost in the UK) | Cave complex and barns | ✓ | ✓ |
| Bulkamore Iron Mine SSSI | Large disused mine | | ✓ |
| Chudleigh Caves and Woods SSSI | Cave complex | ✓ | ✓ |
| Haytor and Smallacombe Iron Mines SSSI | Disused mines | | ✓ |
| High Marks Barn SSSI (supports the second largest maternity roost in England) | Large agricultural barn | ✓ | |

Sustenance Zones*

- 2.2.5 *Sustenance Zones* - the area within 4km of the Designated Roosts which includes critical Foraging Habitat and Commuting Routes.
- 2.2.6 Research has shown that greater horseshoes using maternity roosts largely forage within 4km of the roost⁶. Sustenance Zones have therefore been mapped with a 4km radius centred on each designated roost⁷.
- 2.2.7 **Developments impacting on Foraging Habitat and Commuting Routes in Sustenance Zones could have a likely significant effect on the SAC greater horseshoe bat population and require HRA** – see the flow chart in Section 3
- 2.2.8 Most urban areas within Sustenance Zones are not likely to provide suitable conditions or opportunities for foraging bats.
- 2.2.9 Due to the difficulties in monitoring hibernating bats, the distances which they travel to forage in the winter is unknown. It is possible that due to weather conditions, and the weaker physical condition of bats during the winter, they may forage closer to roosts within the hibernation Sustenance Zones. This needs to be considered when assessing impacts and carrying out HRA.

Landscape Connectivity Zone*

- 2.2.10 *Landscape Connectivity Zone* – the area that includes a complex network of Commuting Routes used by the SAC population of greater horseshoe bats.
- 2.2.11 Evidence from surveys indicates that greater horseshoe bats commuting through the Landscape Connectivity Zone are dispersed and found in low numbers. Impacts will occur where plans or projects severely restrict the movement of bats at a landscape scale.

Situations in which a development in this area could have a likely significant effect and require HRA are (see the flow chart in Section 3):

- Large developments impacting on a network of Commuting Routes and landscape permeability.
- Impacts on **Pinch Points** (see para 2.2.12)
- Impacts on **Existing Mitigation Features** (see paragraph 2.2.14)

Pinch Points*

- 2.2.12 *Pinch points* - known, or potential, Commuting Routes which are significantly restricted e.g. due to urban encroachment or proximity to the sea / estuaries.
- 2.2.13 **Further restriction of Pinch Points could severely restrict the movement of bats and therefore require HRA** – see the flow chart in Section 3.

⁶ Research into greater horseshoe bat foraging around maternity roosts is referenced in the Advice Note on greater horseshoe bat ecology, when published.

⁷ Due to its location next to the sea and urban development within Brixham Town the Berry Head Sustenance Zone is based on a sustenance area equivalent to a 4km radius circle. Note that the boundaries of all the Sustenance Zones have changed slightly from those within the 2010 South Hams SAC guidance (see Annex 3).

Existing Mitigation Features*

2.2.14 *Existing Mitigation Features* – can include Roosts, Commuting Routes and Foraging Habitat created, enhanced or protected to meet Habitats Regulations Assessment requirements for approved projects.

2.2.15 Impacts on these features could have a likely significant effect and therefore require HRA – see the flow chart in Section 3.

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3 Is Habitats Regulations Assessment Required?

- 3.1.1 As early as possible in the development of the plan or project (pre-application stage) the LPA and developer should discuss the proposal and, using existing knowledge, follow the flow chart to clarify whether HRA is required.
- 3.1.2 If the developer chooses not to discuss the application with the LPA at pre-application stage the LPA will have to assess whether HRA is required using information submitted with the planning application. If HRA is required and insufficient information has been submitted the LPA may be unable to validate the application or need to request further information or new mitigation measures which could affect design/layout. All scenarios will lead to delays and increased cost. It is therefore strongly recommended that pre-application advice is sought from the LPA for any proposals in a Sustenance Zone or the Landscape Connectivity Zone.

If there is any degree of uncertainty regarding how to answer questions in the flow chart (e.g. whether there is loss, damage or disturbance to a potential Foraging route or Commuting route) an ecologist should be consulted.

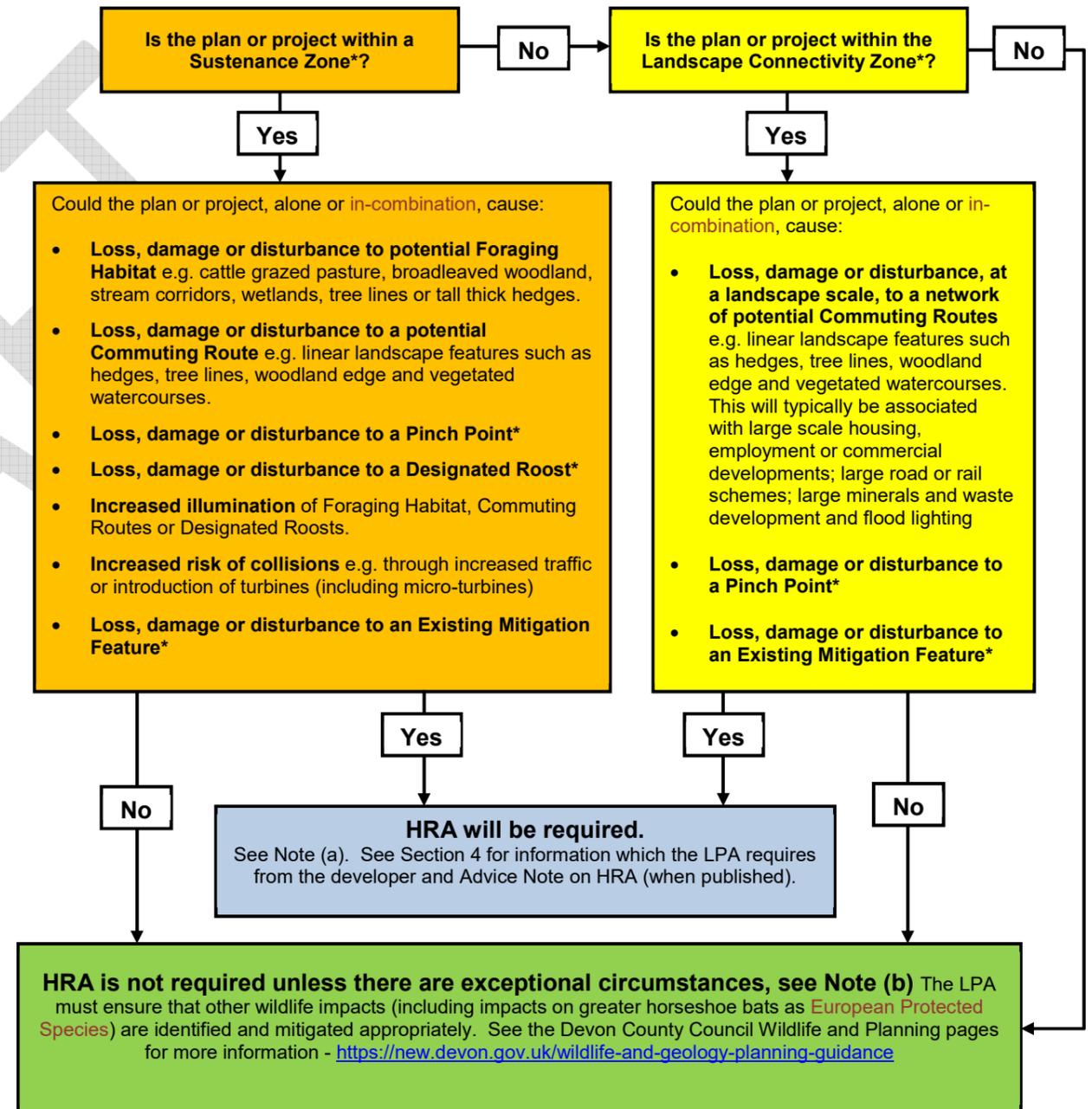
Examples of how a proposal could impact (cause loss, damage or disturbance) habitat include:

- Foraging Habitat
 - Building on pasture, wetland, or converting to improved grassland.
 - Felling woodland.
 - Altering drainage of wetland areas.
 - Indirect impacts that would lead to deterioration of the feature e.g. introducing public access to a foraging habitat.
 - Increased illumination of Foraging Habitat through internal, external and vehicular lighting sources.
- Commuting Routes
 - Removal of a hedgerow / tree line.
 - Increased illumination of sections of hedgerow/tree lines, including from internal, external and vehicular lighting sources.
 - Building in close vicinity to a hedgerow / tree line.
 - Having an indirect impact e.g. a change in management to hedgerows bordering residential gardens.

Notes accompanying flowchart

- (a) It may be possible for the LPA/NE to screen out likely significant effects relatively quickly where it is considered that, due to factors such as location, site characteristics, size/type of the application, numbers of greater horseshoe bats found, or where impacts can be avoided through design/layout (see 4.2.4 and 4.3.2) the proposal is unlikely to affect the SAC.
- (b) HRA may be required in other, exceptional, circumstances if, following survey, the LPA or Natural England consider that the plan or project could have a significant effect on the SAC population of greater horseshoe bats e.g. the discovery of a roost which meets SSSI criteria (over 50 bats) or the in-combination impacts of small projects in the Landscape Connectivity Zone

* Indicates that the feature is mapped on the DCC Environment Viewer at <http://map.devon.gov.uk/DCCViewer>. Note that Foraging Habitats and Commuting Routes are not mapped on the Viewer as specific habitats and routes used by greater horseshoe bats are largely unknown. Any known data on greater horseshoe bat distribution is available from Devon Biodiversity Records Centre. There will be a charge for this information.



4 Information Required for HRA

4.1. Information required from the applicant

Pre-application Stage

- 4.1.1 The developer commissions an ecological consultant to provide the LPA with the following:
- Greater horseshoe bat survey results and analysis (see 4.2 below and para 4.2.5 below for exceptions)
 - Ecological Impact assessment
 - Mitigation and monitoring details (see 4.3 below)
- 4.1.2 This information must be provided by a suitably qualified ecological consultant (employed by the developer) **with experience of greater horseshoe survey and mitigation**. LPAs cannot recommend consultants but can provide a list of ecological consultants known to them. A list can be found on the Devon County Council website at <https://new.devon.gov.uk/environment/wildlife/wildlife-and-geology-planning-guidance>
- 4.1.3 The information provided should be up to date and follow current national guidance⁸. Material departures from national guidance need to be agreed with the LPA. *Failure to provide adequate information may lead to planning applications being rejected at the validation stage or refused, both of which are costly in terms of time and budget.*
- 4.1.4 It is advised, particularly for large or complex applications, that applicants seek pre-application advice on survey and potential avoidance/mitigation measures from the LPA as well as Natural England's Discretionary Advice Service (see Annex 1 for contacts).
- 4.1.5 Note that for outline applications it is acknowledged that not all design and layout details will be known and it will not be possible to model lighting levels. However, outline applications are subject to HRA (as per Section 3). Appropriate survey must be undertaken and avoidance/mitigation principles established which provide the LPA with the confidence required that there will be no adverse effect on the SAC greater horseshoe bat population (see Advice Note on HRA). These principles must then be followed when developing details for the reserved matters application.

Submission

- 4.1.6 The applicant submits the information required for HRA as part of the planning application. If insufficient information is supplied, the LPA may not be able to validate the application.

⁸ Including guidance from the Chartered Institute for Ecologists and Environmental managers (CIEEM) <https://www.cieem.net/> and the **British Standard for Biodiversity** (BS 42020:2013)

Determination

- 4.1.7 The LPA uses the information provided to undertake an HRA and, when necessary, consults Natural England.
- 4.1.8 If insufficient information has been supplied the LPA may have to request further information leading to a delay in the determination of the application.
- 4.1.9 The LPA will secure any mitigation measures required to ensure no adverse effects on the SAC via conditions and/or legal obligations agreed with the developer.
- 4.1.10 If the LPA considers that the application will have an adverse effect on the SAC the application will be refused, other than in exceptional circumstances (See Advice Note on HRA).

4.2. Survey Requirements

- 4.2.1 All surveys should:
- Follow any national guidance. Currently *Bat Surveys for Professional Ecologist, Good Practice Guidelines* (Bat Conservation Trust, 2016) and the **British Standard for Biodiversity (BS42020)**. Exact survey requirements will need to reflect the sensitivity of the site and the nature and scale of the proposals. Early dialogue with the relevant LPA and Natural England is therefore encouraged.
 - Follow any Devon greater horseshoe survey guidance, when available. This is being developed to clarify survey adjustments required for greater horseshoes (as suggested on page 58 of the 2016 Bat Conservation Trust guidance) as well as analysis / presentation requirements. Results must be presented so as to be readily understandable by planners.
 - Be up-to-date. Survey that is more than 2/3 years old will generally be considered out of date and unreliable
- 4.2.2 Surveys and assessment of the results should be informed by greater horseshoe bat data from Devon Biodiversity Records Centre and from projects within the vicinity of the proposal.
- 4.2.3 Some foraging will occur during hibernation but at reduced rates to other times of year. However, there is no national guidance available to inform winter bat activity surveys in the Sustenance Zones around hibernation roosts. The ecological consultant should discuss and agree any winter survey requirements (based on risk) with the LPA and Natural England.
- 4.2.4 Bat data should be shared with the Devon Biodiversity Records Centre in a format set out in the Survey Advice Note.
- 4.2.5 In exceptional circumstances it may be possible to agree impacts and mitigation requirements without the need for a survey / full survey. If this approach is taken it must be agreed in writing with the LPA. Circumstances may include:

- A minor development proposal where there is certainty (as evidenced by a competent ecological consultant) that impacts on greater horseshoe habitat can be avoided or are negligible.
- A situation in which survey (or further survey) would not contribute further to the identification of impacts and mitigation requirements.
- A situation in which the LPA and Natural England agree that there is sufficient existing survey information for the site (see BS 42020:2013 for more information).

4.3. Mitigation and Monitoring Requirements

4.3.1 Headline mitigation and monitoring principles are set out below. Further information will be set out in an Advice Note.

4.3.2 The scheme should be designed to avoid impacts through:

- Making every effort to avoid loss, damage or disturbance to Foraging Habitats and Commuting Routes and maintaining connectivity to offsite habitats.
- Where appropriate, creating sufficiently wide and dark buffers along or around habitats to protect them from impacts.
- Designing any lighting schemes to prevent impacts on greater horseshoe bat habitat (see Advice Note on lighting).

4.3.3 Where it is not possible to avoid all impacts the LPA *may* agree to measures which reduce impacts and ensure no adverse effect on the SAC. Required measures may include:

- Creating or enhancing new dark corridors through the development site to maintain a connected network of Commuting Routes for bats.
- Creating or enhancing new Foraging Habitat in suitable locations within the same Sustenance Zone.
- Maintaining Commuting Routes across road and transport routes by creating safe bat crossings, e.g. culverts, underpasses and bridges.
- Imposing controls or restrictions on relevant operations, e.g. cutting turbine speeds.
- Creating or enhancing a roost.
- Contributing to any South Hams SAC strategic greater horseshoe bat fund which combines funding to deliver permanent high quality greater horseshoe bat habitat and roosts in priority locations. An Advice Note will be produced to provide further details.

- 4.3.4 There must be sufficient certainty that mitigation measures will be effective in ensuring no adverse effect on the SAC and can be delivered e.g.
- Measures must be in place and functioning before impacts occur.
 - All financial and legal details relating to the delivery of mitigation requirements must be clear.
 - Measures should be secured and implemented to reflect the duration of the impacts. Where impacts are permanent and irreversible mitigation measures will need to be secured 'in-perpetuity'. No time constraint should be attached to the in-perpetuity definition (see Rocklands mixed use development S106, Chudleigh, Judicial Review, June 2015).
- 4.3.5 All mitigation should follow current best practice (See Mitigation Advice Note when published).
- 4.3.6 Mitigation measures must be considered in the context of the wider countryside e.g. commuting routes through a development site must connect to routes outside the site.
- 4.3.7 Monitoring (which ensures that mitigation has been carried out as agreed and is effective) and appropriate follow up measures must be agreed with the LPA and implemented by the developer.
- 4.3.8 All mitigation and monitoring details (relating to purpose, timing, creation, long term management etc) must be provided to the LPA in appropriate detail, at the agreed stage in the planning process, and in an agreed format. Generally, information required for the LPA to assess the planning application will be included in an **Ecological Impact Assessment** or Environmental Statement. Further detailed information will be requested through conditions imposed on any planning permission and in documents such as a Construction Environmental Management Plan (CEMP), and Landscape and Ecological Management Plan (LEMP).

Net gain: Whilst not required for HRA both the developer and LPA should seek enhancements for greater horseshoe bats. This is in line with the National Planning Policy Framework (para 9), the Government's 25 Year Environment Plan and Articles 3 and 10 of the Habitats Directive which require Member States to seek improvements in the 'ecological coherence' of European Sites through measures which enhance features of the landscape which are of major importance for wild fauna and flora. The LPA will expect proposals for enhancement to be prepared in accordance with any best practice e.g. currently the principles set out in CIEEM's *Biodiversity Net Gain Principles and Guidance*⁹.

⁹<https://www.cieem.net/biodiversity-net-gain-principles-and-guidance-for-uk-construction-and-developments>

5 Glossary

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| Adverse effect upon integrity | Where the competent authority is unable to confirm that the plan or project will, with mitigation, not have a likely significant effect on the SAC then the authority will ask for further information in order to try and ensure that the plan or project will not have an adverse effect on the integrity of the site. The integrity of a European site can be defined as, ' <i>the coherence of its ecological structure and function, across its whole area, which enables it to sustain the habitat, complex of habitats and/or the levels of populations of the species for which it was classified.</i> ' In practical terms this means the habitats necessary to maintain a healthy and viable population of greater horseshoe bats. See Advice Note on HRA for more information. |
| British Standard for Biodiversity | BS42020 – The first British Standard on Biodiversity Management. In line with the European Biodiversity Strategy and UN Aichi targets, the British Standard offers a coherent methodology for biodiversity management. |
| Commuting Routes | Linear features used as flight lines by greater horseshoe bats e.g. hedgerows, tree lines, woodland edge and vegetated watercourses. |
| Competent Authority | For the purpose of the Regulations, a competent authority includes any Minister of the Crown, government department, statutory undertaker, public body of any description or person holding a public office. See Advice Note on HRA for more information. |
| Designated Roosts | The six greater horseshoe bat maternity and/or hibernation roosts designated as SSSI. These are thought to support an important proportion of the total greater horseshoe bat population across South Devon. Five of the roosts are within the South Hams Special Area of Conservation. See Figure 1. |
| Development plans | Development plans comprise of adopted local plans, made neighbourhood plans and any “saved” policies from previous plans. This includes Devon County Council’s Minerals and Waste Plans. Planning Law requires planning decisions to be taken in accordance with the development plan unless material considerations indicate otherwise. |
| Echolocation | The sonar-like system used by bats to detect and locate objects by emitting usually high-pitched sounds that reflect off the object and return to the animal’s ears or other sensory receptors. |
| European sites (sites protected under European legislation) | Sites within the European Union (EU) network of classified Special Protection Areas (SPAs) and Special Areas of Conservation (SACs) designated under Article 4 of the EU Habitats Directive (EEC/92/43). Also referred to as Natura 2000 sites. In Torbay, there are two such sites – the South Hams SAC. |
| European Protected Species | Species of plants and animals (other than birds) protected by law through the European Union and listed in Annexes II and IV of the European Habitats Directive. |
| Existing Mitigation Features | Roosts, Commuting or Foraging Habitat created, enhanced or protected to meet Habitats Regulations Requirements for approved projects. |

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Greater Horseshoe Bats Supplementary Planning Document

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| Foraging Habitat | Feeding areas for greater horseshoe bats, primarily cattle grazed pasture, semi-natural woodland, unimproved pastures, meadows and watercourses. |
| Habitats Regulations Assessment (HRA) | The assessment, carried out by the competent authority, of the impacts of land use plans or proposals on European protected sites, required by the Habitats Directive. Stage 1 includes screening for likely significant effects. If needed Stage 2 (Appropriate Assessment) assesses whether it is possible to avoid adverse effect on site integrity. See the Advice Note on HRA for more information. |
| Hibernation roost | Roosts (greater horseshoe bats often use caves) where bats move in the winter to hibernate (it should be noted that bats also need to forage during this time). |
| In-combination effects | Effects that occur from a plan or project, in combination with other plans or projects including those: <ul style="list-style-type: none"> • adopted as part of Local Plans • approved but uncompleted • for which an application has been made and which are currently under consideration See the Advice Note on HRA for more information. |
| In-perpetuity | Of endless duration, not subject to termination. |
| Landscape Connectivity Zone | The area that includes a complex network of Commuting Routes used by the SAC population of greater horseshoe bats. |
| Likely significant effects | Effects, considered in HRA screening, which would undermine the SAC's Conservation Objectives. If, on the basis of information provided, a likely significant effect cannot be ruled out then Stage 2 of the HRA must be undertaken by the competent authority. See Advice Note on HRA for more information, including the Conservation Objectives for the South Hams SAC. |
| LPA – Local Planning Authority | The Local Planning Authority is the Council responsible for carrying out forward planning and development management functions. |
| Material consideration | A material consideration is a matter that should be taken into account in deciding a planning application or in an appeal against a planning decision. |
| Maternity roost | The place where, during summer, female bats gather to have and raise their babies. |
| Mitigation | Mitigation describes actions taken to reduce or offset known impacts to a natural resource in order to minimise the impact of the development on the environment (see Advice Note on mitigation). |
| Net gain | To achieve an overall gain in biodiversity as a result of the development rather than an overall loss. |
| Permitted development | Permitted development rights are a national grant of planning permission which allow certain building works and changes of use to be carried out without having to make a planning application. Permitted development rights are subject to conditions and limitations to control impact and to protect local amenity. |

South Hams Special Area of Conservation:
Greater Horseshoe Bats Supplementary Planning Document

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| Pinch Point | Known or potential greater horseshoe bat commuting routes which are significantly restricted e.g. due to urban encroachment. or proximity to the sea / estuaries. Further restriction would significantly impact on the movement of greater horseshoes and potentially have a likely significant effect on the SAC. |
| Planning applications | As well as planning applications this term is used to include prior approval notices and non-material amendments. For information on permitted development please see the Advice Note. |
| Prior Approval Notice | A process whereby details of a proposed development are notified to the local planning authority prior to the development taking place. This applies to some developments involving telecommunications, demolition, agriculture or forestry. The statutory requirements relating to prior approval are much less prescriptive than those relating to planning applications. This is deliberate, as prior approval is a light-touch process which applies where the principle of the development has already been established. Where no specific procedure is provided in the General Permitted Development Order, local planning authorities have discretion on what processes they put in place. It is important that a local planning authority does not impose unnecessarily onerous requirements on developers, and does not seek to replicate the planning application system. |
| SPD – Supplementary Planning Document | Established by the Planning and Compulsory Purchase Act 2004, an SPD can be used to provide guidance on a range of local planning matters and provide greater detail about policies contained within development plan documents. SPDs cannot make policy or allocate land, but can provide guidance on implementation. |
| SAC - South Hams Special Area of Conservation | South Hams Special Area of Conservation. Designated for its internationally important greater horseshoe bat population and habitats including dry heaths, semi-natural dry grasslands, scrub, woodland, cliffs and caves. |
| SSSI - Site of Special Scientific Interest | An area or site that is designated under the Wildlife and Countryside Act by Natural England for its nationally important biodiversity. |
| Sustenance Zone | The area within 4kms of designated roosts which includes critical foraging and commuting habitat |
| Validation | The process undertaken by the Local Planning Authority upon receipt of a planning application to determine whether the required national and local requirements of the application are included within the application and therefore whether the application can be considered valid. |

Annex 1 – Contact Details and Links to Development Plans

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| <p>Dartmoor National Park Authority Parke Bovey Tracey Newton Abbot Devon TQ13 9JQ forwardplanning@dartmoor.gov.uk [telephone number]</p> | <p>Devon County Council AB2 Lucombe House County Hall Exeter EX2 4QD planning@devon.gov.uk 01392 381222</p> |
| <p>South Hams District Council Follaton House Plymouth Road Totnes Devon TQ9 5NE [email address] [telephone number]</p> | <p>Teignbridge District Council Forde House Brunel Road Newton Abbot Devon TQ12 4XX forwardplanning@teignbridge.gov.uk 01626 215735</p> |
| <p>Torbay Council Town Hall Castle Circus Torquay TQ1 3DR future.planning@torbay.gov.uk 01803 208804</p> | <p>Natural England consultations@naturalengland.org.uk Discretionary Advice Service Form: https://www.gov.uk/government/publications/charged-environmental-advice-service-request-form 0300 060 3900</p> |

Links to Development Plans

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| Dartmoor National Park | http://www.dartmoor.gov.uk/living-and-working/planning/planning-policy/local-plan |
| Devon County Council | https://new.devon.gov.uk/planning/planning-policies/minerals-and-waste-policy |
| South Hams District Council | |
| Teignbridge District Council | https://www.teignbridge.gov.uk/planning/local-plans-and-policy/teignbridge-local-plan-2033/ |
| Torbay Council | http://www.torbay.gov.uk/council/policies/planning-policies/local-plan/new-local-plan/ |

Annex 3 – Overview of updates to the 2010 Guidance

This SPD updates and replaces the *South Hams SAC Greater Horseshoe Bat Consultation Zone Planning Guidance* published by Natural England in 2010.

1. An updated evidence base for greater horseshoe bats has resulted in the Strategic Flyways being replaced with a Landscape Connectivity Zone.

During 2015/16 the existing evidence base for greater horseshoes in the SAC area was updated by the LPAs. This process included adding records from planning applications and from local bat consultants / workers (through discussion and a 2017 workshop) to the existing evidence base held by the Devon Biodiversity Records Centre. The methodology for this work is available from Devon County Council.

The new evidence base shows that greater horseshoe roosts and activity occurs throughout the South Devon landscape.

There are two main reasons that the Flyways have been replaced with a Landscape Connectivity Zone:

- (a) The new evidence base shows that outside Sustenance Zones greater horseshoe bats are dispersed widely and in low numbers using a complex network of commuting routes, rather than a few key Strategic Flyways
- (b) The 2010 strategic flyways were based, in part, on joining up all known greater horseshoe bat roosts. If all known roosts were now joined by flyways the existing and new flyways would cover the majority of the South Devon landscape.

The new Landscape Connectivity Zone surrounds the Sustenance Zones and the landscape between them. The boundary is based on landscape features around the Sustenance Zones and the relevant LPAs and Natural England have signed off the boundary mapping process. Given that greater horseshoe bats in the Landscape Connectivity Zone are found in low numbers it is considered that there is not sufficient evidence to reasonably assume that impacts on roosts and habitat beyond this boundary can have a significant effect on the SAC's greater horseshoe bat population.

2. Amended boundaries to the Sustenance Zones

Note that all the boundaries of the 2010 Sustenance Zones have been amended. The boundaries are now 4km from the centre of the roosts rather than 4km from the edge of the mapped SSSI.

3. In 2016 the Bat Conservation Trust published new survey guidance which has replaced the survey specification in the 2010 South Hams SAC guidance.

The new national guidance largely requires the same or a greater level of survey effort than the 2010 specification. The LPAs and NE have therefore agreed that the 2016 guidance should be applied. However, the LPAs and Natural England are producing greater horseshoe bat survey guidance to help clarify the adjustments which the 2016 guidance (page 58) states is required for certain species of bats. When this is published it should be used to complement the national 2016 survey guidance.

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