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1 March 2022

COUNCIL MEETING

To all Members of the Council

You are summoned to attend a meeting of the ARUN DISTRICT COUNCIL to be held on **Wednesday 9 March 2022** at **6.00 pm** in the **Council Chamber & Blue Room - CC & PG** to transact the business set out below:

James Hassett
Chief Executive

PLEASE NOTE: Where public meetings are being held at the Arun Civic Centre, to best manage safe space available, members of the public are encouraged to watch the meeting online via the Council's Committee pages.

1. Where a member of the public wishes to attend the meeting or has registered a request to take part in Public Question Time, they will be invited to submit the question in advance of the meeting to be read out by an Officer, but of course can attend the meeting in person. There will be limited public access to this meeting and admission for public speakers will be by ticket only, bookable when submitting questions. Attendees will be asked to sit in an allocated seat in the public gallery on a first come first served basis. Only one ticket will be available per person.
2. It is *recommended* that all those attending take a lateral flow test prior to the meeting.
3. Those attending the meeting will *not* be required to wear a face covering however, are encouraged to bring one along to cover instances where a meeting may have higher public attendance. Masks will be made available at the meeting.
4. We request members of the public do not attend any face to face meeting if they have Covid-19 symptoms.

Any members of the public wishing to address the Committee meeting during Public Question Time, will need to email Committees@arun.gov.uk by 5.15 pm on **Wednesday, 3 March 2022** in line with current Committee Meeting Procedure Rues.
It will be at the Chief Executive's/Chair's discretion if any questions received after this deadline are considered.

For further information on the items to be discussed, please contact Committees@arun.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

   Members and Officers are invited to make any declarations of pecuniary, personal and/or prejudicial interests that they may have in relation to items on this agenda, and are reminded that they should re-declare their interest before consideration of the item or as soon as the interest becomes apparent.

   Members and Officers should make their declaration by stating:

   a) the item they have the interest in
   b) whether it is a pecuniary, personal and/or prejudicial interest
   c) the nature of the interest
   d) if it is a pecuniary or prejudicial interest, whether they will be exercising their right to speak under Question Time

3. PUBLIC QUESTION TIME [BY ADVANCE NOTICE]

   To receive questions from the public (for a period of up to 15 minutes)

4. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS [BY ADVANCE NOTICE]

   To receive questions from Members with pecuniary/prejudicial interests (for a period of up to 15 minutes)

5. PETITIONS

   To consider any petitions received from the public.

6. MINUTES

   To approve as a correct record the Minutes of the Special Meetings of the Council held on 23 February and 3 March 2022, which will be circulated separately to the agenda.

7. CHAIR'S ANNOUNCEMENTS

To receive such announcements as the Chairman may desire to lay before the Council.

8. URGENT MATTERS

To deal with business not otherwise specified in the Council summons which, in the opinion of the Chairman of the Council (in consultation with the Chief Executive), is business of such urgency as to require immediate attention by the Council.

OFFICER REPORTS

9. APPOINTMENT OF VICE-CHAIR OF THE COUNCIL FOR THE MUNICIPAL YEAR 2022/23

In accordance with Part 3 of the Constitution [Responsibility for Functions] Paragraph 13, the Council will consider nominations put forward by each of the Political Groups for the position of Vice-Chairman of the Council for 2022/23 and Chairman Elect for 2022/23. A secret ballot will then be undertaken to determine the appointment.

10. CALENDAR OF MEETINGS FOR 2022/23 (Pages 1 - 8)

In accordance with Council Procedure Rule 3.1, the Council needs to agree a programme of dates for Council Meetings prior to the commencement of the new municipal year. This report therefore proposes the arrangements for the Calendar of Meetings for 2022/23.

RECOMMENDATIONS FROM SERVICE COMMITTEES, REGULATORY AND STANDARDS COMMITTEES AND FROM WORKING PARTIES

11. CORPORATE SUPPORT COMMITTEE - 18 JANUARY 2022 (Pages 9 - 32)

The Chair, Councillor Dendle, will present the Minutes containing recommendations from the meeting of the Corporate Support Committee held on 18 January 2022.

There are two recommendations for Council to consider at Minute 558 [Pay Policy Statement 2022/23] – the Officer’s report is attached.

12. PLANNING POLICY COMMITTEE - 25 JANUARY 2022 (Pages 33 - 82)

The Chair, Councillor Bower, will present the Minutes containing recommendations from the meeting of the Planning Policy Committee held on 25 January 2022.

There is a recommendation for Council to consider at Minute 605 [CIL Infrastructure Investment Plan (IIP 2022-2024] – the Officer’s report is attached.

13. POLICY AND FINANCE COMMITTEE - 10 FEBRUARY 2022 (Pages 83 - 116)

The Chair, Councillor Gunner, will present the Minutes containing recommendations from the meeting of the Policy & Finance Committee held on 10 February 2022.

There are recommendations at:

- Minute 652 [Capital Strategy 2022/23 to 2026/27] – the Officer's report is attached.
- Minute 653 [Council Vision 2022-2026] – the Officer's report is attached.

14. AUDIT & GOVERNANCE COMMITTEE - 22 FEBRUARY 2022 (Pages 117 - 176)

The Chair, Councillor Clayden, will present the Minutes containing recommendations from the meeting of the Audit & Governance Committee held on 22 February 2022.

There are three recommendations at Minute 668 [Treasury Management Strategy Statement and Annual Investment Strategy] – the Officer's report is attached.

15. MOTIONS [30 MINUTES]

To consider any Motions submitted in accordance with Council Procedure 15.

16. GENERAL QUESTIONS FROM MEMBERS [BY ADVANCE NOTICE] [30 MINUTES]

To consider general questions from Members in accordance with Council Procedure Rule 14.3.

17. COMMITTEE MEMBERSHIPS

Any changes to Committee Memberships that need noting by the Council will be reported at the meeting.

18. REPRESENTATION ON OUTSIDE BODIES

The Council is asked to approve any changes to its representation on Outside Bodies.

Note : If Members have any detailed questions, they are reminded that they need to inform the Chair and relevant Director in advance of the meeting.

Note : Filming, Photography and Recording at Council Meetings – The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. This meeting may therefore be recorded, filmed or broadcast by video or audio, by third parties. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and as available via the following link PART 8 - CP - Section 5 Filming Photographic Protocol.pdf (arun.gov.uk).

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF FULL COUNCIL ON 9 MARCH 2022

SUBJECT: Calendar of Meetings for 2022/2023

REPORT AUTHOR: Solomon Agutu – Interim Group Head of Law & Governance and Monitoring Officer
DATE: February 2022
EXTN: 37610
SERVICE AREA: Law & Governance

EXECUTIVE SUMMARY:

In accordance with Council Procedure Rule 3.1, the Council needs to agree a programme of dates for Council Meetings prior to the commencement of the new Municipal Year.

This report therefore proposes the arrangements for the Calendar of Meetings for 2022/23 and has been prepared in consultation with relevant Lead Officers.

RECOMMENDATION:

It is recommended that:

(1) The Calendar of Meetings for 2022/23 be approved; and

(2) It be noted that the dates proposed can be subject to change by the Council or the Chair of the Council or relevant Committee Chair if there is an exceptional need for the date to be changed.

1. BACKGROUND:

Each year a Calendar of Meetings for the new Municipal Year is prepared in advance for approval and so that meetings can be published well in advance of the commencement of that Municipal Year.

2. FACTORS FOR CONSIDERATION:

1.1 The proposed Calendar of Meetings for 2022/23 is attached at Appendix A and has been prepared having regard to the key statutory requirements set out in Section 6 below and on the following basis:

- In accordance with Full Council resolutions in adopting the new Committee structure, this is based on the Committee structure and on the cycle of meetings agreed at that time.
- At the request of Group Leaders, minimising meetings as much as possible in the Party Conference weeks of September and October 2022.

- Avoiding Full Council meetings in *major* school holidays and noting that the date earmarked for the Special Council Meeting in March 2023 to consider the Budget may be still be subject to change based on the yet to be agreed Budget meetings of the Sussex Police & Crime Commissioner and West Sussex County Council.
- The desire to try to avoid holding meetings as much as possible in August and avoiding meetings over the Christmas period.
- The Start times for meetings will be 6.00pm, except in exceptional circumstances.

1.2 To comply with the Constitution in setting Committee meetings and Full Council meeting dates with the approval of Full Council. Approving a calendar of meetings at this time allows these dates to be published, and other arrangements to be put in hand well in advance.

1.3 If the Calendar is agreed, the dates proposed can be subject to change by the Council or the relevant Committee Chair if the need arises. Special meetings can also be arranged where required.

3. OPTIONS:

To not approve the Calendar of Committee Meetings for 2022/23.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		**X**
Relevant District Ward Councillors		**X**
Other groups/persons (please specify) - Group Leaders and relevant Lead Officers of the Council	**X**	

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	**X**	
Legal	**X**	
Human Rights/Equality Impact Assessment		**X**
Community Safety including Section 17 of Crime & Disorder Act	**X**	
Sustainability		**X**
Asset Management/Property/Land		**X**
Technology		**X**
Other (please explain)		

6. IMPLICATIONS:

The Council Municipal year runs from the date of the Annual Council meeting in May to the next Annual Council meeting in May. Under section 124, of the Local Government Act 2003, the Financial Year is a period of 12 months from any April, i.e. from 1 April to 31 March.

Council Tax and Budget setting - Section 30 of the Local Government Act 1992 places a duty on the Council, as the billing authority, to set the Council Tax for all property bands. Any amount must be set before 11 March in the financial year preceding that for which it is set but is not invalid merely because it is set on or after that date. Section 30(7) of the Local Government Finance Act 1992 provides in summary that in the absence of a precept formally issued by a major precepting Authority (WSCC, PCC) and notified in accordance with s.40(2), the billing authorities cannot formally agree to set their council tax before 1 March. The timing also needs to take into account the need to give at least 28 days' notice to Council tax payers before the new Council tax bands take effect

Notice of Rent Increase - The Council is required, by Section 103 of the Housing Act 1985 in relation to its secure tenancies; Section 111A of the Housing Act 1985 in respect of its introductory tenancies and the Council's agreement with its tenants, to notify tenants of variations of rent and other charges, by service of a notice of variation, at least 28 days before the variation takes effect. Decisions on rent increase therefore need to be taken at least 28 days before the beginning of April [ie in February].

Housing Revenue Account Statement– Section 76(2) of the Local Government and Housing Act 1989 requires the Council during the months of January and February immediately preceding the relevant year to prepare a Housing Revenue Account Statement.

The Localism Act 2011, Section 38(1) requires that local authorities prepare an annual Pay Policy Statement. This statement must be prepared for each financial year and must be approved by Full Council ready to be published by the beginning of the Financial Year in April of each year.

Under the **Accounts & Audit Regulations 2015** [as amended by the Accounts & Audit (Amendment) Regulations 2021], require that Draft Accounts must be completed by the Council for submission for external audit by 31 May (formerly by 30 June) and Final Accounts must be audited and agreed by 31 July (formerly 30 September). Government has now extended the publication date as proposed to 30 September due to Covid-19 for the financial years 20/21 and 21/22. Information on new audit regulations is expected imminently for 2022/23.

Public Inspection of accounts. The Council is required by the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2021, to present its Statement of Accounts (and associated documents) for public inspection for a period of 30 days.

The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.

Legislation (Crime and Disorder Act) requires that the performance of local community safety partnerships is scrutinised at **least annually**, and that this is led by the relevant local authority via its **Crime and Disorder Committee**. The Council has designated the Housing & Wellbeing Committee to serve as the Crime and Disorder Committee in undertaking this scrutiny function.

Regard has also to be had to key statutory plans and policies which may be expiring during the year and for which each committee has to take into account when deciding its work programme.

Under the **Equality Act 2010** the Council is required to have regard to the Public Sector Equality duty. In this regard it is proposed that meetings will normally not be set during school holidays to allow those with caring responsibilities to discharge those duties. Further while the expectation is that meetings will normally start at 6.00 pm, Committees are given the flexibility to agree different start times to accommodate any equality implications specific to Members of the Committee and consistent with public participation

7. REASON FOR THE DECISION:

To put into place a programme of dates for Council Meetings and all key Committees so that these can be published well in advance of the new Council year.

8. BACKGROUND PAPERS:

None

MEETING DATES 2022/23

Draft – for Full Council Approval

	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022
Mon	2 Bank Holiday			1		3 Cons Party Conf Week
Tues	3			2		4
Wed	4	1		3		5
Thurs	5	2 Bank Holiday		4	1 Policy & Finance	6 Housing & Wellbeing
Fri	6	3 Bank Holiday	1	5	2	7
Mon	9	6	4 Licensing Sub	8	5 Licensing Sub	10
Tues	10	7 Planning Policy	5	9	6	11
Wed	11 Council	8	6	10	7	12
Thurs	12	9 Housing & Wellbeing	7	11	8	13 Standards
Fri	13	10	8	12	9 Licensing	14
Mon	16	13 Licensing Sub	11	15 Licensing Sub	12	17
Tues	17	14	12	16	13	18
Wed	18 Annual Council	15 Economy	13 Council	17	14 Council	19
Thurs	19 Environment	16	14 Environment	18	15 Corporate Support	20
Fri	20	17 Licensing	15	19	16	21
Mon	23	20	18	22	19 Lib Dem Party Conf Week	24 – half term
Tues	24 Corporate Support	21	19 Corporate Support	23	20	25 Policy & Finance
Wed	25 Planning	22 Planning	20 Planning	24 Planning	21 Planning Policy	26 Planning
Thurs	26 Policy & Finance	23 Standards	21 Housing & Wellbeing	25	22 Environment	27
Fri	27	24	22 Schools Break Up	26	23	28
Mon	30 Half Term	27	25	29 Bank Holiday	26	31 Licensing Sub
Tues	31	28	26 Economy	30	27 Economy	
Wed		29	27 Planning Policy	31	28 Planning	
Thurs		30 Policy & Finance	28 Audit & Governance		29 Audit & Governance	
Fri			29		30	
Mon						
Tues						

MEETING DATES 2022/23
Draft – for Full Council Approval

	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023
Mon			2 Bank Holiday			3 Easter Holidays	1 Bank Holiday
Tues	1		3			4	2
Wed	2		4	1	1 Special Council [Budget]	5	3
Thurs	3	1	5	2 Economy	2	6	4 Local Elections
Fri	4	2	6	3	3	7 Good Friday	5 Count
Mon	7	5	9 Licensing Sub	6	6	10 Easter Monday	*8*
Tues	8	6 Housing & Wellbeing	10	7	7 Policy & Finance [Quarter 3 Indicators]	11	9 Member Induction
Wed	9 Council	7	11 Planning	8 Planning	8 Planning	12	10
Thurs	10 Corporate Support	8 Policy & Finance	12	9 Policy & Finance [Special for the Budget]	9	13	11
Fri	11	9 Licensing	13	10	10 Licensing	14	12
Mon	14	12 Licensing Sub	16	13 Half Term	13	17	15 Member Induction
Tues	15	13	17	14	14	18	16
Wed	16	14	18 Council	15	15 Council	19 Planning	17
Thurs	17 Environment	15 Standards	19 Corporate Support	16	16	20	18
Fri	18	16	20	17	17	21	19
Mon	21 Licensing Sub	19 School Holidays	23	20 Licensing Sub	20 Purdah Commences Licensing Sub	24 Licensing Sub	22 Member Induction
Tues	22 Economy	20	24	21	21	24	23
Wed	23	21	25 Housing & Wellbeing	22	22	26	24
Thurs	24 Planning Policy	22	26 Planning Policy	23 Standards	23	27	25
Fri	25	23	27	24	24	28	26
Mon	28	26 Bank *Holiday*	30	27	27		29 Bank Holiday
Tues	29 Audit & Governance	27 Bank *Holiday*	31 Environment	28 Audit & Governance	28		30
Wed	30 Planning	28			29		31 Annual Council
Thurs		29			30		
Fri		30			31		
Mon							
Tues							

MEETING DATES 2022/23
Draft – for Full Council Approval

NOTES

Areas shaded in green are school holidays and Bank Holidays

Other Dates Avoided are:

Liberal Democrat Party Conference Week – 17 to 21 September 2022 – though date is still to be confirmed – these dates based on last year's dates
Conservative Party Conference Week – 2-5 October 2022
Avoiding the Summer School Holidays as much as possible – most of August free
Planning have requested a meeting in August – we trialled not having once this year which did not work – we had to have two meetings in September
Sticking to an 8 weekly cycle of meetings where possible – this is not always possible to achieve keeping so many school holiday dates free
Avoiding setting meetings [apart from Planning [regulatory] during Purdah commencing on 20 March ahead of our Elections on 4 May – in effect we are losing the usual cycle of meetings that would be held in March – there is no way of squeezing these in if other dates are to be kept clear ie August etc – and sticking to the dates needed for budget consultation. Special meetings can always be organised for anything urgent – there is time to accommodate the odd special meeting if required
Annual Council for 2023 has been set for 31 May 2022 to allow for Member Induction to take place – although this is in half-term week
Fitting in around the timescales that Finance works to in terms of Budget Setting and preparing the Annual Budget and consultation with all Committees
The Dates for Audit & Governance may have to be adjusted once Ernst & Young – audit deadlines have been confirmed
Meetings of the Constitution Working Party will be arranged as and when needed

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CORPORATE SUPPORT COMMITTEE

18 January 2022 at 6.00 pm

Present: Councillors Dendle (Chair), Roberts (Vice-Chair), Clayden, Mrs Cooper, Coster [Substituting for Huntley], Madeley and Oppler.

Councillors Goodheart and Gunner were also in attendance at the meeting.

549. WELCOME

The Chair welcomed Members and Officers to the meeting of the Corporate Support Committee.

550. APOLOGIES FOR ABSENCE

Apologies for Absence had been received from Councillors Huntley and Seex.

551. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

552. MINUTES

The minutes from the meeting of the Committee held on 23 November 2021 were approved as a correct record and were signed by the Chair.

553. ITEMS NOT ON THE AGENDA THAT THE CHAIR OF THE METING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

There were no items for the Committee to consider.

554. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

555. COMMITTEE REVENUE AND CAPITAL BUDGETS 2022/2023

The Interim Group Head of Corporate Support and Section 151 Officer introduced this report reminding Councillors that this was the first year that the Council's Budget had been produced under the new Committee style of governance. The Committee was provided with a brief reminder of the process in formulating the Budget for 2022/23.

The Committee was being asked to consider and recommend its revenue budget for inclusion in the 2022/23 revenue budget which would be submitted to the Policy & Finance on 10 February 2022. The Policy & Finance Committee would then consider the overall budget for 2022/23 so that it could make recommendations to a Special Meeting of the Council on 23 February 2022. The detailed budget papers for this Committee to consider were set out in Appendix 8A of the report and only contained essential committed growth items. Members were asked to note that there had been significant pressure on establishment budgets with the budget assuming a 1.75% pay award for staff for this year's pay award which was not included in the budget for this year and a 2.5% pay award for 2022/23 and a 1.25% increase for employer's National Insurance contributions had also not been included in the budget for this year. It was confirmed that the Committee did not have any uncommitted growth or bid items to consider.

The Committee's attention was then turned to the capital programme for 2022/23 as set out in Appendix B of the report. The proposed budget for 2022/23 was being presented for the Committee to agree before being considered, as part of the total budget, by the Policy & Finance Committee as explained earlier.

Before being invited to ask questions, Members were reminded of the Budget Briefing to be held on 16 February 2022 and was asked to submit any detailed questions in advance of that briefing.

A question was asked about growth requests which had been minimised and when and who had made this decision. It was explained that the Council was facing a budget deficit in the next two years and so in response the Council had tried to reduce the amount of Committee growth projects that would project into future years' budgets. It was confirmed that this recommendation had been made taking advice from the Section 151 Officer and in considering the Financial Prospects report approved by the Policy & Finance Committee on 14 October 2021.

Having had the recommendations proposed by Councillor Clayden and seconded by Councillor Roberts,

The Committee

RESOLVED – That

(1) The Committee's 2022/23 Revenue Budget as illustrated in Appendix A of the report be agreed;

(2) The Capital Programme 2022/23 as illustrated in Appendix B of the report be agreed;

The Committee also

RECOMMEND TO THE POLICY & FINANCE COMMITTEE

(1) That the Revenue Budget and Capital Programme for this Committee be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022.

556. HEALTH AND SAFETY POLICY

The Environmental Health Team Manager presented this report confirming that the Committee was being asked to approve a revised Health and Safety Policy. What was being presented was a revised Part Two of the Policy which was the organisation and responsibilities confirming who did what to achieve the Council's health and safety aims. The current organisation and responsibilities section of the Policy had been adopted by Full Council on 13 March 2019. This section of the Policy had since become outdated due to changes in the Council's structure and key postholders, the changes made would bring it up to date and would ensure that the Council had a robust Policy in place. The Committee was also being asked to delegate authority to the Group Head of Technical Services to make future amendments to the Policy when needing to update legislation and make changes to personnel and structures quickly.

The Chair thanked the Environmental Health Team Manager for his report and asked if there was any innovation approach being adopted to develop the Policy. The response provided was that the Council was part of a Group of Safety Officers that met across the area to talk about good practice and consistency, and this continued to take place regularly. The Council also had an established health and safety task issued each month for all service areas to address and to look at a particular focus area. This had continued to prove to be a useful tool to consistently applying health and safety across the organisation, particularly throughout the Pandemic in terms of putting into place arrangements around Covid.

Further questions were then asked followed by a proposal to introduce into the Policy a mechanism whereby annual checks would be undertaken to ensure that staff had up to date driving licences and the appropriate insurances in place. The Interim Chief Executive confirmed that a form of annual check for employees should be introduced and that if this suggestion was approved by the Committee, then the appropriate measures would be put into place.

Following further discussion, Councillor Mrs Cooper then proposed the recommendations set out in the report and these were then seconded by Councillor Madeley.

Councillor Roberts then confirmed that he wished with the Committee's agreement to add wording to the end of Recommendation (1) which was "and in consultation with the Chief Executive instigate an annual check policy of driving licences and insurance policies be undertaken". This suggestion was unanimously supported by the Committee.

The Committee then

RESOLVED – That

(1) Agreement be given to adopt the Health and Safety Policy Organisation and Responsibilities; and in consultation with the Chief Executive instigate an annual check policy of driving licences and insurance policies be undertaken; and

(2) Delegated authority be given to the Group Head of Technical Services to make future amendments to the Policy.

557. UNREASONABLE BEHAVIOUR POLICY

The Chair invited the Locum Lawyer to present the Unreasonable Behaviour Policy to the Committee on behalf of the Group Head of Law & Governance and Monitoring Officer.

It was explained that this was an introduction to a new policy called the Unreasonable Behaviour Policy. The reason for introducing this Policy now was that for the past few years, the Council had seen an increase in challenging behaviour from a minority of its customers, the behaviour of some of these complainants was becoming unreasonable. Therefore, the Council now needed to adopt a policy so that unreasonable behaviour could be dealt with in an open and transparent and consistent manner.

The Locum Lawyer then alerted the Committee's attention to Paragraph 4 of the Policy as it provided examples of unreasonable behaviour as defined by the Local Government & Social Care Ombudsman. Examples of the types of behaviour that the Policy covered were listed. It was emphasised that the Unreasonable Behaviour Policy was required to address a small minority of those who made complaints unreasonably. The Policy intended to explain to residents what would happen when the duty to act reasonably was not complied with.

The Committee then discussed the Policy agreeing that it was a good Policy to have in place. A question was asked about how an unreasonable behaviour matter would be reviewed. It was accepted that this would be undertaken by the Information Management Team working to a list of confirmed checks. A request was made to add an additional check to the bullet point list set out in Paragraph 4.4 of the Policy which was to ensure that the Leader or Deputy Leader of the Council be consulted. This was proposed as an amendment by Councillor Clayden and was seconded by Councillor Roberts.

The Committee then debated this amendment. Although there was no major disagreement to the amendment being aired, a question was asked as to whether this was necessary as the Policy was being introduced linked to staff and their protection, it did not relate or cover Councillors. With any decisions resting with Officers, was this amendment required?

The Locum Lawyer explained the three dimensions covering this Policy with one being the need to ensure staff and their safety. There was also a good governance dimension which was not to do with staff but the need to ensure that when someone was being called an unreasonable complainant there was a formal process in place for addressing that. The amendment proposed could be accepted if it was consultation that was being undertaken with the Leader or Deputy Leader and not a request to agree to any action proposed. This was because the Chief Executive was the Head of Paid Service and responsible for staffing matters not Councillors.

A further request was made as to whether it would be possible to ensure that Ward Members would be informed of matters relating to their Wards in view of the liaison that they had with constituents. The Locum Lawyer confirmed that it would not be inappropriate to consult with ward members, as these instances were rare examples and so it would not be a burden to officers to consult.

Further clarification was sought on the amendment proposed and whether the wording should read "**that the Chief Executive and the Leader of the Council have been consulted?"** The Proposer to the amendment was asked to confirm if he would be happy with this adjusted wording. Councillor Clayden confirmed that he wished to have added the Deputy Leader to cover events when the Leader might be absent as the Chief Executive would have already been consulted. Councillor Clayden also confirmed that he would be happy to have included that Ward Members be informed when a matter related to their Ward. The Proposer to the amendment therefore confirmed that the amendment that should be added as a new bullet point should read "That the Leader and or Deputy Leader and Ward Members be consulted".

The Locum Lawyer provided some advice. He confirmed that he did now have a degree of reluctance surrounding Members being consulted. What would usually happen at the last stage of a complaint was that the complainant would often go to the Local Government Ombudsman and there was a real issue that an allegation could be made about the Leader and Deputy Leader being consulted which could lead to them being requested to provide a statement and get involved in what was an operational issue or matter. What often happened in such processes was that Councillors could get asked if they wished to support the complaint if Members were involved in the early stages of the decision; this could create an appearance of conflict and could complicate governance issues.

The point was made by another Councillor that the wording to be added should be the Leader and Deputy Leader of the Council HAD been consulted to align with the other bullet points in Paragraph 4.4. Councillor Clayden and his seconder agreed to this wording.

Following some further questions from a non-Committee Member, the voting on the amendment proposed by Councillor Clayden and seconded by Councillor Roberts was approved unanimously.

The Chair then returned to the substantive recommendations as amended which were proposed by Councillor Mrs Cooper and seconded by Councillor Roberts.

The Committee

RESOLVED

That the Unreasonable Behaviour Policy be agreed and adopted subject to an additional bullet point (5) being added to the list of bullet points at Paragraph 4.4 to read "That the Leader and Deputy Leader had been consulted".

558. PAY POLICY STATEMENT 2022-23

The Interim Group Head of Corporate Support and Section 151 Officer presented the Council's Pay Policy Statement for 2022/23 which would need to be recommended onto Full Council on 9 March 2022 for approval prior to it being published, inline with the Localism Act 2011, by 1 April 2022.

Having been proposed by Councillor Dendle and seconded by Councillor Roberts,

The Committee

RECOMMEND TO FULL COUNCIL ON 9 MARCH 2022 – That

(1) The Pay Policy Statement 2022/23 be approved for publication on the Arun website by 1 April 2022; and

(2) Responsibility be delegated to the Interim Group Head of Corporate Support and Section 151 Officer to make changes to the Pay Policy Statement should new legislation be introduced during the forthcoming year that has an effect on its content.

559. OUTSIDE BODIES

The Chair confirmed that there were no feedback reports from Outside Bodies to present to this meeting

560. WORK PROGRAMME

The Committee received its Work Programme covering the remainder of the Municipal Year.

One Member outlined that it was disappointing to see that there was only one item on the Work Programme for the next meeting of the Committee on 24 March 2022. This was surprising in view of the wide ranging functions covered by the Committee and so an explanation was sought.

The Chair confirmed that the items proposed for discussion by that Member being the ICT & Digital Strategy, Customer Services and Information Management had all been considered by the Committee at previous meetings as its Work Programme confirmed. The Committee had also undertaken work on its own budget and preparing for the Council's 2022/23 Budget. It was also explained that this work programme only covered this municipal year and that the Committee would soon have a work programme containing items for the new municipal year 2022/23 to consider.

The Committee then noted its work programme.

(The meeting concluded at 6.52 pm)

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF THE CORPORATE SUPPORT COMMITTEE ON 18 JANUARY 2022

SUBJECT: Pay Policy Statement 2022-2023

REPORT AUTHOR: Carolin Martlew, Interim Group Head for Corporate Support
DATE: 7 January 2022
EXTN: 37568

EXECUTIVE SUMMARY:

The Localism Act 2011, section 38(1) requires that local authorities prepare an annual Pay Policy Statement. This paper introduces the draft Pay Policy Statement for 2022/2023 (attached) and asks Members to approve it.

RECOMMENDATIONS:

The Committee is requested to recommend to Full Council to:

a) To approve the Pay Policy Statement 2022/2023 for publication on the Arun website by 1 April 2022.

b) To give delegated responsibility to the Interim Group Head for Corporate Support to make changes to the Pay Policy Statement should new legislation be introduced during the forthcoming year that has an effect on its contents.

1. BACKGROUND:

The Localism Act 2011, Section 38(1) requires that local authorities prepare an annual Pay Policy Statement. This should set out an authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. This statement must be prepared for each financial year and must be approved by Full Council ready to be published by April 2022.

The Pay Policy Statement for 2022/ 2023 (The Statement) is attached as Appendix 1, along with two other relevant appendices.

The Statement sets out our processes for determining remuneration and several related issues, including the use of bonuses, severance pay, enhancement of pension entitlement, allowances etc. The contents of the Statement are matters of fact and simply set out current practice.

2. PROPOSAL(S):

a) To approve the Pay Policy Statement 2022/2023 for publication on the Arun website by 1 April 2022.

b) To give delegated responsibility to the Interim Group Head for Corporate Support to make changes to the Pay Policy Statement should new legislation be introduced during the forthcoming year that influences its contents.

3. OPTIONS:

a) Agree the Pay Policy Statement for 2022/2023 to be published on the Arun website by 1 April 2022.

b) Not approve the Pay Policy Statement for 2022/2023.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial		✓
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

Requirement to publish under the Localism Act 2011

7. REASON FOR THE DECISION:

To comply with our obligations under the Localism Act 2011 in the interests of transparency. The Corporate Support Committee has to be consulted on the Pay Policy Statement before approval by Full Council.

8. BACKGROUND PAPERS:

- The Pay Policy Statement
- Structure of Senior Management
- Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums (Please note this is currently under review and an updated draft version is expected to be available in time for Full Council)

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ARUN DISTRICT COUNCIL Pay Policy Statement Financial Year 2022 – 2023

1. Purpose

1.1 This Pay Policy Statement (Statement) is provided in accordance with Section 38(1) to 43 of the Localism Act 2011 and the Statement will be updated annually from April each year.

1.2 The Statement sets out Arun District Council's (ADC) policies relating to the pay of its workforce for the financial year 2022 – 2023, in particular:

- The remuneration of its Senior Management, third tier and above
- The remuneration of its "lowest paid employees"
- The relationship between the remuneration of its senior managers and employees who are not senior managers

2. Definitions

2.1 For the purpose of this Pay Policy the following definitions will apply:

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

"Chief Officers" refers to the following roles within ADC:

- Chief Executive as Head of Paid Service
- Directors
- Group Heads

"Lowest Paid Employees" refers to those staff employed on Grade 2 of the Council's pay scales. The definition for the "lowest paid employees" has been adopted because Grade 2 is the lowest grade on which employees are paid within the Council's pay framework.

"Employee who is not a Chief Officer" refers to all staff who are not covered under the Chief Officer group above. This includes the "lowest paid employees".

3. Pay Framework and Remuneration Levels

3.1 Remuneration for staff up to and including Director Level

3.1.1 *Determining the Grades of Posts*

3.1.2 The Council uses a locally agreed Job Profiling Scheme to evaluate the grade applied to each job role. This is to ensure that jobs are graded fairly, equitably and consistently and that the Council complies with the Equal Pay Act.

3.1.3 Decisions on grading are by consensus of a pay profiling panel following a thorough assessment of each job role. The panel is made up of both employer and union representatives and panellists are trained in use of the scheme to ensure fairness in application.

3.1.4 The profiling scheme covers all posts within the Council with the exception of the Chief Executive. This is because an evaluation exercise is not needed to establish that this is the highest paid post in the Council as the post holder will have ultimate accountability and responsibility.

3.2 *Pay Structure and Pay Increases*

3.2.1 The Council's pay and grading structure is based on the national pay scale issued by the National Joint Council (NJC) as part of the National Agreement for Local Government Services. This pay scale incorporates posts graded 2 to 14 (Grade 14 is covered by an extension to the National Pay Scales). Incremental rises within each grade is automatic on the 1st April each year until the employee reaches the top of the scale.

3.2.2 The Council has a separate pay scale for Group Heads and Directors. Incremental increases are not automatic for these staff and are at the Chief Executive/Director's discretion.

3.2.3 All staff are awarded an annual cost of living increase which is linked to national pay negotiations for the National Joint Council for Local Government Services.

3.2.4 There is no provision for the payment of bonus payments to staff in these grades.

3.3 Remuneration of the Chief Executive

3.3.1 At recruitment stage, the starting salary of the Chief Executive is decided at Full Council. Thereafter, annual pay awards are determined by the Joint Negotiating Committee for Chief Executives of Local Authorities. The Chief Executive does not receive any additional payment other than fees in connection with election duties in the role of Returning Officer. Election fees are set out annually in the 'Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums', attached as Appendix 1.

3.3.3 There is no provision for the payment of bonus payments to the Chief Executive. Other payments made will be in line with Council policies on allowances.

4.0 Publication of Chief Officer Salaries including the Chief Executive

4.1 Information on remuneration for the Chief Executive, Directors and Group Heads is published as part of the Annual Statement of Accounts. This is published each year in June/July and can be found on the Council's website. Officers below this level will not be identified in this way.

4.2 A structure chart showing the membership and responsibilities of the Corporate Management Team is attached to this document as Appendix 2.

5 Other Pay Elements

5.1 Market Supplements

5.1.1 The Council will consider the use of market supplements where there are significant recruitment or retention difficulties. In situations where a market supplement is being considered, a report detailing the business case will be presented for consideration by the Corporate Management Team in conjunction with the HR Manager. Market Supplements are time limited and subject to review.

5.2 Honoraria/Honorariums

5.2.1 There is provision within the Council's Human Resources guidance for the payment of "honoraria" in exceptional circumstances to any staff employed by the Council, for Directors, honoraria must be approved by the Chief Executive, in consultation with the Leader of the Council. For Group Heads, this must be approved by the relevant Director in consultation with the Chief Executive. For the Chief Executive this must be approved by the Leader of the Council.

5.3 *Other Allowances*

5.3.1 There are a number of other allowances which staff may be eligible for such as car allowance, standby/call out allowance etc. Any allowance or other payment will only be made to staff in connection with a particular role or the patterns of hours that they work. Allowances will be payable subject to the employee meeting the eligibility criteria as laid out in the relevant policy.

5.3.2 Payments made to staff working during elections, polls and referendums will be in line with the Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums, as attached at Appendix 1.

6 Pensions

6.1 All employees are eligible to join the Local Government Pension Scheme (LGPS). Full details of the scheme can be found at www.lgps.org.uk. The LGPS is a contributory scheme and contributions are made by both the employer and the employee. The level of contribution is dependent on the employee's earnings.

6.2 The LGPS requires employers to prepare and publish a written policy on its discretionary powers in relation to pensions. These are known as the Council's Pension Discretions; they are reviewed annually and can be found on the Council's intranet.

7 New Starters Joining the Council

7.1 Employees new to the Council will be appointed to a salary point within the grade for the post considered appropriate taking into account their experience and ability to undertake the role. This will be at the discretion of the recruiting manager.

8 Termination of Employment

8.1 All employees who leave the Council's employment are entitled to payment of their contractual notice (except in cases of summary dismissal following disciplinary proceedings) along with any outstanding holiday pay.

8.1.2 The Council has determined that a vote by the Council regarding severance payments is not required. This is due to the fact that the Joint Consultative Panel agrees all pay policies including those affecting severance payments. All severance payments are paid in accordance with Council policy and in compliance with employment legislation.

8.2 Redundancy Payments

8.2.1 Redundancy payments are payable to employees whose post is made redundant and the post holder has two years' service or more. ADC's redundancy payments are determined by the age of the employee and length of service and are based on actual salary. Details of how the redundancy payment is calculated is set out in the Council's redundancy policy.

8.2.2 There is no local discretion to increase an employee's total pension scheme membership or award additional pension except in exceptional circumstances where compassionate grounds apply.

8.3 Settlement Agreements

8.3.1 In exceptional circumstances, and specifically to settle a claim or potential dispute, the Chief Executive in consultation with the Section 151 Officer, can agree payment of a termination settlement sum up to the value of £50,000. Settlement agreements up to the value of £95,000 may be made by the Chief Executive in consultation with the Leader of the Council, Leader of the Opposition and Section 151 Officer. Any settlement payment above the value of £95,000 needs to be considered by Full Council. In such cases, each decision as to the level of payment will be taken on its individual merits and with advice taken from the Human Resources Manager.

8.4 Re-employment of Officers

8.4.1 The Council needs to retain the flexibility to respond to recruitment demands and labour shortages and therefore, in some circumstances, it may be in the Council's best interests to re-employ former local government employees who have previously left the service on the grounds of redundancy or efficiency. If the Council were to re-employ a previous local government employee who had received a redundancy or severance package on leaving, then the Council's policy is to ensure that the rules of the Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order 1999 is applied. In addition, the Council will ensure that a fair, transparent selection process has taken place before any appointment is confirmed.

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

9.1 The mean average remuneration for the 2022/2023 budget is £40,050 and the highest paid employee £151,750. This includes all allowances and employers pension contributions at 21.4%. The pay multiple between the two is 3.79. This is based on current pay scales, assuming a national pay award of 1.75% for 21/22 but excluding a national pay award for 22/23 budget.

In comparison, the mean average remuneration for the 2020/2021 budget was £38,980 and the highest paid employee £154,320. This included all allowances and employers pension contributions at 21.4%. The pay multiple between the two was 3.96. This was based on 2021/22 pay scales.

9.2 The lowest paid employee is at £15,020 and the highest paid employee £151,750. This includes allowances and employers pension contribution at 21.4% and the pay multiple between the two is 10.10*. This is based on current pay scales, assuming a national pay award of 1.75% for 21/22 but excluding a national pay award for 22/23 budget.

In comparison, for the 2021/2022 budget, the lowest paid employee was at £12,160 and the highest paid employee £154,320. This included allowances and employers pension contribution at 21.4%. The pay multiple between the two was 12.69. This was based on 2021/22 pay scales, excluding a national pay award.

*note that this includes apprentice pay. The multiplier excluding apprentice pay is 7.57.

Date approved by Full Council XXXXXXXXXXX

SCALE OF RETURNING OFFICERS EXPENDITURE FOR LOCAL GOVERNMENT ELECTIONS, POLLS AND REFERENDUMS IN HELD WEST SUSSEX 2021/2022

PART A – PERSONAL FEE FOR RETURNING OFFICER'S SERVICES

A.1	Personal fee in respect of each electoral area for executing all the statutory duties of the Returning Officer for the conduct of the election, including the appointment of Deputy Returning Officers, the publication of prescribed notices, the distribution preparation, verification and adjudication of candidates' nomination papers and consents, the provision of polling stations and ballot papers (including the dispatch and receipt of postal ballot papers), the appointment of presiding officers, poll clerks and counting assistants, the dispatch of poll cards, the issue of notifications of secrecy, the supervision of the counting of votes and declaration of the result of poll, the submission of returns and the custody of records.	
	For all services in an uncontested election or for services up to the close of the withdrawals period in a contested election	£79.00
	For services after the close of the withdrawals period in a contested election	£31.00 for every 500 local government electors (or part 500)
	For a countermanded election:-	
	a) If countermanded before the close of the withdrawals period	£79.00
	b) If countermanded after the close of the withdrawals period	£79.00 plus £16.50

PART B – DISBURSEMENTS BY RETURNING OFFICER

B.1 Staff for polling Stations

a)	Presiding Officer's services	£221.00
b)	Supplementary fee to Presiding Officers for combined polls for district, parish or county elections	£45.50
c)	Poll Clerk's services (one clerk for each 1000 local government electors or part 1000 allocated to a polling station)	£140.00
d)	Supplementary fee to Poll Clerk for combined polls for district, parish or county elections	£30.00

	e)	Services of part-time Poll Clerk (where not required for whole of polling hours)	Hourly rate (as proportion of normal fee) on basis of hours employed
	f)	Supplementary fee to Presiding Officer who acts as Senior Presiding Officer at a polling place where there is more than one polling station	£15.50
	g)	Polling Station Inspector	£221.00
	h)	Fee in respect of attendance at training session for up to	£43.50
	i)	Polling Station Marshalls/ Stewards	£187.00
	(j)	Supplementary fee for staff in connection with cleaning the polling station	Up to £35 in addition to the normal fee
	(k)	Supplementary fee for Presiding Officer to collect and deliver poll booths	£15.00
B.2	Staff for Counting of Votes		
	a)	Counting Assistant's services (for sorting and counting ballot papers)	£25.00 plus £9 per hour, or part, of duration of count proceedings or £25.00 plus £13.50 per hour, or part, of duration if count held overnight
	b)	Counting Supervisor's services (for directing Counting Assistant's functions to ensure proper verification of ballot boxes)	£18.50 (responsibility supplement for each electoral area) plus £12.50 per hour, or part.
	c)	Deputy Returning Officer's services	£44.50 (responsibility supplement for each electoral area) plus the fee for Counting Assistant's services
	d)	Fee in respect of Count Supervisors attendance at training up to	£43.50
	Staff for Clerical Assistance		
£B.3	a)	General Assistance for purposes of preparation for the dispatch and receipt of postal ballot papers	£28.50 for every 50 ballot papers (or part of 50)
	b)	General assistance for all other matters in district, parish or county elections (including completing, handling and dispatch of poll cards)	£8.50 for every 100 electors (or part 100); allowance to be reduced by 5% in parish elections where no poll cards are issued
	c)	Staff payments in respect of despatch and opening of postal ballot papers	£28.50 per half day session or £9 per hour (or part hour) where hourly rate is applicable **or** £10.50 per hour (or part hour)

	where working after 5pm is involved **or** £13.50 per hour (or part hour) where weekend/bank holiday working is involved
d) Postal Vote Supervisor (opening and despatch)	£15.50 plus payment of despatch/opening fee

Travelling and Subsistence Expenses

a) Journeys necessarily made for any purposes approved by the Returning Officer in relation to the election proceedings	Actual cost of rail fare (second class) or other forms of public transport. Top allowance on NJC Scale for use of private vehicle
b) Travel Expenses paid to staff in connection with the election	
Fixed Fee for Presiding Officer	£10.00
Fixed Fee for Poll Clerks/Counting Assistants	£7.00
For those being paid mileage rate	.45p per mile

B.5 Ballot Boxes and Stamping Instruments

a) Cleaning and preparation of equipment before issue from storage place	£3.00 for each polling place

B.6 Poll Cards

For hand delivery of poll cards	18p per card

B.7 All other expenses necessary for the proper conduct of the election proceedings, including the following particular matters:-

a) Provision, use and fitting up of accommodation for polling stations

b) Provision and transport of equipment for polling stations (e.g. voting compartments, tables and chairs)

c) Provision and publication of notices, poll cards, ballot papers, registers of electors and postal and proxy voters' lists

d) Provision of all other stationery and documents

e) Postage and telephone charges

f) Compensation for injury to persons or damage to property

Notes

1 The prescribed amounts in the scale are payable in respect of each separate electoral area

2 "Electoral area" means any ward/parish/division for which a separate election is held

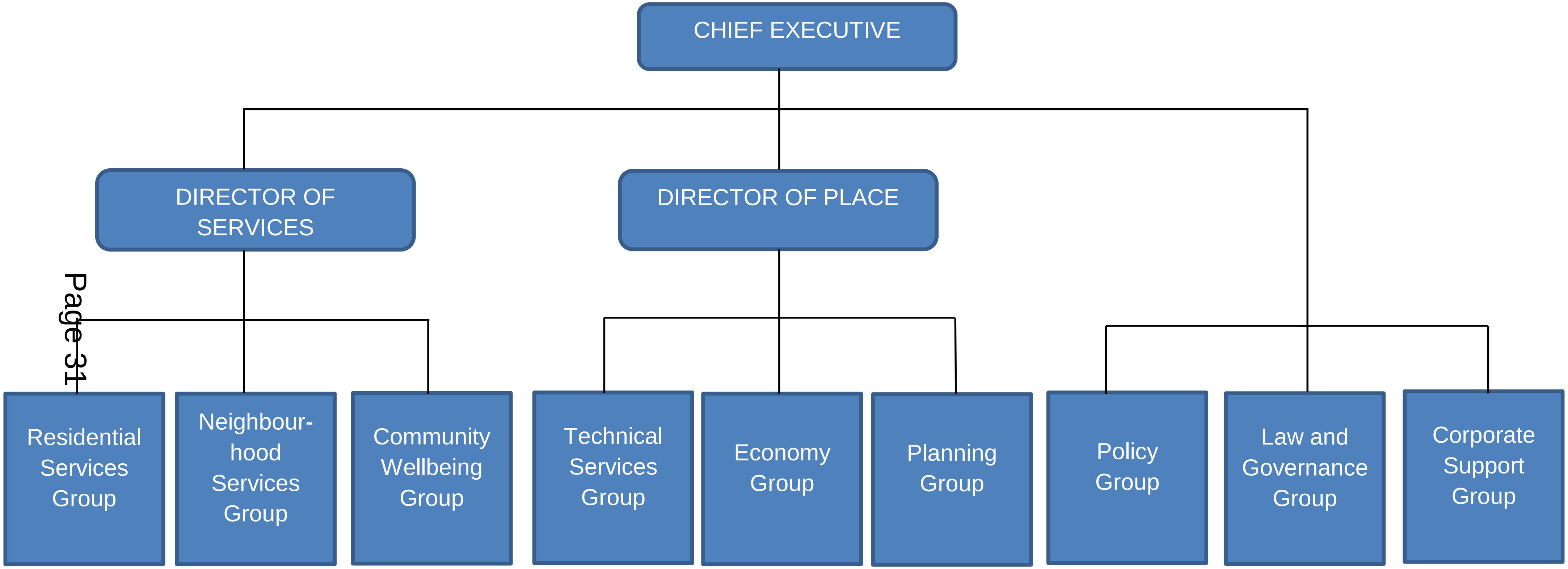
3 The prescribed amounts in the scale are maximum sums and Returning Officers may pay lesser amounts for those items in circumstances where they consider this to be specifically justified

4 "Elector" means a person registered as a local government elector in the register for the electoral area concerned.

5 Fees for Parish polls will be adjusted according to the workload and timing of the poll.

CORPORATE MANAGEMENT TEAM

2022



For Pay Policy Statement 2022

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PLANNING POLICY COMMITTEE

25 January 2022 at 6.00 pm

Present: Councillors Bower (Chair), Hughes (Vice-Chair), Chapman, Coster, Elkins, Goodheart, Lury, Yeates, Gunner (Substitute for Charles), Stanley (Substitute for Jones) and Yeates

Councillor Edwards was also in attendance for all or part of the meeting.

Apologies: Councillors Charles, Jones and Thurston

597. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

598. MINUTES

The Minutes of the previous meeting held on 30 November 2021 were approved by the Committee and signed by the Chair. The Chair noted that Minute 480 [To 'Make' the Barnham and Eastergate Neighbourhood Development Plan (Review) 2019-2031] would now not be recommended to Full Council and it had been withdrawn on legal advice as there was a challenge by Judicial Review to the Plan.

599. ITEMS NOT ON THE AGENDA THAT THE CHAIR OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

The Chair confirmed that there were no urgent items.

600. PUBLIC QUESTION TIME

The Chair confirmed that there had been no questions from the public submitted for this meeting.

601. COMMITTEE REVENUE AND CAPITAL BUDGETS 2022/2023

Upon the invitation of the Chair, the Interim Group Head of Corporate Support and Section 151 Officer presented the report which asked the Committee to consider and recommend its revenue budget for inclusion in the 2022/23 revenue budget, which would be submitted to the Policy and Finance Committee on 10 February 2022. Policy and Finance Committee would consider the overall revenue budget for 2022/23 to make a recommendation to Full Council on 23 February 2022 on the budget to be set and level of Council Tax for the District for 2022/23. She confirmed that the Committee did not have any capital expenditure and so did not have to consider a capital budget for inclusion in the overall capital programme

Members then took part in a full debate on the item where a number of points were raised including:

- the restructuring of the Planning and Development Section in response to the Hannaby Report, and the need to see revenue expenditure as a KPI
- how the Committee could monitor the Planning department's performance if KPIs were not available as part of the budget process
- the Hannaby Review and its implications for Planning Policy Committee and Planning Committee, and the review reporting into the Planning Committee where more detail could be found on the process

The Interim Group Head of Corporate Support and Section 151 Officer provided Members with responses to all points raised during the debate. It was confirmed that Members had not received KPIs for this year but that Officers were looking to produce them for next year for every Committee.

The recommendations were then proposed by Councillor Gunner and seconded by Councillor Hughes.

The Committee

RESOLVED - To

a) Agree on the 2022/23 Revenue Budget as illustrated in Appendix A of this report;

b) Agree on the 2022/23 list of uncommitted growth items as illustrated in Appendix B of this report;

RECOMMEND TO POLICY AND FINANCE COMMITTEE

c) That the Revenue Budget and list of growth items be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022.

602. HOUSING AND ECONOMIC LAND AVAILABILITY ASSESSMENT (HELAA 2022 UPDATE)

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which explained how the Housing and Economic Land Availability Assessment (HELAA) had been reviewed and updated for 2021. The HELAA's principal purpose was to provide evidence at a high level, identifying the best performing sites with potential to consider for further assessment as part of plan making and calculating the 5-year housing land supply. It was noted that there was a reduction in deliverable sites and yields coming forward, with issues around proving how deliverable sites were in light on appeal decisions, but that figures through the Neighbourhood Planning Process were improving.

Members (and one non-Committee Member) then took part in a full debate on the item where a number of points were raised including:

- the low response to the call for sites and whether the suggested 'delivery certificate' would address the concerns with developer and promoter cooperation and commitment
- the Chair quoted from the Officer report [on page 15 of the Agenda Pack] as an important statement to put the HELAA and subsequent planning applications for projects appearing in it, into context:

  '1.9 In addition, it should be noted that:

  - Inclusion of a site in the HELAA does not mean that it will be allocated for development.
  - Planning applications on sites identified within the HELAA will continue to be determined on their merits in line with the development plan unless material considerations indicate otherwise. The HELAA may however form a material consideration in the determination of planning applications.'
- the HELAA and its relation to material considerations in determining planning applications
- Member and resident concerns over a number of sites that appeared on the list
- the need for inclusion of timescales in the HELAA (for example, when sites were put forward, what stage they were at and whether anything had subsequently changed) to give greater context to residents about why sites might have been reassessed as deliverable or otherwise
- what the 'clear evidence' consisted of, as mentioned in 1.12 of the Officer's report [on page 16 of the Agenda Pack] in relation to sites 'only be[ing] considered deliverable where there is clear evidence that housing completions will begin on site within five years', and its reliability in delivering completed building
- discussion around the criteria to change a site from 'undeliverable' to 'deliverable' and determination of yields
- whether there was a process to remove sites from HELAA

The Planning Policy Team Leader provided Members with responses to all points raised during the debate. It was confirmed that:

- the HELAA was for plan making not for decision making, but that at appeals inspectors had previously used the 'deliverable site' designation as a material consideration
- 'clear evidence' involved Officer judgement on a number of factors determining how realistic delivery timescales were including the status of the site's planning permission (detailed or outline etc) and any constraints criteria such as site ownership, ransom strips or infrastructure to be delivered
- 'made' Neighbourhood Plans being part of the Development Plan so having the same weight as the policies of the Local Plan, especially on local rather than strategic matters
- changes to deliverability status depended on the evidence the Council received each year and whether sites as they progressed became more

policy compliant (through infrastructure developments etc). If more housing land supply was needed to be identified then HELAA sites would need to be taken and assessed through the plan making process and evidence before status changed accordingly

The recommendations were then proposed by Councillor Chapman and seconded by Councillor Hughes. By unanimous vote,

The Committee

RESOLVED

1. To consider and note the Housing and Economic Land Availability Assessment as part of the evidence base for the Local Plan and any future Development Plan Document preparation;

2. Agree the HELAA 2021 be published on the Council's website.

603. BROWNFIELD LAND REGISTER

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which provided a 2021 update to the 2020 Register. It was explained that the production of a Brownfield Land Register was a requirement under the Town & Country Planning (Brownfield Land Register) Regulations, 2017. The Register was to be established in two parts (Part 1 being sites in principle suitable for housing, and Part 2 being permissions in principle) and was to include all brownfield sites that were suitable for residential development. It was confirmed that there were 20 sites on the register (3 new sites which met the criteria had been identified for addition) and 9 sites had been removed because they had been implemented or were not available.

The recommendations were then proposed by Councillor Gunner and seconded by Councillor Hughes. By unanimous vote,

The Committee

RESOLVED - To

1. Note the 2021 Brownfield Land Register (Part 1);

2. Agree for Officers keep under review the Brownfield Land Register in order to determine whether preparation of (Part 2) including the carrying out of consultation and publicity requirements, in line with the Brownfield Land Register Regulations 2017 is justified.

604. AUTHORITY MONITORING REPORT 2020/21

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which detailed the Arun Local Planning Authority's Monitoring Report 2020/21.

This was an annual rolling report that monitored progress on plan making in retrospect, looking at the period from 1 April 2020 to the 31 March 2021. Updates to the Local Plan, Neighbourhood Plans, the Duty to Cooperate, the Housing Land Supply and the Housing Delivery Test were highlighted to Members.

Members then took part in a full debate on the item where a number of points were raised including:

- the number of unbuilt permissions, which may be Covid-related to some extent, showed the control developers had over the process
- the housing land supply and its impact on greenfield sites in the District, and the need for development to have a biodiversity net gain in light of the climate emergency
- whether the Council's assessment of housing deliverability should be more vigorous and that it was much clearer what was deliverable and what was not
- the economic uncertainty currently facing developers further complicating the situation

The recommendation was then proposed by Councillor Hughes and seconded by Councillor Elkins. By unanimous vote,

The Committee

RESOLVED

To agree the Authority Monitoring Report 2020/21 for publication on the Council's website.

605. CIL INFRASTRUCTURE INVESTMENT PLAN (IIP 2022-2024)

(During the debate on this item, Councillor Stanley declared a Personal Interest as a Member of Bognor Regis Town Council. Councillor Goodheart also declared a Personal Interest as a Member of Bognor Regis Town Council.)

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which sought agreement to the draft Infrastructure Investment Plan (a three-year programme for 2022-2024) which set out how Community Infrastructure Levy (CIL) funds would be prioritised for delivery of infrastructure projects. The Plan was needed as the Council was now a CIL Charging Authority (from 1 April 2020) and had begun to receive CIL receipts. It was stressed that CIL funds must be spent on infrastructure that aimed to mitigate the impacts of development upon the District, and the process for this was previously approved at Full Council. It was noted that 5 schemes ('the green list') had been identified to be included in the Infrastructure Investment Plan [on pages 33-36 of the Agenda Pack].

The Chair drew Members' attention to the fact that one of the 5 schemes [18/ADC/TI] was the subject of a petition going to Full Council on 26 January 2022. Members then took part in a full debate on the item where a number of points were raised including:

- the lack of Bognor Regis-based schemes on the green list
- the A29 realignment and the contribution of CIL funds to the scheme
- the baseline list showing that the Council was delivering on infrastructure and the impacts of development within the District
- improvements needed to Horsemere Green Lane and its connections to a deferred planning application on Ford Airfield and its Section 106 contributions
- the likelihood of deliverability of schemes on the longer list over the period of the Plan
- the relation between where CIL was generated and where projects were funded

The Planning Policy Team Leader provided Members with responses to all points raised during the debate. It was confirmed:

- that all Town and Parish Councils were consulted and there were at least 3 consultation rounds
- all proposals were judged against the same criteria, including whether it involved policy-identified infrastructure, evidence of cost of the scheme, are there delivery partners and a funding strategy, any evidence of design and feasibility
- schemes on the green list needed to show not only infrastructure mitigating the development plan but also that they had serious chances of being funded within the 3-year period of the Plan
- there was a variable percentage of CIL funds that may be devolved to Parish and Town Councils based upon whether they had a ‘made’ Neighbourhood Plan or not and whether CIL liable development had taken place within the Parish
- that the IIP was comprised of the shortlist of 5 priory (green rated) projects with associated spend apportionment
- that the baseline long list be published alongside the IIP on the website for transparency

The recommendation was then proposed by Councillor Hughes and seconded by Councillor Gunner. By majority vote,

The Committee

RECOMMEND TO FULL COUNCIL

That the Arun Infrastructure Investment Plan (for the period 2022-2024) be approved and published on the Council’s website.

606. STATEMENT OF COMMUNITY INVOLVEMENT UPDATE

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which sought agreement on the process for ensuring the Council’s Statement of Community Involvement (SCI) was up to date, following the decision of the Committee on 6 October 2021 on its approach to plan making [Minute 338]. It was explained that the SCI was last updated via publication of the 'Immediate Review Document' in June 2020 and needed to be kept up to date as it formed evidence on legal compliance for plan making which was tested at Local Plan examination.

The recommendations were then proposed by Councillor Hughes and seconded by Councillor Lury. By unanimous vote,

The Committee

RESOLVED - To

1. Note that the use of the 'Interim Review Document' will have ceased on 31 December 2021 and unless the legislation is amended to allow for an extension of the temporary consultation measures, the SCI reverts to the SCI 2018 – 2021 published in November 2018 for plan making and Development Management purposes;

2. Agree that the SCI is currently up to date and only requires that minor typographical and clarification amendments be made and that such minor amendments can be made through officer delegated arrangements in future.

607. OUTSIDE BODIES

The Committee noted one report from Councillor Thurston on the South Downs National Park Authority.

608. WORK PROGRAMME

The Planning Policy Team Leader clarified that the Biodiversity Net Gain Study report coming to the next meeting would be a progress update report rather than a final study report due to the phased nature of the project. One Member asked for an update on the Strategic Flood Risk Assessment and an in-depth study on the multiple causes behind the Council's problems with housing delivery to be brought to future meetings; whether these would be better delivered as Member briefings was left for the Chair and Officers to determine. The Planning Policy Team Leader confirmed that work on both of these items was ongoing. The Chair confirmed that he and the Chair of Planning Committee had sent a letter to Clinical Commissioning Group (CCG) asking for an update on their plans, and as a result there was to be a presentation (date to be determined) made to Members of the Committee by the CCG on the NHS's plans for Arun.

The Committee then noted the Work Programme.

(The meeting concluded at 8.02 pm)

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF PLANNING POLICY COMMITTEE ON 25 JANUARY 2022

REPORT

SUBJECT: CIL Infrastructure Investment Plan (IIP 2022-2024)

REPORT AUTHOR:	Kevin Owen, Planning Policy Team Leader
DATE:	December 2021
EXTN:	x 37853
AREA:	Planning

EXECUTIVE SUMMARY:

This report seeks agreement to the draft Infrastructure Investment Plan (a three-year programme 2022-2024) setting out how Community Infrastructure Levy (CIL) funds will be prioritised for delivery of infrastructure projects and referral of the IIP to Full Council for approval.

RECOMMENDATIONS:

That Planning Policy Committee:-

1. Agrees the Arun Infrastructure Investment Plan (for the period 2022-2024) be referred to Full Council for approval and publication on the Council’s web site.

1. BACKGROUND:

1.1 Arun District Council became a Community Infrastructure Levy (CIL) Charging Authority in April 2020. A CIL Governance process was approved at Full Council on 25th January 2021 which set out how CIL receipts will be prioritised and allocated towards infrastructure projects. This process includes Arun District Council undertaking informal consultations with infrastructure providers and Town/Parish Councils inviting project bids and supporting evidence, to help identify infrastructure projects eligible for funding and prioritisation.

1.2 Following assessment and prioritisation, projects that meet the assessment criteria should be included in a three-year CIL funding programme for the period 2022 - 2024. This programme is called the Infrastructure Investment Plan (IIP).

1.3 The draft IIP attached at Appendix 1 includes the shortlist of 5 priority projects identified for funding (i.e. green projects using a red amber green coding for the assessment i.e. RAG assessment); and the proposed 3 year spend apportionment for those projects.

1.4 Appendix 2 includes the ‘long list’ or baseline list of all project bids (with RAG assessment) which will be kept under review as the status and priority of projects changes over time, gaining evidence to meet eligibility criteria for IIP priortisation.

1.5 It should also be noted that, in preparing the draft IIP, two stages of informal consutlation (April and July 2021) and a formal six week consutlation (October 2021) with stakeholders, has taken place including the Parish and Town Councils.

1.6 Further monitoring of CIL reciepts (e.g. held, or value of demand and liability notices) has also been undertaken to guide the prioritisation work and will continue to be closely monitored each year of the IIP in order to set a a realistic funding programme - applying a cap upwards or downwards a necessary, to reflet CIL income. This is necessary to ensure that projects can be funded and minimises the risk of projects being prioritised but subsequently finding that CIL monies are not available at the level forecast.

1.7 The next stages of the preparing the IIP involve reporting and agreement at this Committee, for subsequent referral to Full Council for approval on 9 March 2022. The three year IIP programme will take a light touch update over the first two years of operation and a fuller update in year 3 in order to set the future spending priorities for the following 3 year IIP programme.

1.8 That the draft IIP set out in Appendix 1 should be agreed as the basis for Arun District Council’s funding priorities over the next three years.

8. PROPOSAL(S):

That the Planning Policy Committee agrees the draft Arun IIP is forwarded to Full Council for approval and publishing on the Council’s web site.

3. OPTIONS:

8.1 That the Planning Policy Committee:-
a) agrees the report conclusion in section 1.6 or
b) the report conclusion is not agreed.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council	x	
Relevant District Ward Councillors		x
Other groups/persons (please specify)		x

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	x	
Legal		x
Human Rights/Equality Impact Assessment		x
Community Safety including Section 17 of Crime & Disorder Act		x
Sustainability	x	
Asset Management/Property/Land		x
Technology		x
Other (please explain)		x

6. IMPLICATIONS:

This report sets out draft IIP 2022 - 2024 setting out the prioritisation of CIL funding towards infrastructure projects covering the three-year period 2022 - 2024.The IIP will be reviewed in 2024 to roll it forward for a further three years. Consultation has been undertaken with all infrastructure provider stakeholders, including Town and Parish Councils. The IIP prioritisation reflects the delivery of key infrastructure priorities within the adopted Arun Local Plan (2018) to ensure sustainable development is supported by necessary infrastructure mitigation.

7. REASON FOR THE DECISION:

The Council needs to ensure CIL receipts are funding infrastructure projects mitigation the impacts of non-strategic scale developments and that this is done in a transparent way.

8. BACKGROUND PAPERS:

None.

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‘Shortlist’ schedule of projects that have been prioritised (Green) for funding in the IIP programme period (2022/23 -2024/25) Yr1 Yr2 and Yr 3.

ID No.	Project	Projected Cost (£)	Funding Secured (£)	Consultation Update	Total cost of CIL required minus secured funding (£)	Proposed Funding Arrangement	Phasing Period	Delivery Partners	Evidence source
7/ADC/GI	Eldon Way POS, Littlehampton – provision of MUGA and landscape improvements OS1,PAG (ELD Parks service internal code for earmarking allocation of funds received (clarify how this relates to the relocation of the Keystone Centre))	£94k	£35,666 received allocated and available to spend on the project. potentially more funding available under s106 linked to the ‘general POS/Play area’ project codes, which is £22,326 earmarked to Eldon way POS	Between a) feasibility and b) preliminary design	£36k	CIL S106	Within 1 year	Promoted by ADC	Parks & Greenspace CIL spending list 2021
18/ADC/TI	Route 8: Active travel route (safe cycling) from Arundel to Littlehampton via Ford Station between A259 and A27 Linked with 37PC Note: Arundel Ford Scheme to LTN120 Standard significant cost initial WSCC feasibility WSP £3.84m+	£1.9-2.2 million Option 8a) £1.9m Option 8b £2.2m	£0 No s.106 June 2021	Active Travel/ LCWIP A Steering Group has been established, comprising representatives from WSCC, National Highways, Arun District Council and Arundel Town Council.	£1.9m – £2.2m	CIL S106 Based on upper cost range:- a) c) feasibility/preliminary design £100k d) detailed design £100k	Tbc – to discuss with WSCC Yr1 Yr2	Promoted by ADC WSCC	Active Travel Study (one of 5 priorities) Highways England Ford to Arundel Study Feb 2020 WSP Highways England Designated Funds -A27

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				National Highways indicate found £15,000 from their Designated Funds to enable the WSP Consultancy to do some work on the route this financial year. The purpose of this work is to enable a new business case to be prepared to obtain National Highways' contribution to the pathway costs from their Designated Funds. We have held informal conversations locally with the owners of the land adjacent to the Ford Road who have confirmed that they would be prepared to		e) Construction £2m 50%=£1m e) Construction £2m 50%=£1m	Yr3+ Yr4 IIP2		NMU link improvements package Ford to Arundel 2020. Project number 70055187 WSCC included Arundel to Ford section within LCWIP prioritisation work supported by Arundel Parish Council See also

				make available for the safe cycle pathway.						
40/PC/	Natural oak play equipment for Priory Pocket Park and a lockable display noticeboard	£5,660 Project cost: £6,660	Friends of Priory Pocket Park aim to contribute £1,000 (not confirmed)	Quote included QTE562/20 June 2020 £8,020 £1,000 raised.	£5,660	CIL	Yr1	Promoted by Arundel Parish Council	Arundel CIL Spending List 2021	
12/IDP/ WM	Reconfiguration of Westhampnett transfer station/household waste recycling site to increase capacity to meet future demand. 100% of Arun's residual waste is bulked up for onward treatment/disposal.	£2.5m (£5 million in total to be split 50:50 with Chichester District)	Funds received via s106 £50,972 as of Nov 2021	CIL Indicative funding for Arun should be £200k £1.125m £1.125m Initial design x 4 options prepared and 2 now being considered for the redesign/reconfiguration of the Westhampnett site.	£2.45m	a)c) £50k feasibility preliminary design d) £1.2m detailed design *e) £1.2m Construction*	Medium Term Yr1 Yr2 Yr3	Promoted by ADC, WSCC and Chichester District Council	ICSDP, 2017 and resubmitted by WSCC in 2021. Outline business case approved internally at WSCC. Capital Programme for recommendation for approval at Council in February 2022. Added WSCC Waste Asset Strategy.	

				Indicative costs, c£4.5m and £5.2m (plus professional fees). c£2.5m for Arun estimate of project preparation and delivery costs TBC:- A to C10% of costs, D 10% of cost and E 80% of the cost. Project is funded by two authorities so fund drawing down may vary between the authorities. Funds received via s106 of £42,472 in Arun (FP9204 site 6). S106 £20,000 in Chichester District. The previous information					Chichester District Council Essential in IBP (IBP710 £250k 2022/23 and £2.25m 2023/24)

				identified that the project was to be delivered over two years, as set out in the Chichester IBP. This is now being requested to be amended for delivery over three years using CIL from each authority.						
16/IDP/ES	Relocation or redevelopment of Littlehampton Fire Station FD2	2 bay fire station is £5.4m, 3 bay £7.0m.	£7,527 **(**LU/355/10) £0 No s.106 November 2021 collected specifically for this project to date.	Cost estimates via independent study for new fire stations, based on 2 bay fire station c£5.4m or 3 bays would be c£7m. estimate of project preparation and delivery costs, to be confirmed – a-c10% of costs, D 10% of cost and e 80% of cost	£5.4-£7.0m	WSCC Capital/CIL Estimated a) feasibility to c) preliminary design £100k d) detailed design £100k e) Construction £1.232m	TBC Yr1 Yr2 Yr3	Promoted by ADC and WSCC	ICSDP, 2017 and resubmitted by WSCC in 2021. To be included in Community Risk Management Plan 3-5yr period 2022-2027 - as high priority (enable Fire Service to meet stat duties). CRMP consultation

						e) Constructio n £3.77m to £5.37m	Yr4+ IIP2		autumn 2021

Proposed IIP Prioritisation allocation of CIL based on Green Scoring Projects					
Rounded figures	Yr1	Y2	Yr3		Comment
20% ADC CIL	410,817	634,769	652,650	1,698,236	Total forecast
	275,247	**425,295**	**437,276**	1,137,818	**Cap to 2/3**
				560,418	Difference
7 ADC GI Eldon Way play/MUG	36,000	0	0		7 ADC GI Eldon Way net of updated s.106 contribution
18/ADC/TI (Covers 37 PC Arund	100,000	100,000	896,158		Route 8 Option a) £1.9m and Option b) £2.2m Yr3 41% to 47% of Construction cost
Sub total	136,000	100,000	896,158		Review CIL forecast annually - adjust cap accordingly.
					Should forecast be substatiated, potential £560,418 be
ADC Cross funding Parish CIL list					reallocated to 18/ADC/TI
40 PC Natural oak play equipm	5,660	0	0		
Cumulative total	141,660	100,000	896,158		
Residual	133,587	325,295	-458,883	458,883	Cumulative CIL residual Y1-Y2 to offset deficit to zero
		Offset to	**0**		

	Yr1	Y2	Yr3		Comment
70% WSCC CIL	1,437,861	2,221,694	2,284,275	5,943,830	Total forecast
	963,367	**1,488,535**	**1,530,464**	3,982,366	**Cap to 2/3**
				1,961,464	Difference
12 IDP WM - Reconfiguration o	50,000	1,224,500	1,224,500		Project cost (50% ADC/50%CDC) £2.5m ADC share.*
16 IDP ES - Relocation or redev	100,000	100,000	1,232,366		Project cost £5.4m to £7m ADC Dependent on 2 bay or 3 bay.
					Review CIL forecast annually - adjust cap accordingly.
					Should forecast be substatiated, potential £1,961,454 be
Cumulative total	150,000	1,324,500	2,456,866		reallocated to 16 IDP ES
Residual	813,367	164,035	-926,402	977,402	Cumulative CIL residual Y1-Y2 to offset deficit to zero
		Offset to*	**51,000**		*Net of £50.9k s.106 = £2.45m (i.e. £1,224,500 in Y2 and in yr 3)

	Yr1	Y2	Yr3		
10% Other	205,400	317,384	326,325	849,109	Total forecast
	137,618	**212,647**	**218,638**	568,903	**Cap to 2/3**
				280,206	Difference
N/A	0	0	0		Bank £568,903 for Emergency Services for IIP2.
N/A	0	0	0		Improvements to Bognor Regis Police Station (£1.79m CIL contribution)
					Improvements Littlehampton Police Station (£899,900 CIL contribution)
Cumulative total	0	0	0		
Residual	137,618	212,647	218,638	350,265	Cumulative CIL residual Y1-Y2 to be used to offset if deficit to zero
		Offset to	**568,903**		

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Agreed (on a signed s106 but no absolute certainty of knowing if/when it is to be paid), **Secured** (Certainty of receipt as trigger for payment met) and **Received** (finance are holding the funds)

	Table 1 – Arun CIL Baseline Infrastructure List from the Arun ICSDP 2017.										
Column 1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Infrastructure Type	ID No.	Project	Projected Cost (£)	Funding Secured (£). [1]	Consultation Update	Net CIL (£).[2]	Proposed Funding Arrangement.	Phasing Period	Delivery Partners	Evidence source	Prioritisation rating RAG
Green infrastructure	1/IDP/GI	Arundel to Littlehampton Green Link Walking and Cycle provision along the River Arun between Littlehampton and Arundel	£9.8m and £15.8m for the main route and a further £1.4m for various connecting elements.	£62k from business rate pool No s.106 June 2021	None	£9.74m - £15.74 m	CIL and other contributions tbc	A contribution of approximately £2-3 million would be requested in the short to medium term – 2-5 years.	Promoted by ADC Economic Development. Greenspace; Town and Parish Councils; Environment Agency	ICSDP, 2017 Arun Cycleway Feasibility Study (presented to Littlehampton Regeneration Sub-Committee, March 2021).	Essential
	2/IDP/GI	Felpham Rife Countryside Park – links to BEW rife parkland and old canal	£3.5 million £115,000 per annum maintenance	£0 No s.106 June 2021	None	£3.5 million £115,000 per annum maintenance	Anticipate S.106 from BEW cover majority cost	Tbc -in line with BEW Rife parkland	Promoted by ADC Greenspace; BEW site promoter	ICSDP, 2017 Green Infrastructure Study 2012	Essential

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[1] Column 5 Funding Secured (£): **Agreed** (on a signed s.106) **Secured** (Certainty- trigger for payment met) **Received** (finance are holding the funds

[2] Column 7 Net CIL required i.e. net of s.106 or other contributions set out in column 5.

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							CIL and other contributions tbc		s; landowners; Environment Agency	Bognor Regis GI Framework A Landscape & Green Infrastructure Framework Connecting Bognor Regis to the South Downs National Park	
	3/IDP/GI	Urban Greening Project North Bersted	£10k	£0	None	£10k	CIL and parish CIL tbc	2023-2024	Promoted by ADC Parks and Greenspace	ICSDP, 2017 Green Infrastructure Study 2012 Greenspace CIL spending list 2021	Essential

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	4/IDP/GI	Urban Greening Project Wick, Littlehampton	£10k	£0	None	£10k	CIL and parish CIL tbc	2023-2024	Promoted by ADC Parks and Greenspace	ICSDP, 2017 Green Infrastructure Study 2012 Greenspace CIL spending list 2021	Essential

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	5/ADC/GI	Gateway to South Downs National Park (SM10) - Enhanced pedestrian/cycle /bridle access. - New shared pedestrian/cycle / bridle route linking the housing developments to the underpass. - Tree Planting and wildflower verge to path. - Lighting, surfacing and signage enhancements to underpass. New pedestrian crossing	£280k	£0 No s.106 June 2021	None	£280k	CIL S106 North/South Consortium	In line with Fontwell Strategic Allocation WA/48/19/RES	Promoted by ADC South Downs National Park Authority	Bognor Regis GI Framework A Landscape & Green Infrastructure Framework Connecting Bognor Regis to the South Downs National Park	

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Infrastructure Type	ID No.	Project	Projected Cost (£)	Funding Secured (£). [1]	Consultation Update	Net CIL (£).[2]	Proposed Funding Arrangement.	Phasing Period	Delivery Partners	Evidence source	Prioritisation rating RAG
	6/ADC/GI	New (South Downs) north-south pedestrian/cycle/bridle route (SM9) - New shared pedestrian/cycle /bridle route. - Avenue tree planting. Wildflower verge to path.	£1.1m	£0 No s.106 June 2021	None	£1.1m	CIL S106 North/South Consortium	In line with Fontwell Strategic Allocation WA/48/19/RES	Promoted by ADC South Downs National Park Authority	Bognor Regis GI Framework A Landscape & Green Infrastructure Framework Connecting Bognor Regis to the South Downs National Park	

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	7/ADC/GI	Eldon Way POS, Littlehampton – provision of MUGA and landscape improvements OS1,PAG (ELD Parks service internal code for earmarking allocation of funds received (clarify how this relates to the relocation of the Keystone Centre)	£94k	£35,666 received allocated and available to spend on the project. potentially more funding available under s106 linked to the 'general POS/Play area' project codes, which is £22,326 earmarked to Eldon way POS	Between a) feasibility and b) preliminary design	£36k	CIL S106	Within 1 year	Promoted by ADC	Parks & Greenspace CIL spending list 2021	
	8/ADC/GI	Hotham Park play area improvements	£60k	£0 No s.106	None	£60k	CIL	Within 1 year	Promoted by ADC	Parks & Greenspace CIL spending list 2021	
	9/ADC/GI	King George V (KGV) Recreation Ground, Felpham – pitch improvements S106 project code is PAX	£300k	£0 Agreed £159,600	None	£140,400	CIL	2024-2025	Promoted by ADC	Parks & Greenspace CIL spending list 2021	

Agreed (on a signed s106 but no absolute certainty of knowing if/when it is to be paid), **Secured** (Certainty of receipt as trigger for payment met) and **Received** (finance are holding the funds)

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	10/ADC/GI	Lions Den, Littlehampton – play area improvements	£60K	£0 No s.106	None	£60k	CIL	Within 2 years	Promoted by ADC	Parks & Greenspace CIL spending list 2021	
	11/ADC/GI	Southfields Recreation Ground, Littlehampton – pitch improvements S106 project code is SPE	£100k	£0 Secured £19,353		£80,647	CIL	2023-2024.	Promoted by ADC	Parks & Greenspace CIL spending list 2021	

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Waste Management	12/IDP/WM	Reconfiguration of Westhampnett transfer station/household waste recycling site to increase capacity to meet future demand. 100% of Arun's residual waste is bulked up for onward treatment/disposal.	£2.5m (£5 million in total to be split 50:50 with Chichester District)	Funds received via s106 £50,972 as of Nov 2021	WSCC propose CIL Indicative funding for Arun should be £200k £1.125m £1.125m Initial design x 4 options prepared and 2 now being considered for the redesign/reconfiguration of the Westhampnett site. Indicative costs, c£4.5m and £5.2m (plus	£2.45m	a)c) £50k feasibility preliminary design d) £1.2m detailed design *e) £1.2m Construction*	Medium Term Yr1 Yr2 Yr3	Promoted by ADC, WSCC and Chichester District Council	ICSDP, 2017 and resubmitted by WSCC in 2021. Outline business case approved internally at WSCC. Capital Programme for recommendation for approval at Council in February 2022. Added WSCC Waste Asset Strategy. Chichester District Council Essential in IBP (IBP710 £250k 2022/23 and	High Priority

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					professional fees). c£2.5m for Arun estimate of project preparation and delivery costs TBC: - A to C10% of costs, D 10% of cost and E 80% of the cost. Project is funded by two authorities so fund draw down drawing down may vary between the authorities. Funds received via s106 of £42,472 in Arun (FP9204 site 6). S106 £20,000 in					£2.25m 2023/24)	

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					Chichester District. The previous information identified that the project was to be delivered over two years, as set out in the Chichester IBP. This is now being requested to be amended for delivery over three years using CIL from each authority.							

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Leisure	13/IDP/L	New District Leisure Centre Potentially project codes SPG or SWI could be used	Up to £30 million based on current estimates.	£0 Agreed £624,519 If some or all of these projects can be used £582,267 net of existing ALC refurbishment * [*Received £42,252]	None	£29.42 m	CIL required to part fund. Other funding is expected from S106 agreements and possible opportunity to apply for Sport England funding.	2028- 2030	Promoted by ADC WSCC Leisure	ICSDP, 2017 and resubmitted by Leisure in 2021	High Priority

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Emergency Services	15/IDP/ES	Expansion and Improvements to Bognor Police Station POB, POT, POV, POG, PON	£1,920,000	£117,415 through S106 Agreed £231,359 (A proportion - multiple potential projects share these Police contributions) Secured £22,710 (A proportion) Received £16,212 (A proportion)	None	£1.79m	CIL S106	2024/25-commencement	Promoted by ADC and Sussex Police	ICSDP, 2017 and resubmitted by Sussex Police in 2021	Essential
	16/IDP/ES	Relocation or redevelopment of Littlehampton Fire Station FD2	2 bay fire station is £5.4m, 3 bay £7.0m.	'£0 No s.106 November 2021 collected specifically for this project to date.	Yes. Cost estimates via independent study for new fire stations, based on 2	£5.4-£7.0m	WSCC Capital/CIL Estimated a) feasibility to	Tbc	Promoted by ADC and WSCC	ICSDP, 2017 and resubmitted by WSCC in 2021. To be included in Communit	Essential

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					bay fire station c£5.4m or 3 bay would be c£7m. estimate of project preparation and delivery costs, to be confirmed – a-c10% of costs, D 10% of cost and e 80% of cost		c) preliminary design £100k d) detailed design £100k e) Construction £1.232m e) Construction £3.77m to £5.37m	Yr1 Yr2 Yr 3+ Yr4+ IIP2		y Risk Management Plan 3-5 year period 2022-2027 -as high priority (enable Fire Service to met stat duties). CRMP consultation autumn 2021	
	17/IDP/ES	Littlehampton Police Station redevelopment PO2, PO3, POA, POZ	£1,222,000	£229,352 through S106 Agreed £322,117 (A proportion - multiple potential projects share some of these Police contributions)	None.	£899,883	CIL S106	2024/25	Promoted by ADC and Sussex Police capital program.	ICSDP, 2017 and resubmitted by Sussex Police in 2021.	Essential

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Transport Infrastructure	18/ADC/TI	Route 8: Active travel route (safe cycling) from Arundel to Littlehampton via Ford Station between A259 and A27 Linked with 37PC Note: Arundel Ford Scheme to LTN120 Standard significant cost initial WSCC feasibility WSP £3.84m+	£1.9-2.2 million Option 8a) £1.9m Option 8b £2.2m	£0 No s.106 June 2021	Active Travel/ LCWIP A Steering Group established, (WSCC, National Highways, Arun District Council and Arundel Town Council). National Highways indicate £15,000 Designated Funds for WSP Consultancy work on business case this financial year to obtain National Highways'	£1.9m – £2.2m Based on upper cost range: - a)c) feasibility/preliminary design £100k d) detailed design £100k e) Construction (£2m):- £896k e) Construction (£2m):-	CIL S106	Tbc – to discuss with WSCC Yr1 Yr2 Yr3	Promoted by ADC WSCC National Highways	Active Travel Study (one of 5 priorities) Highways England Ford to Arundel Study Feb 2020 WSP Highways England Designated Funds - A27 NMU link improvements package Ford to Arundel 2020. Project number 70055187 WSCC included	

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					contribution to the pathway costs. Informal engagement with the owners adjacent to the Ford Road, confirmed prepared to make available for the safe cycle pathway.	£604k - £904k		Yr4 IIP2		Arundel to Ford section within LCWIP prioritisation work supported by Arundel Parish Council See also 37PC	
	19/ADC/TI	Route 2: Active travel route Fontwell to Felpham	£590,000	£0 No s.106 June 2021	Active Travel.	£590,000	CIL S106	To align with Fontwell and Northern BEW site	Promoted by ADC WSCC	Active Travel Study (one of 5 priorities)	
	20/ADC/TI	Route 6: Active Travel Route Ford- North Mundham	£3,352,500	£0 No s.106 June 2021	Active Travel	£3,352,500	CIL S106	To align with Ford, Yapton and BEW strategic sites	Promoted by ADC WSCC	Active Travel Study (one of 5 priorities)	

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	21/ADC/TI	Route 9: Active Travel Route – Littlehampton - Goring by Sea NCN2 - inbound option	£2,500,000	£0 No s.106 June 2021	Active Travel	£2,500,000	CIL S106		Promoted by ADC WSCC Note Kingston Parish council Objection to elements of route options on Elmer road Kingston Lane and use of Prow involving private land.	Active Travel Study (one of 5 priorities)	
	22/ADC/TI	Route 12: Active travel route (safe cycling) - Aldwick Region	£3,326,000	£0 No s.106 June 2021	Active Travel	£3,326,000	CIL S106	To align with West of Bersted allocation	Promoted by ADC WSCC	Active Travel Study (one of 5 priorities)	

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	23/ADC/TI	Ford Lane Level Crossing	£9.1m	£3m requested (not secured) No s.106 as of June 2021	None	£9.1	S106	Tbc and in alignment with Ford allocation.	Promoted by ADC WSCC	Transport Apportionment	
	24/ADC/TI	~~A259 Oystercatcher Improvements HWU~~ Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	~~£5.8m~~ Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	£3.653m Agreed £1,384,136 Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	Yes. Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	~~£4,415,864~~ Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	S106 Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	Tbc Project part of 26/ADC/TI – see project 26/ADC/TI for overall project details	Promoted by ADC WSCC	Transport Apportionment	
	25/ADC/TI	A29 Realignment HWA	£69.765m Phase 1 £22.669m and	9.9m Grant funding from Coast to Capital LEP WSCC £11.9m	Yes.		LEP Grant funding, WSCC and S106 £44.459m will be sought	Tbc and in alignment with BEW.	Promoted by ADC WSCC	Transport Apportionment	

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			Phase 2 £47.096m				from Fontwell, West Bersted and BEW strategic developments		Phase 1 -WSCC Phase 2 – BEW Developers		
	26/ADC/TI	A259 Corridor Improvement scheme (Bognor Regis – Littlehampton) H04	£30m	Bid for £25m to DfT. Minimum of 15% funding will be required from local sources.	Yes. West Sussex County Council consultation June – August 2021	TBC	DfT and local sources TBC	Tbc – project ongoing and led by WSCC	Promoted by ADC WSCC	Transport Apportionment	
	27/ADC/TI	A284 Lyminster Bypass North	£27.334m	Agreed £3.761m S106 Secured £1.123m S106 received Received £3m grant funding	Yes.	N/A.	S106, Grant and WSCC	Tbc	Promoted by ADC WSCC	Transport Apportionment	

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	31/PC/	Urban Greening project for a tree lined avenue in Bognor Regis (Shripney road)	£5-6k	£725	BRTC clarify cost estimate from ADC. BRT consider scheme may be a manageable cost for BRTC, to be part-funded by CIL receipts within five years of receipt. Longer term if more cost implications would look for CIL. No contact has yet been made with potential joint funding providers	£5-6k	Part funded by CIL BRTC	Within current IIP	Promoted by Bognor Town Council ADC	BRTC CIL Spending list 2021	

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	32/PC/	Fletchers Field refurbishment and upgrade (Angmering)	£50,000- £70,000	£0	None.	£50-70,000	CIL		Promoted by Angmering Parish Council ADC parks	Angmering CIL spending list 2021	
	37/PC	Make Ford Road Safe - A cycle and walking route between Arundel and Ford along the Ford road. This project is the Arundel to ford station link -part of 18/ADC/TI Route 8 Arundel to Littlehampton A27-A259	Contribution of £450k over yr1, Yr2 and Y3 (i.e. £150k pa) Detailed Design Stage cost estimate provided by Highways	£0	Discussions ongoing - likely to be agreed by Nov 2021. Provider 1 Highways England cost contribution 80-90% Provider 2 WSCC/ADC 9-19% 2022 £31.5 – 66.5k 2023/24 £315 – 950 Provider 3 Arundel Town Council 1%	See funding allocation under 18/ADC/TI Route 8 which will cover ADC CIL contribution Y1 and Yr2	CIL	Starting 2022/23	Promoted by Arundel Parish Council WSCC Highways England	Arundel CIL Spending List 2021 WSCC LCWIP prioritisation process Highways England Designated Funds - A27 NMU link improvements package Ford to Arundel	

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			England £350k (2022/23) Full project delivery cost £4m (2023/24)		2022 £3.5k 2023/24 £35-50k					2020. Project number 70055187.	
	40/PC/	Natural oak play equipment for Priory Pocket Park and a lockable display noticeboard	£5,660 Project cost: £6,660	Friends of Priory Pocket Park aim to contribute £1,000 (not confirmed)	Quote included QTE562/20 June 2020 £8,020 £1,000 raised.	£5,660	CIL	Yr1	Promoted by Arundel Parish Council	Arundel CIL Spending List 2021	
	41/PC/	The Lido Extended Activities Plan (LEAP)	Contribution of £150k LEAP project cost estimat	£0	No further details to demonstrate costs/procurement. It is unlikely that any	£150k	CIL	2023	Promoted by Arundel Parish Council Arundel Lido charitabl	Arundel CIL Spending List 2021 Supported by ADC (Leisure	

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			ed at £3m		detailed analysis will be undertaken until sometime during 2023 and unlikely that any funds to support the process will be required until the latter half of the year, at the earliest.				e trust who would lead the project Lottery Funding bid	Strategy) and Arundel Town Council (Neighbourhood Plan). South Downs National Park support new leisure. Policy 8 of the Arundel Neighbourhood Plan support additional leisure and community use at the Arundel Lido'.	

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	42/PC/	Leisure and community route signage in Arundel.	Contribution of £27k Project cost: £30k	£0	No further details to demonstrate costs/procurement. No agreement of costs with providers in place.	£27k	CIL	July 2022	Promoted by Arundel Parish Council South Downs	Arundel CIL Spending List 2021	
	43/PC/	Arundel Green Infrastructure Network	Contribution of £9k Project cost: £ 10k	£0	No further details to demonstrate costs/procurement. No agreement of costs with providers in place. Arundel would allocate £1,000 yr 1	£9k	CIL	August 2022	Promoted by Arundel Parish Council WSCC South Downs	Arundel CIL Spending List 2021 The need for a Green Infrastructure Network was identified in the Arundel Neighbourhood Plan	

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	45/PC/	Community Building for Proposed Ford Road Development	Contribution of £400k Project cost: £500k	£0 No s.106 June 2021	No further details to demonstrate costs/procurement. No agreement of costs with providers in place.	£400k	CIL S106	2024 Yr3	Promoted by Arundel Parish Council	Arundel CIL Spending List 2021	
	47/PC/	Canada Gardens in Arundel – landscaping and improvements.	Contribution of £4,500. Project cost: £5k	£0	No further details to demonstrate costs.	£4,500	CIL	July 2022	Promoted by Arundel Parish Council	Arundel CIL Spending List 2021	
	48/PC	Upgrade of Horsemere Green Lane – Design Options HW4	£100,000	Agreed £80,000 (in 2 S106's)	None.	£20,000		2021-22	Promoted by Climping Parish Council WSCC	Climping CIL Spending List Significant contributions via s.106 will be delivered by	

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										Strategic Allocations to such facilities. CIL receipts will be nominal. More appropriate via WSCC highway improvement funding/ grant regimes.	
	51/PC	Speed Activated sign Chalcraft Lane	£2000 - £2500	£0	None.	£2-2500	CIL	2021	Promoted by Bersted Parish Council WSCC	Bersted CIL spending List	
	52/PC	Flood Defences survey Drain off A29 Little Orchard	Unknown	£0	Map included on area. However, no further	Unknown	CIL	2021	Promoted by Bersted Parish Council	Bersted CIL spending List	

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					details to demonstrate costs. No agreement of costs with providers in place.				WSCC ADC Engineers		
	53/PC	New or replacement outdoor play/gym equipment	£500-£1000 per item	£0	None. No map provided.	£500-£1000 per item	CIL	2021	Promoted by Bersted Parish Council Sports England ADC parks	Bersted CIL Spending List	
	58/PC	Boules/Petanque at Mewsbrook Park; Outdoor Leisure Equipment	Unknown	0	None.	Unknown	CIL	2025	Promoted by Littlehampton Town Council ADC	Littlehampton CIL Spending List	
	59/PC	Wick Information Centre (WIC)	Unknown	0	None.	Unknown	CIL	Tbc	Promoted by	Littlehampton CIL	

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									Littlehampton Town Council ADC	Spending List	
	60/PC	North Littlehampton Community Centre & Youth Facility. Request is to extend facilities once built.	Unknown	Delivery of facilities secured through S106	None. No cost procurement info provided.	Unknown	S106 CIL reconsider once facilities are built.	2023	Promoted by Littlehampton Town Council ADC	Littlehampton CIL Spending List	
	61/PC	Cycleway – Pagham to Chichester HW5, HX4	Unknown	Unknown Agreed £317,310 part of which to fund Improvements to FP's 100, 101,104 & 106 (Pagham to Honer Lane, Mundham) (Check with WSCC)	No further details to demonstrate costs/procurement. WSCC can confirm that a feasibility study is currently being finalised on this route.	Unknown	Part funded by S106 CIL	In line with strategic development	Promoted by Pagham Parish Council. ADC WSCC	Pagham CIL Spending List. Significant contributions via s.106 will be delivered by Strategic Allocations to such facilities. CIL	

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										receipts will be nominal. However, see: Route 12: Active travel route (safe cycling) - Aldwick Region at project 22 ADC TI above.	
	67NHS	Primary care centre, Littlehampton	£4 mil Est	£750k from S106 (apps noted on proforma) Potential of approx. £1,037,265 on S106. Currently holding £623,859	Yes.	Tbc	A joint council WSCC and NHS premises build was preferred OPE (One Public Estate) project which WSCC concluded was not	Not specified		NHS Estate Plan	

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							viable (for multiple users/stakeholders).				
	68NHS	Grove House GP Practice, Pagham	£2m Est (but if no s106 until 2030, project could reach £4m).	£1.287mil From s106 (apps shown in proforma) Current figures show £1,283,324 due to be received.	Yes.	N/A.	S106 GP owner to pay the difference left.	Not specified.	To be funded as s.106 mitigation of Strategic allocations	NHS Estate Plan Developer s.106	

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POLICY AND FINANCE COMMITTEE

10 February 2022 at 6.00 pm

Present: Councillors Gunner (Chair), Pendleton (Vice-Chair), Cooper, Dixon, Oppler, Roberts, Seex and Walsh.

Councillors Bower, Coster, Edwards, Staniforth and Thurston were also present at the meeting.

642. WELCOME

The Chair welcomed Members and Officers to the meeting of the Policy & Finance Committee.

643. APOLOGY FOR ABSENCE

An Apology for Absence had been received from Councillor Stanley.

644. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

645. MINUTES

The minutes from the meeting of the Committee held on 9 December 2021 were approved by the Committee as a correct record and were signed by the Chair at the conclusion of the meeting.

646. ITEMS NOT ON THE AGENDA THAT THE CHAIR OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

The Chair confirmed that there were no items to consider for this meeting.

647. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

648. CLIMATE ACTION AND BIODIVERSITY WORK PLAN 2022-2023

The Chair invited the Council’s Climate Change and Sustainability Officer to present this report. He explained that following the approval of the Carbon Neutral Strategy (2022-30) at this Committee on 14 October 2021, a more detailed action plan had been requested. This report set out the actions which needed to be undertaken to achieve the 2030 carbon neutral target. Members’ attention was brought to the graphs [on pages 22 and 23 of the Agenda Pack] that illustrated carbon projections in different scenarios – ‘business as usual’ and ‘high level carbon reduction plan’ – with the latter confirming that the Council could, theoretically, meet its targets if action was taken. The report detailed sustainable projects that had already been completed, were nearing completion, had been planned or could be undertaken. He concluded that in order to meet these targets it was important that projects were spread across all scopes and service areas, whilst noting that indirect emissions that result from activities occurring in the supply chain of the council ('Scope 3') made up the majority of carbon emissions. It was confirmed that the action plan would be updated annually to reflect the changes in emissions and provide updates to projects undertaken.

The Chair invited questions. Clarity was sought over the costing figures for heat pumps [on page 25 of the Agenda Pack]. It was explained that these figures were a rough indication of comparative installation costs of gas boilers and air source heat pumps and highlighted the cost difference between the two options. It was hoped that technological improvements and economies of scale would further reduce in future making heat pumps more economically viable. The report was found to be confusing for one Member as it was a mixture of things (action points, monitoring, reviewing) and whether it would be helpful to highlight where the actions were coming from by identifying targets that the Council hoped to achieve. It was noted that the biggest impact in carbon reduction would come through the supply chain and Officers were asked to confirm the timescale for that. Officers confirmed that they were actively reviewing the procurement policy to favour more sustainable contractors.

The main aim of the action plan was questioned as to whether it was to make the Council, as an organisation, more energy efficient and 'greener' rather than the district and residents' homes. Officers confirmed the action plan did currently focus on the Council's own emissions (Scope 1, 2 and 3), however there are still some projects currently being undertaken which do impact emission reductions in the district. It was also confirmed that once the Council started to get its own emissions in order that more focus would be spent addressing district wide emissions. The CEO explained that it was essential that as an organisation we took the climate challenge seriously, it being one of the four priorities in the Council's draft vision document, and that there were large challenges for the Council to meet which it would not be able to do in isolation. This meant needing to start building partnerships with other parts of the district and beyond, and whilst reducing carbon emissions also working to increase biodiversity.

One Member, noting how delighted she was to hear the CEO being so positive and being in support of the objectives too, did not think that this came across in the action plan but that it was a brilliant step on the ladder. Partly in response to earlier discussion regarding the structure and content of the plan, it was suggested that short-term actions be brought forward to the beginning of each section to highlight them and that it was useful to have estimated carbon savings against actions, and that council and district targets needed to be better distinguished to illustrate more clearly what was being done for the Council and what was being done for the district. The significant drop shown on the graph [on page 23 of the Agenda Pack] and how this was to be achieved was questioned given that half the budget for the first year was to be staff costs and, though needed, audits of the estate and emissions and a transition to electric vehicles. The need for staff training to be linked to the work actually undertaken, for the Council to make sure residents were involved and engaged in the process as early as possible rather than just being kept up to date, for biodiversity targets to be linked to local nature partnership obligations in readiness for the coming Environment Act, and whether a Working Group should be set up between departments were also suggested. A written response would be provided to the Member by Officers in relation to the points raised.

More general points were raised by Members on the County-wide electric vehicle charging network and how many would be fitted in Arun and by when, and commitments to electric vehicle charging points and photovoltaic (PV) panels for council-owned housing and whether these could be extended to all privately owned housing as part of the planning permission process. The Chair confirmed that the installation of electric vehicle charging points in Arun started later this year. The Director of Place clarified that in terms of planning, Government guidance did not facilitate making these conditions and that updates to policies in that direction would have to go through the Local Plan process. In response and noting that the district was one of the sunniest parts of the UK, and therefore more likely to produce more energy per PV panel than anywhere else, one Member asked whether the Council could ask Government to allow us to become the first District Authority to go all PV and all battery in all new buildings; putting Arun on the map and at the same time doing its bit for climate change. The Director of Place reiterated his earlier points and noted that the Local Plan process was currently paused, and that if the Council decided to proceed with a new Local Plan then work could be undertaken on the targets wished to be pursued and evidence could begin to be collected to explore support for them. Another Member noted that whatever policies the Council put in place had to withstand the tests of the Planning Inspector and conform to Government policy.

Having had the recommendations proposed by Councillor Cooper and seconded by Councillor Pendleton, by unanimous vote,

The Committee

RESOLVED

That the Climate Action and Biodiversity Work Plan 2022-2023 be approved, subject to the approval of the Council's Budget for 2022/2023 and £200,000 for the following:

(1) £50,000 per annum for an Officer to support the Climate Change and Sustainability Manager;

(2) Up to £60,000 for building audits;

(3) £7,500 for carbon emission monitoring and supporting the assessment of supplier carbon calculations;

(4) £2,000 for training and accreditation; and

(5) Authority be given to the Group Head of Wellbeing in consultation with the Group Head of Corporate Support (Section 151 Officer) to delegate unallocated sums within budget to fund projects detailed in the Work Plan.

649. BUDGET MONITORING REPORT TO 31 DECEMBER 2021

The Chair invited the Interim Group Head of Corporate Support and Section 151 Officer to present the Budget Monitoring Report. She explained that the report was for the period ending December 2021.

Starting with the General Fund (GF), it was noted that there was an underspend of £1.178m against profiled budget at the end of the third quarter which was an improvement of £774k from the previous month. Income continued to be significantly buoyant and Planning fees in particular were £680k above expected. However, there were budget pressures on the GF Housing (homelessness and rough sleeping, and potentially the leisure provider). A favourable outturn was therefore anticipated of over a £1m on the GF. The Housing Revenue Account continued to operate under significant pressure particularly in the areas of planned and responsive maintenance. With regards to the Capital and Special Projects, there continued to be a significant underspend against budgets and these budgets continued to be reviewed.

The Chair invited questions. The below expected income from the Bognor Regis Arcade was raised and it was asked how this compared with previous quarters or other accounting periods, whether it was getting worse and what the prospects were for retrieving the significant sums in rent arrears. It was confirmed that there were specific pandemic-related issues with the site and that new managing agents had been procured working to explore these challenges. An update report would be submitted for Members to consider soon. Clarification was sought over items listed under 2.8.3 [on page 55 of the Agenda Pack] - the £35k spent on the Trisanto update, the £18K spent on the Palmer Road Community Sports Hub Review and the £30k spent on Economic Regeneration Project Delivery Role. The Director of Place confirmed that with regards to the £35K spent on Trisanto, this was the potential sum set aside to do the work but the eventual actual cost of the work had been far less at around £14k. A report would be taken to the next meeting of the Economy Committee on 29 March 2022 to explore the continued use of this company. The Director of Services confirmed that with regards to the £18K spent on the Palmer Road Community Sports Hub Review, this was for exploratory consultancy work looking at the project. The Interim Group Head of Corporate Support and Section 151 Officer confirmed that the figures under discussion had been vired and not spent, and all had been subject to Committee approvals.

Other points raised by Members included further concern for the situation around the Bognor Regis Arcade, clarification around the proposals within the A27/Ford Road Junction Study, and praise for the work done on the Palmer Road Community Sports Hub.

Having had the recommendations proposed by Councillor Roberts and seconded by Councillor Cooper, The Committee

RESOLVED - That

(1) The earmarked reserves are approved and reviewed before the end of the financial year as per previous policy to ensure that they are available to fund future years expenditure or returned to the General Fund if no longer required; and

(2) The Housing Revenue Account repairs and maintenance (Planned and Responsive) budget continues to be closely monitored to ensure that any necessary corrective action is taken if required.

650. COMMITTEE REVENUE AND CAPITAL BUDGET - 2022/2023

The Chair invited the Interim Group Head of Corporate Support and Section 151 Officer to present this report. She explained that each Service Committee had received a similar report and all the reports fed into the Council's Budget 2022/23 report which was the next item on the agenda. Items highlighted were the budget pages in appendix A that contained committed growth items [mainly around staff pay awards assumed for this and next year], the growth items for this Committee shown in Appendix B totalling £420k and there being no capital bids for this Committee.

Having had the recommendations proposed by Councillor Cooper and seconded by Councillor Pendleton,

The Committee

RESOLVED - That

(1) The 2022/23 Revenue Budget as illustrated in Appendix A of this report be agreed;

(2) The 2022/23 list of uncommitted growth items as illustrated in Appendix B of this report be agreed; and

(3) Recommendation of the Revenue Budget and list of growth items for this Committee be included in the overall General Fund Budget when considering the overall budgets to recommend to Full Council.

651. THE COUNCIL'S REVENUE AND CAPITAL BUDGETS 2021/22 AND 2022/23

In introducing this item, the Chair explained that due to the number of recommendations within this report, he proposed to divide these up into sections and take multiple recommendations on block. He proceeded to the first set of recommendations regarding the Environment Committee.

Having had the recommendations proposed by Councillor Pendleton and seconded by Councillor Roberts,

The Committee

RESOLVED

For 2021/22 financial year:

That in respect of Environment Committee, the £180,000 contribution to the Community Flood Fund and a further £100,000 in 2023/24 be approved, to enable required Partnership Contributions to continue. The £100,000 recommended in 2023/24 will be assessed at a later date. A contribution of £100k be made to a contingency budget reserve to replace the £50k annual budget to be topped up annually.

The Chair then turned to the recommendations for this Committee to consider from the other Service Committees [Minutes 555, 570, 579, 590 and 601 in the Supplement Pack] that needed to be agreed by this Committee for inclusion in the budget before the Committee could move on to the wider budget discussion.

The Chair invited questions. Clarification was sought over the details of the Bersted Brooks Country Park project and whether it was needed given the cost and the proximity of the South Downs National Park. The Director of Services confirmed a report would be going to Committee on this project. A Member [and Chair of the Environment Committee] provided some background information and spoke in favour of the project. The impact to residents from cost of living increases was also raised and whether these budgets should be reviewed to see if savings could be made on non-essential spending in order to keep future Council Tax rises to a minimum.

Having had the recommendations proposed by Councillor Roberts and seconded by Councillor Cooper,

The Committee

RESOLVED - That

(1) The Revenue Budget and Capital Programme for the [Corporate Support] Committee be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022;

(2) The Revenue Budget, list of growth items and Capital Programme for the [Economy] Committee be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022;

(3) The Revenue Budget, list of growth items and Capital Programme for the [Environment] Committee be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022;

(4) The General Fund Revenue Budget, list of growth items, General Fund Capital Programme, HRA Revenue Budget and HRA Capital Programme [from the Housing and Wellbeing Committee] be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022;

(5) The Revenue Budget and list of growth items [from the Planning Policy Committee] be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022.

The Interim Group Head of Corporate Support & Section 151 Officer introduced this item explaining that each of the Service Committee's budgets had now been considered by each Committee with this Committee now needing to consider the Council's Budget 2022/23 so that it could make recommendations for approval to a Special Meeting of the Council on 23 February 2022. This report brought together all the Committee reports including the previous item on the agenda. The Budget Report included the Service Committee revenue bides and the capital budget for all Committees.

The Interim Group Head of Corporate Support & Section 151 Officer drew Members' attention to the Local Government Settlement, the draft had been issued on 16 December 2021 and had been favourable. In particular, the Council had been awarded an additional one-off allocation of New Homes Bonus of £825k which had not been anticipated. The final settlement had been announced last week and it was pleasing to report there had not been any significant changes made. Unfortunately, this had only been a one year settlement with consultation commencing again next year on "updating the system" previously referred to as the Fair Funding Review. This was likely to include the business rate reset which would be detrimental to the Council's finances. There therefore continued to be significant risks to the Council's finances from 2023/24 and so it had to be stressed how important it was for the Council to continue to hold sufficient balances as a way to mitigate these risks. However, the combination of the anticipated favourable outturn for 2021/22 in combination with the favourable settlement meant that the Council was in a much improved financial position for 2022/23 than forecast in the autumn.

The Committee's attention was then drawn to the full budget report as set out on Page 79 of the agenda and the Interim Group Head of Corporate Support and Section 151 Officer provides some key highlights on some of the more significant issues.

Looking at key financial issues, mention was made of:

- The summarises provided for the Retained Business Rate income and non-ringfenced grant income. All the changes result in a reduction of 714k from previous year.

- The proposed increase in Council Tax of £4.95 for a band D equivalent. Members were already aware that the Core Spending Power is calculated by the Government assumed this increase. So effectively the Council was required to put up Council tax to stand still.
- The anticipated General Fund reserve movement. The GF balance would be kept at £5m. This allowed circa £2.7m to be added to the Funding Resilience Reserve at the end of this financial year. £6.659m to £9.355m. This change in presentation was intended to enable better understanding of the underlying reserve issues.
- Members were asked to note that the budget for 2022/23 required a £817k contribution from the Funding Resilience reserve as shown in table 4.8 on page 87. The table also summarised the other main budget changes
- Finally, the Committee revenue growth bids were shown in table 4.18 on page 88. The capital programme was set out in Appendix 3.
- The Housing Revenue Account (HRA) budget had been set out in Appendix 2, with the budget reflecting the priorities of the HRA Business Plan, recently updated and approved by Full Council. This assumed a 4.1% rent increase and a 5% garage rent increase.
- Looking at capital, it was necessary to draw Members' attention to the capital programme and financing. The capital programme was underpinned by £1.5m of usable capital receipts.
- In line with proper accounting practice the Asset Management Revenue budget had been moved to the Corporate Asset management revenue budget and was no longer included under capital and special projects.
- The budget assumed that the Arun Leisure Centre wet change was to be funded from s106 agreements which were susceptible to slippage. This £987k would internally be met by internal borrowing and the s106 receipts would be applied to reduce the borrowing when received. There remained a balance of £320k to be funded; the details on which were in 6.10 on page 91.

Finally, the Committee was reassured that the estimates as presented in the draft Budget were sufficiently robust and that the reserve balances for 2022/23 were adequate.

The Chair thanked the Interim Group Head of Corporate Support and Section 151 Officer for all her work and her team's work on this project. The Chair then invited questions.

Varying points were raised by Members some in support and some not in support of the proposed Council Tax increases. Mention was made of some of the refurbishment projects such as the Arun Leisure Centre wet change. Although this scheme was welcome and very much needed by residents, it was felt that more needed to be done to transform the local economy. Concern was raised over Section 106 slippage and how the Council needed to minimise this by designing projects in phases; the underspend over the last year and the money returned from Government. The

Sussex by the Sea Festival was highlighted as a project that could perhaps be paused as it had already been postponed for a year due to the works being undertaken as a result of the Levelling Up project, with the thought that these funds could be spent elsewhere. The success of the seasonal closure of Pier Road in Littlehampton was also mentioned and some Members pressed for confirmation that this would continue for the forthcoming season to allow for greater tourism impact and in terms of making the area a more vital seafront and riverside attraction. The Director of Place confirmed that a report on Pier Road and seasonal closures would be submitted to the next meeting of the Economy Committee on 29 March 2022 which would explain the different options moving forward.

Having had the recommendations proposed by Councillor Pendleton and seconded by Councillor Roberts,

The Committee

RESOLVED - That

For the 2022/23 financial year:

a) The Interim Group Head of Corporate Support, in consultation with the Leader of the Council, approved a Council Tax base of 63,011 for 2022/23;

b) The budget report in Appendices A, 1, 2 and 3 be noted.

The Committee also

RECOMMEND TO THE SPECIAL MEETING OF THE COUNCIL ON 23 FEBRUARY 2022 - That

(1) The General Fund Revenue budget as set out in Appendix 1 be approved;

(2) Arun’s band D council tax for 2022/23 be set at £196.47, an increase of 2.58% over 2021/22;

(3) Arun’s Council Tax Requirement for 2022/23, based on a Band D Council Tax of £196.47, be set at £12,379,771 plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements;

(4) The Council’s General Fund Revenue Account Balance be set at £5m. Any balance above this to be transferred to the Funding Resilience Reserve to allow future budgets to be balanced;

(5) The HRA budget as set out in Appendix 2 be approved;

(6) HRA rents for 2022/23 be increased by 4.1% (CPI plus 1%) in accordance with the provisions of the rent standard;

(7) HRA garage rents be increased by 5% to give a standard charge of £13.58 per week (excluding VAT), and heating and water/sewerage charges increased on a scheme by scheme basis, with a view to balancing costs with income; and

(8) The Capital budget as set out in Appendix 3 be approved.

652. CAPITAL STRATEGY 2022/23 TO 2026/27

The Chair invited the Interim Group Head of Corporate Support and Section 151 Officer to present this report. It was explained that the adoption of the Capital Strategy by Full Council was a requirement of the Chartered Institution of Public Finance and Accountancy's Prudential Code. Responsibility for review of the strategy had moved from the Audit and Governance Committee and was now the responsibility of this Committee.

The key points of the strategy were summarised:

- the capital strategy was overarching
- it sat above the other more detailed policies, procedures and plans and referenced them to allow more detail if required
- it showed how the Council determined its priorities for capital investment decisions
- it set out how capital would be funded
- as a council we needed to adopt a strategic approach to our capital planning based on sound principles; these principles being that plans must be:
  - affordable
  - prudent
  - sustainable
  - in line with service objectives
  - give due consideration to both risk and reward

The Interim Group Head of Corporate Support and Section 151 Officer finished by concluding that the aim of the strategy was to balance capital expenditure needs and expectations with the limited resources available to the Council.

The Chair invited questions. The need to maintain existing capital infrastructure and to ensure that sufficient provision was laid out in words and strategy to make sure at all times for its maintenance. The Windmill Theatre in Littlehampton was given as an example. The Director of Place confirmed that this Capital Strategy intended to try to bring the Council back to a position that was better in terms of long term maintenance of its assets and that significant progress had been made in terms of being in a better position to maintain maintenance at more measured levels going forward. The Chief Executive noted that to put things right was a capital investment but that ongoing maintenance costs would often come out of the Revenue Budget straining the budget which paid for the majority of the services the Council provided in the district, but that we should be building in long-term revenue support for maintenance of facilities but that that sometimes put pressures on our own revenue budgets due to financial rules around what certain budgets can be spent on.

The Chair asked Officers, in response to the previous question and answer, what safeguards were in place to avoid future occasions where maintenance works may not have been carried out. The Chief Executive explained that this would need to be built into an Asset Management Strategy and take into account the Council's long-term financial planning. The Chair asked that the Asset Management Strategy be included in the Work Programme for this Committee for the next municipal year. Another Member noted that, from looking at the figures quoted on page 111 of the Agenda Pack, asset management did not appear to be built into any significant degree. A final point was made about all figures in the report declining in terms of investment over the years, the need to look at how things were progressing in future and ultimately where future investment would be coming from. The Chief Executive noted the financial challenges ahead in the coming years acknowledged in the medium-term financial plan both on a revenue and capital basis, and Officers and Members would need to work together to address over the coming years.

Having had the recommendation proposed by Councillor Roberts and seconded by Councillor Cooper,

The Committee

RECOMMEND TO FULL COUNCIL

That the Capital Strategy 2022/23 to 2026/27 be approved.

653. COUNCIL VISION 2022-2026

The Chair invited the Group Head of Policy to present her report which confirmed the final wording, following public consultation, for the Council Vision 2022-2026. She highlighted that 86% of respondents to the consultation had agreed with the Council's aims for the next four years as set out in the consultation. Areas of concern had been raised in the consultation and would be passed on to the relevant departments, but it was believed that all of these had been identified by Councillors during their preliminary work on the Vision document last summer. The survey feedback had resulted in the Vision being made easier to understand; jargon having been removed; content being more focussed and proactive; and providing greater clarity over the Council's and other partners' services and roles.

It was confirmed that there would be annual progress reports against the milestones at each of the four years of the plan, and Officers were currently working on how these would be reported. A report on this would come to the next meeting of the Committee on 31 March 2022 which would include the new Corporate Plan indicators for the period as well.

The Group Head of Policy drew Members' attention to Appendix A of the report which set out the proposed wording for the Vision and in doing so she confirmed that she needed to suggest to the Committee, making an amendment to the Vision Aim entitled "Fulfilling Arun's Economic Potential" [How Will we Achieve this [Page 120 of the agenda pack] (1) which read "Create the conditions that will support, attract and retain high tech businesses, including the creative digital sector" – to the wording set out in **bold** below which if approved by Members would appear in the published Vision as:

1. Create the conditions that will support high tech businesses including the creative digital sector and green businesses, reducing the need for the workforce to commute out of the District.

Having had the amendment proposed by Councillor Cooper and seconded by Councillor Pendleton it was declared CARRIED.

The Chair then returned to the substantive recommendation inviting questions on the remaining aspects of the document. A query was raised on (B) Protect and enhance our natural environment' [on page 119 of the Agenda Pack] as it was felt that this was increasingly important and needed more attention being paid to it so as to protect the District from development built on green fields destroying biodiversity.

A Member amendment was proposed for item (4) of 'Improving the wellbeing of Arun – How will we achieve this' [on page 117 of the Agenda Pack] for the inclusion of the words 'medical and dental' after 'primary' so that the amended sentence would read:

4. Support the NHS Clinical Commissioners to provide primary, **medical and dental** care facilities to meet the growing needs of our community.'

Having had the amendment proposed by Councillor Walsh and seconded by Councillor Seex, it was declared CARRIED.

Having had the substantive recommendation proposed by Councillor Cooper and seconded by Councillor Pendleton,

The Committee

RECOMMEND TO FULL COUNCIL

That the Council Vision 2022 – 2026 be approved.

654. OUTSIDE BODIES

The Chair confirmed that there were two feedback reports from Outside Bodies to present to this meeting.

655. FEEDBACK REPORT FROM JOINT CLIMATE CHANGE BOARD

The Committee received an Outside Body Update and Feedback report from Councillor Staniforth, the Council's nominated representative, following her attendance at a meeting of the Joint Climate Change Board held on 13 October 2021.

A suggestion was put forward by a Member of the Committee for the Council to share costs where possible on the initiatives covered by this meeting and wherever possible encourage working collectively to achieve results. The Chief Executive endorsed this point and explained how this approach would be used when working on other corporate objectives.

656. FEEDBACK REPORT FROM MEETINGS HELD OF THE GREATER BRIGHTON ECONOMIC BOARD

The Chair provided a verbal Outside Body Feedback report following meetings that he had attended of the Greater Brighton Economic Board.

Councillor Gunner confirmed that he had attended one meeting recently and could confirm that there were some challenges with the Board. For those not aware, this was public knowledge, the representative from Coast to Capital had withdrawn from the Board due to the behaviour of the current Chair. There was much nervousness being expressed about the future direction of the Board and if it had a clear strategy moving forward. It was confirmed that Council Leaders did have a meeting planned soon to consider what the future of the Board was. There had been a number of meetings mostly around green initiatives, which the vast majority of the work that the Board covered. In the previous meeting a Blue/Green Investment Panel had been agreed. Councillor Gunner confirmed that he would keep the Committee updated following any further meetings attended.

657. WORK PROGRAMME

The Committee received an updated version of its Work Programme covering the remainder of the Municipal Year.

The Committee Services Manager confirmed that an additional item would be added for the next meeting of the Committee on 31 March 2022 which was setting out the proposed heads of terms in relation to lease arrangements for the Regis Centre and an associated development opportunity for approval.

The Interim Group Head of Corporate Support & Section 151 Officer confirmed that a further report would be submitted to the next meeting setting out the details of a virement request from the Housing & Wellbeing Committee relating to the Local Hardship Fund.

In discussing the work programme, criticism was made that no work programme items had been listed beyond March 2022 and that a forward programme covering the whole of 2022/23 was required. The Committee Services Manager explained that work programmes for all Committees was progressing but was subject to the Committee Meetings Calendar for 2022/23 being approved by Full Council on 9 March 2022.

Having received no further suggestions, the Chair thanked Members for their input.

(The meeting concluded at 7.44 pm)

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF POLICY AND FINANCE COMMITTEE ON 10 FEBRUARY 2022

SUBJECT: Capital Strategy 2022/23 to 2026/27

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and S151 Officer
DATE: January 2022
EXTN: 01903 737568
AREA: Corporate Support

EXECUTIVE SUMMARY: The report allows the Policy and Finance Committee to consider and comment on the Council's Capital Strategy 2022/23 to 2026/27 before adoption by Full Council on 9 March 2022.

RECOMMENDATIONS:

It is recommended that the Policy and Finance Committee recommend to Full Council that the Capital Strategy 2022/23 to 2026/27 be approved.

1. BACKGROUND:

This strategy forms the framework for capital investment decisions over the next three years and will inform the detailed annual capital budgets over this period. It is closely linked to the Treasury Management Strategy, the Investment Strategy and the Borrowing Strategy.

The strategy aims to balance capital expenditure needs and expectations (e.g. replacement of business critical IT systems) with the scarcity of available resources

2. PROPOSAL(S):

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

The Capital Strategy 2022/23 to 2026/27 for consideration is included in Appendix 1.

3. OPTIONS:

N/A; the only available option is to recommend the Capital Strategy be recommended for approval by Full Council.

4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

Financial

The Capital Strategy will inform capital expenditure decisions. In addition, it is viewed as sound governance to have a Capital Strategy in place.

7. REASON FOR THE DECISION:

To ensure that the capital strategy 2022/23 to 2026/27 is considered before approval by Full Council. .

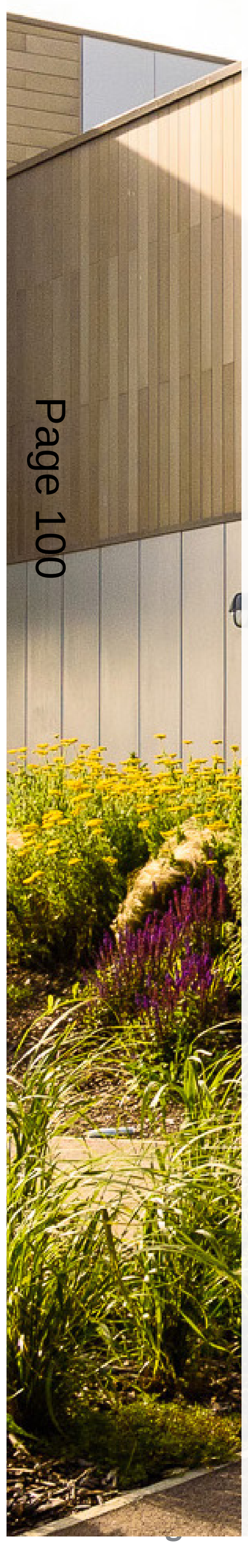
8. BACKGROUND PAPERS:

CIPFA Prudential Code;

Committee Budget Reports 2022/23

Capital Strategy

2022/23 to 2026/27



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> "The strategy aims to balance capital expenditure needs and expectations...with the scarcity of available resources to enable the identification and optimisation of all sources of capital funding and also be flexible enough in order to respond to emergencies and changes in priorities.

INTRODUCTION

Overview

CIPFA's Prudential Code requires councils to have a capital strategy. The Code states that "In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Objectives

The purpose of the strategy as per the Code is that it is "intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability."

The council must demonstrate that it takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability giving due consideration to both risk and reward and the impact on outcomes.

The strategy aims to balance capital expenditure needs and expectations (e.g. replacement of business critical IT systems) with the scarcity of available resources to enable the identification and optimisation of all sources of capital funding and also be flexible enough in order to respond to emergencies and changes in priorities.

It is a collective document involving various departments within the organisation. It is not purely a finance function, all the relevant officers should review this document from time to time and it be updated accordingly.

Capital Strategy framework

How do existing strategies feed into the Capital Strategy

The strategy maintains a strong and current link to the council's priorities and to other key strategy documents as shown below:

Benefits of adherence

Strategic direction of the council

A key driver of the Capital Strategy is the council's "vision for a better future" (2022-2026). This programme provides strategic direction to help the council become more effective and sustainable and to enable it to meet the demands of the future.

The strands of the Vision programme are:

- offering a better customer experience
- strengthening external relationships
- providing more digital online services
- becoming smaller and more effective

Capital Strategy

Scope
Capital expenditure is strictly defined and is principally expenditure incurred in buying, constructing or improving assets such as land, buildings, vehicles, plant, machinery and intangibles (e.g. computer software). It also includes grant and advances to be used for capital purposes, such as Disabled Facility Grants.

The council's policy on capitalisation in accordance with the council's approved accounting policies and procedures, is that expenditure on land, buildings, vehicles, plant, machinery and intangibles over £25,000 will be capitalised, expenditure under these limits is deemed to be a revenue cost.

Working with partners
Given the financial challenges faced by the council it is particularly important that it works closely with regional and local authority partners to deliver investment across the district which otherwise would not be deliverable or affordable. Whether this is through central government grants and town council contributions or through delivering schemes in partnership with West Sussex County Council.

The Capital Strategy sets out the council's approach to:
- working with partners
- asset management planning
- risk appetite
- governance and decision making
- capital financing & affordability
- managing borrowing
- monitoring & project evaluation
- capital investment in 2022/23 to 2026/27

Bandstand Bognor Regis seafront, council received £50k Coastal Revival Fund grant towards its renovation

Capital Strategy (continued)

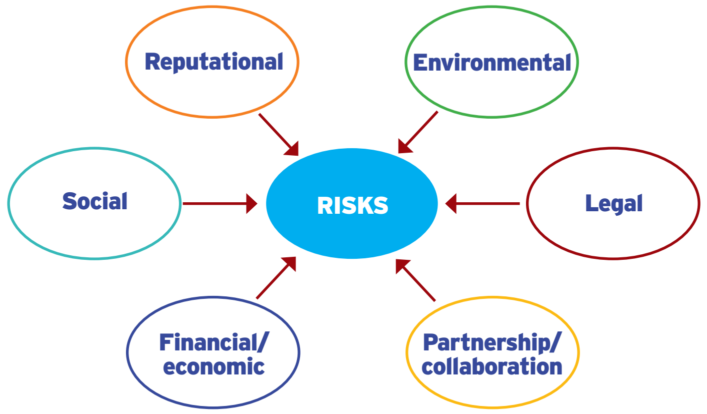
Asset management planning
The council has responsibility for a range of assets. The Asset Management Strategy establishes the priorities for asset management planning. It is essential to understand the need, utilisation, condition, income generating potential and the investment and operating cost requirements of assets, whether owned or leased.

The core asset management programme which deals with General Fund assets is now supplemented with additional budget as a result of a review in 2019 of the condition of the council's General Fund assets. This revealed that after years of under investment that significant funding would be required to ensure that they are maintained at an acceptable standard to allow the Council to continue to deliver its services.

The Housing Revenue Account (HRA) business plan looks at the expenditure requirements over the next 30 years.

Property Investment Strategy
This strategy sets out the policies relating to the Property Investment Fund which aims to generate a return for the council through property acquisitions. These are funded by earmarking a proportion of the council's capital receipts from land and property disposals. Acquisitions can only be made once a full business case has been completed and the risks fully understood and evaluated. Further details are set out in the Arun District Council Property Investment Strategy 2017–2022 as amended by Cabinet 13 January 2020.

Risk appetite
Any new proposed capital scheme should be supported by a sound business case/options appraisal and should include a full evaluation of risk:



This should have regard to the whole life costing methodology, "the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset." In practical terms this means that any appraisal will need to consider not just the initial outlay but all costs/income associated with the project that are likely to occur in future years, including possible replacement. This is vital to ensure that the council is not committing itself to future liabilities that are unsustainable.

www.arun.gov.uk

Capital Strategy (continued)

Governance & decision making

It is important that those charged with governance understand the long-term context in which investment decisions are made and the financial risks to which the council is exposed. The strategy should therefore contain sufficient detail to allow members to understand how stewardship, value for money, prudence, sustainability and affordability will be achieved.

In common with other local authorities Arun is facing a challenging financial climate and it is therefore essential that systems are in place to ensure that scarce resources are allocated in the most effective possible way and therefore expenditure needs to be prioritised.

Page 103

Capital financing & affordability

The council will need to assess the overall affordability of any new scheme, having regard to the availability of resources, existing financial commitments and the projected level of balances forecast in the medium-term financial strategy.

The Prudential Code requires "the local authority shall ensure that all of its capital and investment plans and borrowing are prudent and sustainable."

Capital expenditure can be funded in a variety of ways:

Capital financing

- Grants & contributions
- Developer contributions
- Capital receipts
- Revenue contributions
- Borrowing

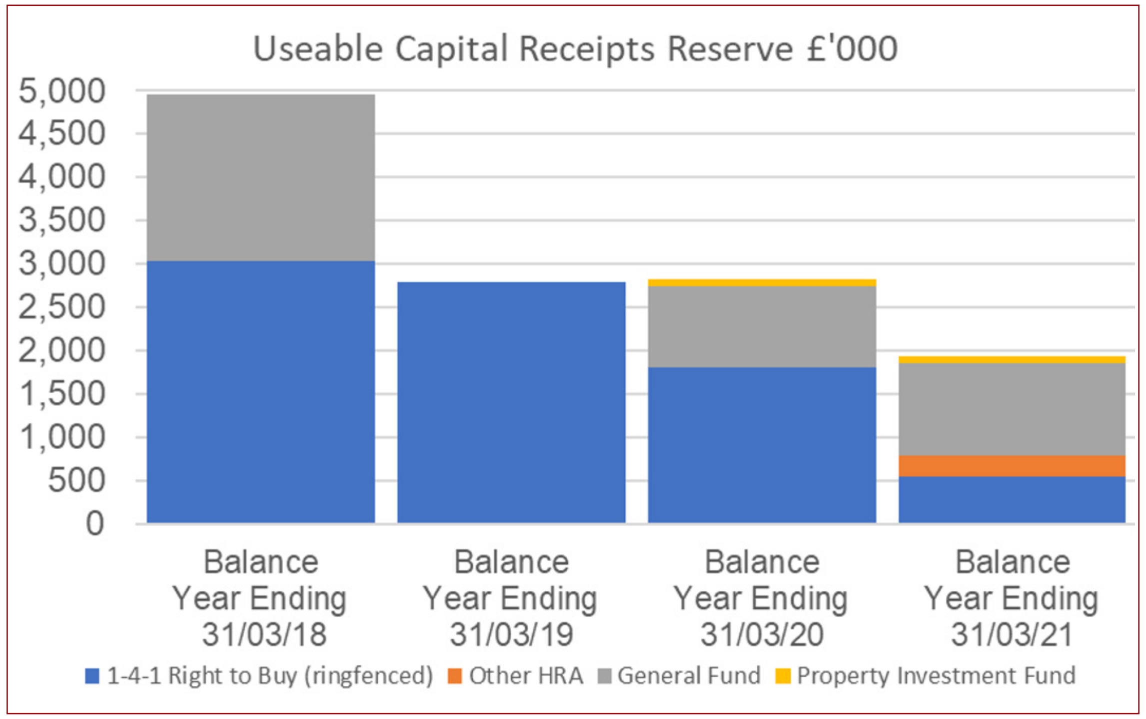
Grants and developer contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant or contribution. There is little, if any, latitude in the way grant funding can be applied.

Capital receipts are derived from the sale of the council's assets, including council houses sold under the Right to Buy. It is the council's policy to use these receipts (with the exception of "1 for 1" Right to Buy receipts which can only be used for the provision of new social housing) to support the General Fund capital programme. A specified proportion of General Fund receipts are earmarked for the Property Investment Fund.

Capital Strategy (continued)

It should be noted that other than right to buy receipts there are very little opportunities for capital receipts, asset disposals are infrequent and although there are a few assets which have been identified as possible disposals this can take years.

The graph below shows how the levels of useable capital receipts have reduced over the last few years as a result of being applied to fund capital expenditure.



Revenue contributions are a flexible source of funding, but they put an immediate strain on the General Fund balance and can therefore only be used to a limited extent.

Borrowing spreads the cost over a number of years but loan servicing costs and the overall level of debt exposure both need to be considered and clearly flagged in a business case.

Capital Strategy (continued)

Invest to save

Invest to save is the investment now to transform and reshape services to reduce running costs/generate efficiency savings or earn income to pay back the initial outlay. Priority should be given to these projects providing that they are supported by a sound business case and financial appraisal.

A good example would be investment in new beach huts, as there is a demand for beach huts (supported by a waiting list), the initial outlay to build new huts would be recovered over a period of years through the rental these would generate.

Managing borrowing

With the exception of the PWLB loan taken out on the inception of self-financing of the HRA at the end of the previous subsidy system, the council currently has no external debt. The expenditure on HRA stock development not funded from 1-4-1 receipts will require external borrowing. It should be noted that due to the cost of borrowing the council will only consider it as a last resort after all other sources of financing have been exhausted.

Felpham Beach Huts

Leasing

Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the council owning such asset itself.

From 1 April 2022 the accounting standard which sets out the guidelines for recognising and disclosure requirements for accounting for leases changes from IAS 17 (International Accounting Standard) to IFRS 16 (International Financial Reporting Standard). This means from this date the way the council accounts for assets it leases will change.

The definition of a lease has been adapted for the public sector as being 'a contract, or part of a contract, that conveys the right to use an asset for a period of time.'

The council currently leases such things as land, buildings, vehicles and photocopiers.

Under these changes these right of use assets will be shown on the balance sheet except for leases of 12 months or less or if the asset is of low value. The accounting standard does not include intangible assets (e.g. computer software licences) or where a contract contains use of an asset but the supplier has the ability to substitute alternative assets throughout the period (e.g. hygiene bins).

When the asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the council makes a lease payment rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest

Capital Strategy (continued)

payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset useful life is lower.

Separate provision for leases at peppercorn, nominal or nil consideration is based on donated asset accounting.

In preparation a data gathering exercise has already been undertaken to record all the leases the council has, including those at peppercorn/nil consideration (where the council pays little or no rental payments at any point during the duration of the lease). The council has had to evidence to its external auditors that it is prepared for these changes. The 2022/23 accounting policies will be amended to reflect the move to IFRS 16 and the threshold for low value will be determined.

Accountancy should be consulted on all new leases and contracts which includes the use of an asset (whether this is directly by the council or by the contractor to deliver obligations under the contract so that it can be assessed to see if the contract contains an embedded lease.

Treasury management

Treasury management is the management of the council's borrowing, investments and cashflows and is essential in particular when accessing the affordability of a capital project, the Treasury Management Strategy includes:

- the incremental impact of capital investment on council tax and housing rent levels
- the borrowing strategy
- the authorised limit for external debt

Where capital expenditure has been incurred without a resource to pay for it, this will increase the Council's Capital Financing Requirement (CFR) which is the council's underlying need to borrow. The council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget, this known as minimum revenue provision (MRP). CFR is calculated below:

Opening CFR
+
Capital expenditure for the year
-
Grants, contributions, reserves, capital records
-
Minimum revenue provision and voluntary provison
=
Closing CFR

Capital Strategy (continued)

Monitoring & project evaluation

It is the responsibility of the relevant budget holder and their team to manage costs and to provide explanations for any variations from the approved budget. Budget monitoring statements are presented to Corporate Management Team on a monthly basis and to Policy and Finance Committee quarterly.

Major capital projects will have a designated project board who will have regular meetings throughout the project. The board will have representation from across the council including Finance. These are to discuss project progress, including cost projections.

A post project evaluation is required to be undertaken to measure delivery against required project outcomes, not just time and cost. It is again the responsibility of the budget holder to undertake this review. This will help council for the future as lessons learned can be transferred to new projects and help with such things as benchmarking.

Artist impression of
Place St. Maur, Bognor Regis

Capital investment 2022/23 to 2026/27

HRA and General Fund Capital Programmes

The Housing Revenue Account (HRA) is a statutorily ring-fenced account covering income and expenditure relating to the council's rented stock and the General Fund covers all other council services. This ring-fence means that the HRA and the General Fund are completely separate entities, each having their own budget and financial model. For these reasons the HRA and General Fund capital programmes are considered separately, in the following sections.

The capital expenditure & financing forecast for both General Fund & HRA for the period 2022/23 to 2026/27 can be found in Appendix 1.

Top: Play area, Bognor Regis seafront
Bottom: Mill Road Play area, Arundel

Housing revenue account (HRA) programme

Stock development

The HRA capital programme for 2022/23 to 2026/27 which is driven by the updated HRA Business Plan (presented to Housing and Wellbeing Committee on 2 December 2021), will be approved in February 2022. One of the key priorities of this plan is the provision of 250 new dwellings over a 10 year period, the acquisition/building of these dwellings funded from a mix of "1 for 1" right to buy receipts and borrowing. Right to buy receipts are retained by agreement with the Government subject to them being used for the provision of new social housing within five years of receipt. These can be used to fund up to 40% of the cost of acquisition/ new build schemes, whilst the council has to fund the remaining 60%.

Page 106

A number of acquisition/new build schemes have already been delivered with new schemes currently progressing.

The initial £15m budget in 2018/19 was supplemented in 2020/21 with an additional £9m, funded from a combination of 1-4-1 receipts and borrowing. £100k per annum is set aside to cover any revenue expenditure such as feasibilities.

Units at Windroos, Littlehampton

Housing repairs & improvements

The updated HRA Business Plan reflects a substantial increase in the levels of investment required in the existing housing stock including statutory compliance which is heavily regulated.

This expenditure is a combination of revenue and capital. The capital includes boiler, kitchen and bathroom replacement programmes as well as reroofing and rewiring.

Other expenditure

There are plans to redevelop the sheltered housing stock and therefore additional capital expenditure has been included in the budget from 2022/23 for three years. This is subject to a full feasibility having been undertaken.

Affordability, borrowing and the abolition of the HRA debt cap

The HRA capital programme will need to be constantly reviewed to assess affordability. In particular, consideration will need to be given to the loan servicing costs of any new borrowing to ensure that these costs, together with the costs associated with existing (self-financing) debt can be sustained. This is particularly important in light of reducing the number of right to buy disposals. The "1 for 1" right to buy receipts being used to part-fund current acquisition/new build schemes are not being replaced by new receipts and there will therefore be insufficient receipts to support future schemes.

General fund programme

Core & enhanced programme

The Council has a core annual programme comprising:

- Asset management – the repairs and maintenance of all non HRA land and property assets, where such repairs are major and can be capitalised. Where repairs and maintenance or minor they are recorded as generally revenue and funded by use of revenue balances.

- Disabled Facilities Grants (DFGs) – these grants pay for essential adaptations to help people with disabilities stay in their own homes. The DFG programme is entirely funded by a Better Care Fund Government Grant.

Public Conveniences St. Martins car park, Littlehampton

In addition, the council also has an enhanced programme of expenditure which is based on the additional requirements for the year, expenditure will likely be more of a capital nature. The expenditure includes:

- asset management – a programme of larger one-off projects, which will be capital expenditure; for instance a schedule of public convenience refurbishments over the next 5 years.

- play areas – a programme of play area replacements for the next five years, most expenditure is capital and is funded from a combination of external funding, capital receipts, developers' contributions and revenue.

- ICT – the replacement of business-critical systems over a period of 5 years which is normally the useful life of software.

- other one offs – for instance replacement of life expired vehicles, plant and equipment, regeneration projects.

The key issue with the enhanced programme is the uncertainty with regard to future funding levels. The Council's Medium-Term Financial Strategy (MTFS) recognises that capital investment needs to be carefully prioritised due to limited amount of council resources.

Appendix 1

Capital expenditure & financing 2022/23 to 2026/27

			2022/23 forecast	2023/24 forecast	2024/25 forecast	2025/26 forecast	2026/27 forecast
			£'000	£'000	£'000	£'000	£'000
Expenditure							
	General fund	Asset management	2,114	717	642	1,310	450
		Disabled facilities	1,400	1,400	1,400	1,400	1,400
		Play areas	225	190	100	100	100
		ICT	200	0	0	50	435
		Chipper	0	0	0	0	26
			3,939	2,307	2,142	2,860	2,411
	HRA	Improvements	5,366	4,460	5,274	5,194	5,207
		Stock development	100	100	100	100	100
		Housing IT (Civica)	285	0	0	0	0
		Sheltered accommodation	2,600	2,000	1,400	0	0
			8,351	6,560	6,774	5,294	5,307
Total expenditure			**12,290**	**8,867**	**8,916**	**8,154**	**7,718**
Financing							
	General fund	Revenue	52	907	742	1,460	1,011
		Borrowing	987				
		Capital receipts	1,500	0	0	0	0
		Improvement grants	1,400	1,400	1,400	1,400	1,400
			3,939	2,307	2,142	2,860	2,411
	HRA	Major repairs reserve	5,336	4,430	5,244	5,164	5,177
		Revenue	515	230	230	130	130
		Borrowing	2,500	1,900	1,300	0	0
			8,351	6,560	6,774	5,294	5,307
Total financing			**12,290**	**8,867**	**8,916**	**8,154**	**7,718**

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF POLICY AND FINANCE COMMITTEE ON 10 FEBRUARY 2022

SUBJECT: Council Vision 2022 - 2026

REPORT AUTHOR: Jackie Follis, Group Head of Policy
DATE: 27 January 2022
EXTN: 01903 737580
AREA: Corporate Support

EXECUTIVE SUMMARY:

This paper presents the final wording, following public consultation, for the Council Vision 2022-2026.

RECOMMENDATIONS:

The Committee is asked to recommend to Full Council that the Council Vision 2022 - 2026 is approved.

1. BACKGROUND:

a) At it's meeting on 14 October 2021 the Committee agreed the wording which would go out to public consultation for the new Council Vision 2022 – 2026

b) The public consultation ran from 10 November 2021 to 13 December 2021. The survey was available on the Council website and paper copies could be requested. We received 211 completed surveys of which 189 were from individual and 22 from local businesses, town and parish councils, charities or partners. All councillors and members of staff were also invited to participate.

c) 86% of respondents agreed with the Council's aims for the next four years. A number of good ideas also came out of this and a number of specific areas of concern were expressed by residents. These areas had already been recognised by members and included housing developments, in terms of location, energy efficiency and infrastructure, safer and more appealing town centres and improved primary care across the District. (Not all respondents recognised what services the Council delivers directly and where we influence and support other organisations to deliver).

d) The comments received have enabled us to change some of the original wording in a number of ways which make our statements easier to understand, more proactive and focused and more realistic. Appendix 1 sets out the final wording for the Council Vision 2022-2026. Assuming this is supported by the Policy and Finance Committee it will go to Full Council on 7 March 2022 for approval and then be published.

e) Currently work is taking place to clarify the corporate performance measures which form the Corporate Plan which will sit alongside the Council Vision and these will go to the committees and Full Council in due course.

2. PROPOSAL(S):

To agree the wording for the Council Vision 2022-2026, following the public consultation which took place in November/December 2021.

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3. OPTIONS:

a) To agree the Council Vision which sets out our overall direction for the Council for 2022 – 2026 and recommend acceptance to Full Council.

b) To not agree the proposed Council Vision and continue with the existing priorities for the Council

4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council	√	
Relevant District Ward Councillors	√	
Other groups/persons (please specify) The public consultation was sent to key partners (including town and parish councils) and made available to all other individuals and organisations who wished to make a response between 10 November and 13 December 2021. Alll ADC councillors were given the opportunity to participate in workshops and were encouraged to look review the final wording during the public consultation period	√	

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	√	
Legal	√	
Human Rights/Equality Impact Assessment	√	
Community Safety including Section 17 of Crime & Disorder Act	√	
Sustainability	√	

Asset Management/Property/Land	√	
Technology	√	
Other (please explain)		

6. IMPLICATIONS:

The Council Vision provides the overarching direction for all council services so could potentially impact on any of the above at some point during the period.

7. REASON FOR THE DECISION:

To provide strategic direction for Arun District Council for the period 2022 - 2026

8. BACKGROUND PAPERS:

None

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APPENDIX 1

Proposed Final Wording for Council Vision 2022 - 2026
Policy and Finance Committee 10 February 2022 (Updated)

Improving the wellbeing of Arun	
Overall Aims	
A	Promote and support a multi-agency response to tackle the causes of health inequality in Arun's areas of greatest deprivation
B	Champion leisure, culture and the Arts in Arun and encourage our community to embrace healthy and active lifestyles
C	Work with partners to provide advice, support and activities that promote community wellbeing where it will have the greatest impact
How will we achieve this	
1	Develop and Implement a Wellbeing Strategy to plan services, resources, amenities, activities, and places to help our community thrive.
2	Prepare an annual community engagement plan to promote healthy and active lifestyles and encourage particpation in a wide ranged of wellbeing activities
3	Work with key partners to ensure that we deliver council wellbeing services that are complementary to their own, rather than duplicate effort
4	Support the NHS Clinical Commissioners to provide primary care medical and dental facilities to meet the growing needs of our community
5	Support the voluntary and community sector to provide services that help the most vulnerable in our community
6	Provide infrastructure that supports wellbeing, e.g. more opportunities for cycling and walking and easily accessible and safe greenspace.
7	Support those who are homeless, street homeless or at risk of homelessness in emergency or temporary accommodation to improve health outcomes

Delivering the right homes in the right places	
Overall Aims	
A	Provide a mixed housing economy within the district for all, regardless of age or circumstances, where different types of homes are available, and people can choose to rent or buy.
B	Maximise opportunitites to improve the energy efficiency of homes in the District.
C	Support those in our community that need help, providing a safety net where necessary and working with people and organisations to meet different needs.
How will we achieve this	
1	Support households with complex needs to secure suitable accommodation
2	Maximise the delivery of affordable housing including utilising the council's own resources and commercial expertise
3	Improve the energy efficiency of homes across all tenures
4	Use our expertise to influence the local housing market, working with the right partners from all sectors, to develop the housing and infrastructure that we need
5	Use the planning system to create great new places and improve our existing places, where new homes meet the needs of current and future generations
6	Ensure the existing housing stock in the district (Private Sector and Council owned) is maintained to a high standard
7	Continue to bring empty homes back into use for the benefit of the community

Supporting our environment to support us	
Overall Aims	
A	To consider climate change, sustainability, biodiversity and the environment in everything the Council is responsible for and encourage its community and local businesess to do the same
B	Protect and enhance our natural environment.
C	Regularly review progress toward Arun's Carbon Neutral Strategy (2022-30) as set out in the annual Climate Action and Biodiversity Work Plan
D	Make low carbon transport including walking, cycling, travel by public transport and electric vehicle easy, convenient and pleasant and a fundamental part of our placemaking
How will we achieve this	
1	Develop and implement the Carbon Neutral Strategy and Climate Change and Biodiversity Strategies for the Council and for the wider district through Planning Policy
2	Review the Council's estate and seek to maximise the use of renewable or alternative energy generation, including the installation Electric Vehicle charging Points
3	Engage and incentivise business to commit to working practices which minimise their impact on the environment
4	Support information campaigns that promote carbon reduction and funding opportunities
5	Working with our community improve waste reduction and recycling to meet future targets of 55% recycling by 2025 and 60% by 2030.
6	Ensure that climate change and sustainability is at the heart of all Council services
7	Support the Sussex Bay Project to restore marine, coastal and intertidal habitats to improve the biodiversity and carbon footprints of the district.

Fulfilling Arun’s economic potential	
Overall Aims	
A	Increase opportunities for more high-quality, well-paid employment, encouraging more people to live, work, study and visit Arun.
B	Encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend
C	Use regeneration opportunities to attract new and relocating businesses to the district.
D	Make best use of our natural assets to help drive the economy.
How will we achieve this	
1	Create the conditions that will support high tech businesses including the creative digital sector and green businesses, reducing the need for the workforce to commute out of the District.
2	Use the planning system to set aside sites for larger business growth and support and create employment space for smaller start-ups, using Arun-owned land to stimulate the market
3	Encourage a digital infrastructure that will support businesses and changing ways of working, as well as the needs of local people
4	Work with partners to support a district-wide skills audit, to understand what businesses need and what skills we have in the community. Work with local colleges and the University of Chichester to assist them to run courses that will match local skill needs for those at all stages in their working life
5	Work closely with our towns and other organisations on strategies which support vibrant and attractive town centres
6	Positive and focused promotion of Arun’s tourist destinations as more than a ‘day trip’
7	Support the delivery of more accommodation for visitors to the district

AUDIT & GOVERNANCE COMMITTEE

22 February 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Chace, Goodheart, Haywood, Oliver-Redgate, Oppler, Staniforth and Tilbrook

658. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Northeast.

659. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

660. MINUTES

The Minutes of the meeting held on 16 November 2021 were approved by the Committee. These would be signed at the end of the meeting.

661. PUBLIC QUESTION TIME

The Chair confirmed that no questions were submitted for this meeting.

662. AUDIT RESULTS REPORT

The Chair invited the Associate Partner, Kevin Suter and the Audit Manager, James Stuttaford, from Ernst & Young LLP to present the Audit Results Report. Following the completion of the audit, they were proposing to give an unqualified audit opinion, and there were no matters to report by exception within their reports covering their value for money responsibilities. They provided an overall summary of the report and highlighted some areas that had changed since the report had been written.

Page 11 gave a scope update compared to audit planning that they provided last year. There was a change in materiality, made following receipt of the draft financial statements. Additional work had been done around pensions, and the pension specialists had no issues to raise. There was also some additional work regarding Covid-19, which did not impact the overall work. Page 12 showed the status of the audit, all the outstanding items had since been closed down, and all that was required was the signed version of the accounts, and the signed management letter of representation. Currently, they were unable to certify the audit as were waiting on the Whole of Government Accounts Group audit instruction. Page 13 summarised the value for money, for which they would provide a detailed report at the Auditors Annual Report, however there were no risks to report. Page 14 showed the areas of audit focus, there were no matters to report on the first and second fraud risks. Following conclusion of the work after the report had been written they had identified a difference in the valuation for The Arcade, Bognor Regis, which they considered to be an overstatement of £316,000. This value was not material overall to the statement, so they had not requested an adjustment to the accounts. Another area of audit focus was the pension liability valuation, for which they had noted a difference of £662,000 between estimated gross asset value compared to their estimate. This was again immaterial to the overall accounts, so they had not requested adjustment. New for this year was the Accounting for Covid-19 Related Grant Income, for which there were no matters to report, however the Summary of Audit Differences on Page 29 did show a corrected difference. This was due to the consideration of what was classed as a principal or an agent grant. They found to be £2.3 million worth of grants that were principal grants rather than agent grants and had asked this to be brought into the accounts.

The fees area on Page 38, provided a table of their final fees from 2019/20, which was approved by PSAA and had now been paid. They had also given an update to the final fee for 2020/21, they were unable to provide a final fee at this stage, as they did not yet have a total that would relate to scale fee rebasing. They were hoping that this would be provided with the Auditors Annual Report.

The Associate Partner highlighted that they had received correspondence from a member of the public regarding the redevelopment of Bognor Regis and the Levelling Up Fund. After making some enquiries they had concluded this had no impact on the current year's audit, however as this was a major project, they would be looking into this in relation to Value for Money Risk Assessment.

A discussion then took place, and the following points were raised:

- Tribute was paid to the work of the auditors and the financial team. It was thought this was an excellent report.
- Clarification was requested regarding the differences identified on page 14, which was provided.
- Clarification was requested on the overstatement on the Arcade valuation, which was provided.

This was an item for information only.

663. <u>ANNUAL STATEMENT OF ACCOUNTS 2020/21 AND LETTER OF REPRESENTATION</u>

Upon invitation of the Chair, the Interim Group Head for Corporate Support introduced her report. She explained it was very good news that the audit had been completed and the Council would receive an unqualified audit opinion, also that we were one of the earliest District Councils in West Sussex to have their audit completed. She also noted that where the accounts had been amended regarding the Covid-19 grants, the effect on the bottom line was zero, as the expenditure had gone up by the same amount as income. There were also two uncorrected misstatements which were below the materiality for adjustments. These were technical adjustments and did not affect funds available for the provision of service.

There were no questions from Members.

The recommendations were Proposed by Councillor Chapman and Seconded by Councillor Haywood.

The Committee

RESOLVED that

1) The findings of the Ernst & Young Audit Results Report (previous item on the agenda) be noted.

2) The Letter of Representation on behalf of the Council in Appendix 1, be approved.

3) The Statement of Accounts for the financial year ended 31 March 2021 (Appendix 2) be approved.

664. FINAL ANNUAL GOVERNANCE STATEMENT 2020/21

Upon invitation of the Chair, the Internal Audit Manager introduced the report. He explained that the Annual Governance Statement was required as an accompaniment to the Annual Accounts. The draft version was noted by the Committee at its July meeting and had since been reviewed along with the Accounts by external audit, who raised no queries on it. As there had been an unusually long delay in presenting the final version, some minor updates had been applied where target dates for actions that were included in the draft had now passed, these were highlighted in the document.

The recommendations were Proposed by Councillor Chace and Seconded by Councillor Chapman.

The Committee

RESOLVED

That the final version of the Council's Annual Governance Statement for 2020/21 be approved.

665. APPROVAL OF ACCOUNTING POLICIES 2021/22

Upon invitation of the Chair, the Interim Group Head for Corporate Support introduced her report. There were no major changes for 2021/22, and in practice there were limited opportunities for an authority to choose its accounting policies.

It was asked when there was likely to be a change to accounting policies. The Interim Group Head for Corporate Support explained that the accounting policies were reviewed annually by the Accounting Standards Panel.

The recommendations were Proposed by Councillor Oliver-Redgate and Seconded by Councillor Staniforth.

The Committee

RESOLVED

That the accounting policies that will be applied to the Statement of Accounts 2021/22 be approved.

666. PROVISION OF INTERNAL AUDIT SERVICE TO THE COUNCIL

The Chair welcomed Neil Pitman, Head of Southern Internal Audit Partnership, to the meeting.

The Chair then invited the Interim Group Head for Corporate Support to introduce the report. She explained that report outlined difficulties in recruiting and maintaining suitably qualified audit staff and highlighted the recommendations.

The Head of Southern Internal Audit Partnership then gave his presentation to the Committee, a copy of which would be uploaded to the Council website after the meeting.

Members then took part in a question and answer session, and the following points were raised:

- Members were grateful for the work of the Internal Audit Team, but this could not continue with just one Senior Auditor. Thanks were also given to the Interim Group Head for Corporate Support for maintaining the budget at a sustainable level.
- Going into partnership with a professional Local Government organisation meant there would be no cultural barrier.
- Members thanked the Head of Southern Internal Audit Partnership for his presentation.
- The numbers of new partners that would be taken on by Southern Internal Audit. The Head of Southern Internal Audit Partnership explained that they had grown fairly organically over the past 8-10 years, and they tended to go through a period of taking on new partners, then a period of consolidation.
- The level of involvement and support Southern Internal Audit Partnership would be able to offer with the regeneration projects. The Head of Southern Internal Audit Partnership explained they sometimes sat as a critical friend in an advisory capacity, but this was with regard to

governance risk and control rather than bringing detailed expertise in the particular field.
- It was asked how the contract would be worked out, and how it was decided how many days they would be contracted for. The Head of Southern Internal Audit Partnership explained they were currently going through a process to look at the Council's needs, and they would look at a baseline number of days, which is what they would charge for. If this was exceeded there would not be an additional charge as long as parity was restored over 3 years.
- The length of contract. The Head of Southern Internal Audit Partnership explained it would be an initial commitment of 5 years and after that period there was a notice period of 12 months should the Council wish to cease the partnership.

The recommendations were Proposed by Councillor Chapman and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED that

1) It be confirmed to the Corporate Support Committee that that Southern Internal Audit Partnership (SIAP) can be appointed as the Council's Internal Audit Service provider from 1 April 2022, being one of the possible options.

2) Authority be delegated to the Interim Group Head of Corporate Support, to agree the Internal Audit Plan for 2022/23 before 31 March 2022

The Committee also

RECOMMEND TO THE CORPORATE SUPPORT COMMITTEE

1) That the consequential changes in staffing arrangements to provide the Council with a suitably resourced Internal Audit service with effect from 1 April 2022 be approved.

667. PROGRESS UPDATE ON HOUSING TENANCY FRAUD

Upon invitation of the Chair, the Neighbourhood Services Manager introduced the report. She explained that the post had been vacant during 2020 while Neighbourhood Services undertook a full restructure. The new Fraud Investigation Officer had been in post since June 2021. During that 7 month period there had been 78 referrals, and 8 cases of fraud had successfully been prevented, which had saved the Council just under £300,000. The Fraud Investigation Officer had developed the service and developed close joint working with other organisations. They had also developed better education and enforcement, including knowing their tenants such as keeping photos on file, using general intelligence and conducting visits. The team were also expected to attend a Tenancy Fraud Forum Conference in 2023 to further develop their knowledge and awareness in the area.

There were no questions from Members.

The Chair highlighted that this was an important issue, and was pleased with the number of cases identified. He would welcome another progress report next year.

The contents of the report was noted by the Committee.

668. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

Upon invitation of the Chair, the Senior Accountant (Treasury) introduced the report. She highlighted key areas in the report including on Page 66, the revised Treasury Management and Prudential Code published on 20 December 2021, which needed to be formally adopted by 2023/24. Due to the timings these had not been adopted as part of this strategy, but would be for the 2023/34 strategy. Page 70 showed the last Members' briefing was held in July 2021, and she would be arranging another session for 2022. Page 278 3.3 showed the bank interest rate was likely to increase to 0.5% on 01 February 2022, so some of the information was now out of date. Link Group, the treasury advisors, had since changed their forecast on 7 February 2022, expecting the base rate to go to 0.75% in March, 1% in June and 1.25% in December 2022. Page 289 showed 2 new counterparties had been added, both of which were in category 1, the highest rated category. These were introduced for diversification, and also as Qatar was currently on negative watch, so no new investments would be added with them at this time. Page 289 mentions the Council used to use a 7 day LIBID for benchmarking, but this ceased at the end of 2021, and they have now introduced a risk-free SONIA rate. The Council has also just subscribed to the Link Group Benchmarking Club. Appendix 2 shows the MRP Policy currently out for consultation which closes in February 2022.

A discussion then took place, and the following points were raised:

- Page 269 mentioned the possibility the Council may wish to borrow for general fund purposes at some point in the future. It was asked whether this was likely. It was confirmed this was unlikely at this time, however it remained a possibility in the future.
- Consultation with CIPFA potential changes. The Interim Group Head for Corporate Support confirmed Members would be consulted.
- It was asked if there were any future plans to offer additional training to Members. It was confirmed the Link Group carried out a training session each year. The Interim Group Head for Corporate Support said it was important Members were aware of risk with regards to decisions, and trainers or consultants would be brought in when appropriate.

The recommendations were Proposed by Councillor Staniforth and Seconded by Councillor Oliver-Redgate.

The Committee

RECOMMEND TO FULL COUNCIL that

1) The Treasury Management Strategy Statement for 2022/23 to 2024/25 be approved and adopted.

2) The Annual Investment Strategy for 2022/23 to 2024/25, including the addition of new counterparties; JP Morgan Chase Bank and National Australia Bank, be approved and adopted.

3) The Prudential Indicators within the TMSS and AIS for 2022/23 to 2024/25 as contained in appendix 1 and the body of the report be approved.

669. PROGRESS AGAINST THE AUDIT PLAN

Upon invitation of the Chair, the Internal Audit Manager introduced the report which outlined the main areas of work undertaken by the Internal Audit section to January 2022. There was ongoing business grants work relating to scheme reconciliations, counter-fraud and pre and post-payment assurance checks as required by the Department for Business, Energy & Industrial Strategy (BEIS). This covered old schemes from 2020 and 2021, and also the progress of the Omicron Hospitality & Leisure Grant (OHL) and Additional Restrictions Grant (ARG) top-up that had been announced in January 2022. These final schemes were scheduled to end on 31 March 2022 after which there would be requirements for reconciliation further sample evidence to be provided to BEIS. The Government had also announced its Council Tax Energy Rebate scheme, with payments to be made by the Council from April 2022, and guidance on the assurance checking required for administering this were awaited from the Department for Levelling Up, Housing & Communities.

There were no questions from Members.

The report was noted by the Committee.

670. FEEDBACK & COMPLAINTS POLICY

This was a report asking Committee to adopt the Feedback & Complaints policy attached as appendix 1. The Interim Group Head of Law & Governance introduced the report. He explained the Council had always had a Complaints Policy within the Constitution. When the Constitution was reviewed, the opportunity was taken to review the Complaints Policy and remove it from the Constitution as it was an operational not a constitutional document. The review took account of guidance issued by the Housing

Ombudsman and the Local Government and Social Care Ombudsman. Guidance from the Housing Ombudsman made it difficult to continue with a one stream complaints process. The Housing Ombudsman Guidance stated that after the final stage (our Stage 2), the complainant should be given the opportunity to go to a Designated Person, which had now been built into the complaints process. Further the Housing Ombudsman required that before the Stage 2 decision was notified, that the complainant be given sight of the draft and the opportunity to comment. Two streams for Stage 2 of the complaints process had now been created, stream 1 would be for Corporate Complaints which would not change. Stream 2 would be for housing complaints, where the requirement to consult with the complainant be inserted. The Interim Group Head of Law & Governance went onto explain each of the appendices attached to the report.

A discussion then took place, and the following points were raised:

- Whether the Designated Person could be a Councillor of any level, such as Town, Parish or County. The Interim Group Head of Law & Governance stated that this should be a District Councillor, as Housing was a District function.
- The content of the policies and whether they contradict the Housing Ombudsman Complaint Handling Code – it was stated that the purpose of this review was to align the policies with the complaints handling Codes.
- Would members of the public be able to choose which Councillor they approached as the Designated Person? The Interim Group Head of Law & Governance explained the Designated Person would be any Ward Councillor of the complainant's choice.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Goodheart.

The Committee

RESOLVED that

The Complaints Policy, attached as appendix 1, be adopted.

671. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 11.29 am)

ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE
ON 22 February 2022

REPORT

SUBJECT: Treasury Management Strategy Statement and Annual Investment Strategy 2022/23

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)
DATE: January 2022
EXTN: 01903 737861
AREA: Corporate Support

EXECUTIVE SUMMARY:

The purpose of this report is to present the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) 2022/2023 to 2024/2025 and to enable the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council (9 March 2022).

RECOMMENDATIONS:

The Committee is requested to recommend Full Council to:

(i) Approve and adopt the Treasury Management Strategy Statement for 2022/23 to 2024/25.

(ii) Approve and adopt the Annual Investment Strategy for 2022/23 to 2024/25, including the addition of new counterparties; JP Morgan Chase Bank and National Australia Bank.

(iii) Approve the Prudential Indicators within the TMSS and AIS for 2022/23 to 2024/25 as contained in appendix 1 and the body of the report.

1. BACKGROUND:

The Council is required as part of its governance to consider certain reports on Treasury Management.

As a minimum, three main reports should be presented each year, incorporating a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Committee before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

- **Prudential and Treasury Indicators and Treasury Strategy** (this report) - The first and most important report is forward looking and covers:
  - the capital plans (including prudential indicators) (2.0);
  - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time) (2.4);
  - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators (3.0); and
  - an investment strategy (the parameters on how investments are to be managed) (4.0).
- **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. The Audit and Governance Committee will receive a mid-year report at its November meeting prior to approval by Full Council.
- **An Annual Treasury Report** – This is a backward looking review document providing details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy which the Audit and Governance Committee will receive at its July meeting prior to approval by Full Council.

2. PROPOSAL(S):

This report has the Treasury Management Strategy for 2022/23 appended. The strategy for 2022/23 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 will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC (Department for Levelling Up, Housing and Communities) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

3. OPTIONS:

The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is to recommend the Treasury Strategy be recommended for approval by Full Council.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)	✓ Treasury Advisors	

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		

6. IMPLICATIONS:

Financial

The Treasury Management Strategy will inform borrowing and investment decisions. In addition, it is viewed as sound governance to have a Strategy in place.

7. REASON FOR THE DECISION:

To ensure that the Treasury Management Strategy 2022/23 is considered before approval by Full Council. The decision sets statutory limits and safeguards the Council against financial loss.

8. BACKGROUND PAPERS:

- The Local Government Act 2003
- CIPFA'S Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (2017) *(Link not available as copyright)*
- The Prudential Code for Capital Finance in Local Authorities (2017)
- Cipfa Treasury Management Guidance notes (2018) *(Link not available as copyright)*
- DLUHC's Guidance on Local Government Investments ("the Guidance")

Arun District Council

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23

Arun District Council
Treasury Management and Investment Strategy 2022/23

1 Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework;-

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 (Treasury Management Practice) to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals soley with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.1 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 low risk appetite, 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. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

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."*

It will be important to keep the Treasury Management Strategy under review during the year due to the current economic climate. Government policy and guidance may need to change in light of the costs and challenges of Covid-19.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

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

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

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

- **Prudential and Treasury Indicators and Treasury Strategy** (this report) - The first and most important report is forward looking and covers:

  - the capital plans (including prudential indicators) (2.0);
  - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time) (2.4);

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators (3.0); and
- an investment strategy (the parameters on how investments are to be managed) (4.0).

- **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. The Audit and Governance Committee will receive a mid-year report at its November meeting prior to approval by Full Council.

- **An Annual Treasury Report** – This is a backward looking review document providing details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy which the Audit and Governance Committee will receive at its July meeting prior to approval by Full Council.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

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

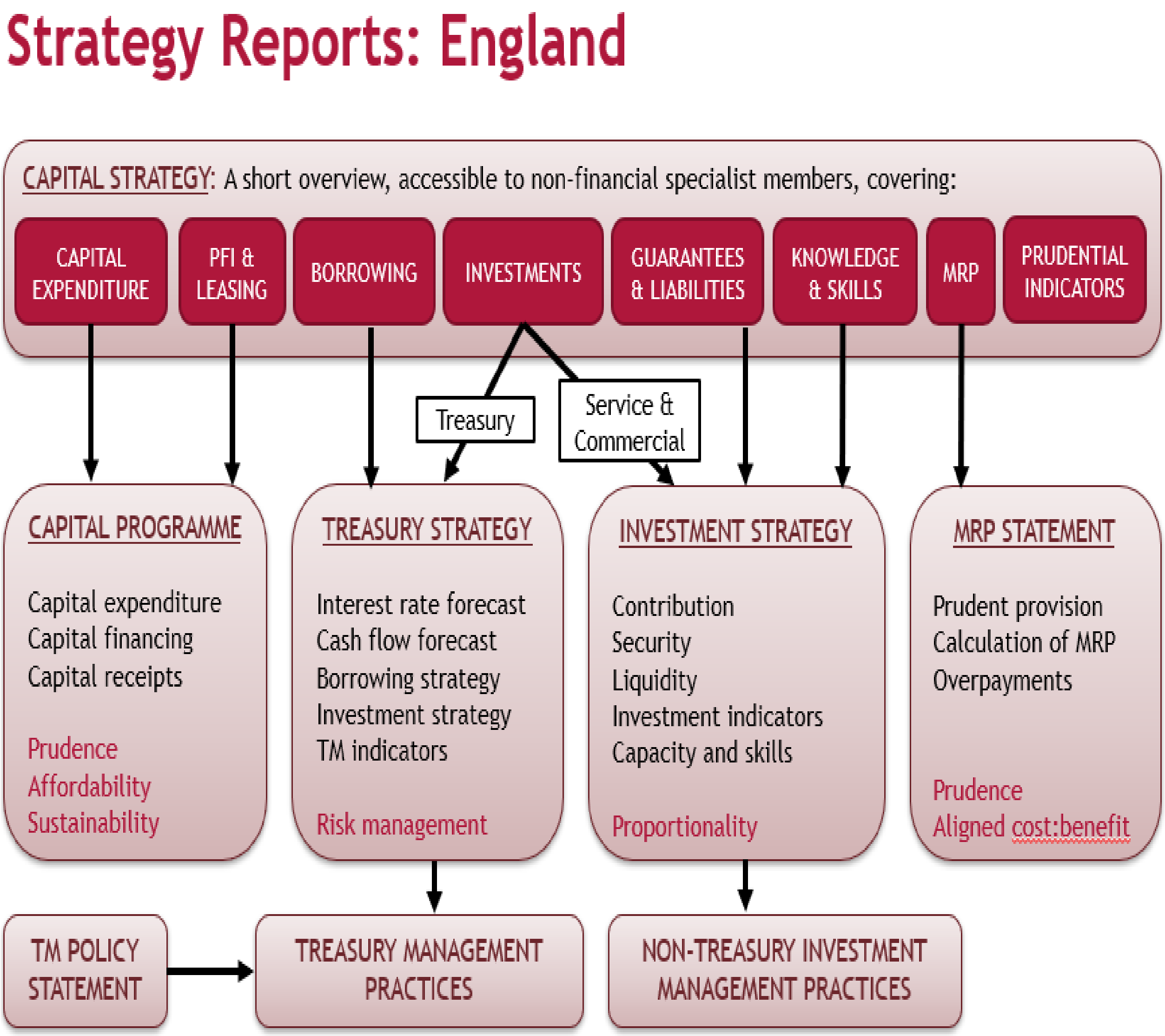
Treasury management Issues

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

These elements cover the requirements of the Local Government Act 2003, DLUHC (Department for Levelling Up, Housing and Communities) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

A Voluntary Repayment Provision (VRP) is sufficient as Arun’s external debt is all HRA. However, there is a possibility that the Council may wish to borrow for General Fund purposes at some point in the future.

The diagram below shows how Capital expenditure affects the Treasury Management Strategy



1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Accordingly, all members were invited to attended a workshop presented by Link Group (Treasury advisors) explaining the roles and responsibilities of elected members and giving them an economic update. The last session was held on 13th July 2021 where 14 members attended.

The training needs of treasury management officers are reviewed periodically and senior officers attend seminars at least once a year. Since Covid 19 there have been more bite size webinars from various organisations, which are attended by Treasury officers regularly.

1.5 Treasury management consultants

The Council uses Link Group, 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 the services of external providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions) and 1 commercial type investment (East Preston Depot).
Any further commercial type investments will require specialist advisers in relation to this activity.

2 <u>The Capital Prudential Indicators 2022/23 to 2024/25</u> (Appendix 1)

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

2.1 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. The Council's capital expenditure is considered as part of the budget setting process and a report for approval is going to Full Council on 23rd February 2022.

Currently Arun's only borrowing relates to the HRA self-financing settlement. However, the Council has a significant capital programme including HRA acquisition/new builds and smaller projects such as work to carparks, public convenience's, cemeteries, and some infrastructure projects. Much of this programme will be funded from capital receipts and revenue resources but it is possible that additional borrowing will be required at some point in the future, however the source has not yet been identified.

The need to borrow is reviewed annually as part of the Treasury Management Strategy and budget setting process and will be dependent on the HRA Business Plan and the Capital programme.

The table below summarises the 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	**Actual 2020/21 £'000**	**Current Estimate outturn 2021/22 £'000**	**Estimate 2022/23 £'000**	**Estimate 2023/24 £'000**	**Estimate 2024/25 £'000**
Non HRA	2,930	3,851	3,939	2,446	2,142
HRA	6,472	8,488	8,351	6,560	6,774
HRA settlement	-	-	-	-	-
Total	**9,402**	**12,339**	**12,290**	**9,006**	**8,916**
Financed by:					
Capital receipts (1-4-1)	1,589	1,194	1,500	0	0
Capital grants	2,668	3,109	1,400	1,400	1,400
Capital reserves	1,823	3,051	5,336	4,430	5,244
Revenue	37	756	567	1,276	972
	6,117	**8,110**	**8,803**	**7,106**	**7,616**
Net financing need for the year	**3,285**	**4,230**	**3,487**	**1,900**	**1,300**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, 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 borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council does not have any PFI schemes within the CFR but does have finance leases.

The Council is asked to approve the CFR projections in Appendix 1 also shown below:

CFR at 31 March	Actual 2020/21 £,000	Current Estimate 2021/22 £,000	Estimate 2022/23 £,000	Estimate 2023/24 £,000	Estimate 2024/25 £,000
Capital Financing Requirement					
General Fund	(4,223)	(4,442)	(3,655)	(3,742)	(3,830)
HRA	52,973	49,347	54,475	61,852	61,010
Total CFR	**48,750**	**44,905**	**50,820**	**58,110**	**57,180**
Movement in CFR	**394**	**(3,845)**	**5,915**	**7,289**	**(930)**

Movement in CFR represented by					
Leasing arrangements (GF)	0	0	0	0	0
HRA unfinanced / Internally financed	3,285	0	7,565	8,913	1,300
Leasing arrangements (HRA)	947	0	0	0	0
Repayments	0	0	0	0	0
Less MRP/VRP	(3,837)	(3,845)	(1,650)	(1,624)	(2,230)
Movement in CFR	**394**	**(3,845)**	**5,915**	**7,289**	**(930)**

2.3 Core funds and expected investment balances

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

Year End Resources £m	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Fund balance	15.91	13.95	10.47	11.11	11.15
Earmarked Reserves	29.16	14.71	14.27	13.83	13.39
Capital Receipts	1.93	1.82	0	0	0
Provisions	3.0	3.36	2.26	2.26	2.26
Total core funds	**50.00**	**33.84**	**27.00**	**27.20**	**26.80**
Other cashflow sums	12.17	17.16	21.00	13.25	7.11
Expected investments	**62.17**	**51.00**	**48.00**	**40.45**	**33.91**

2.4 Minimum revenue provision (MRP) policy statement

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

DLUHC (Department for Levelling Up, Housing and Communities) regulations have been issued which require the Full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement in Appendix 2.

The Council does not currently have any General Fund external debt and therefore is not statutorily required to make Minimum Revenue Provision (MRP) in respect of its CFR, but there is a requirement for a charge for depreciation to be made.

It is considered prudent to make VRP in respect of the PWLB maturity loans funding the HRA self-financing settlement payment. The table in 2.2 above shows the VRP reducing the CFR. The VRP is incorporated in the HRA Business Plan and in the 2022/2023 HRA budget. If borrowing is taken out for general fund in 2022/23, the current MRP policy will need to be reviewed.

MRP Overpayments

A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2021 there were no VRP overpayments.

2.5 Affordability Prudential Indicators

This report covers 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 indicator contained in Appendix 1.

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.

	Actual 2020/21 %	Estimate 2021/22 %	Estimate 2022/23 %	Estimate 2023/24 %	Estimate 2024/25 %
Non-HRA	(1.96)%	(1.90)%	(1.88)%	(2.05)%	(2.05)%
HRA	31.84%	32.32%	15.58%	16.32%	15.72%

3 Borrowing

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

The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's Treasury Investment and debt portfolio position at 31 March 2021 and 31 December 2021 summarised below;

TREASURY PORTFOLIO				
	actual **31.3.21**	actual **31.3.21**	current **31.12.21**	current **31.12.21**
Treasury investments	**£000**	**%**	**£000**	**%**
banks	47,175	76%	61,110	71%
building societies – unrated	2,000	3%	4,000	5%
building societies – rated	0	0%	0	0%
local authorities	2,000	3%	3,000	4%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	4,000	7%	10,450	12%
certificates of deposit	0	0%	0	0%
Total managed in house	**55,175**	**89%**	**78,560**	**92%**
diversified funds	2,000	3%	2,000	2%
property funds	5,000	8%	5,000	6%
Total treasury investments	**62,175**	**100%**	**85,560**	**100%**
Treasury external borrowing				
local authorities	0	0%	0	0%
PWLB	44,320	100%	44,320	100%
LOBOs	0	0%	0	0%
Total external borrowing	**44,320**	**100%**	**44,320**	**100%**
Net treasury investments / (borrowing)	**17,855**	**0**	**41,240**	**0**

The investments held at 31st December 2021 are shown in Appendix 3.

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

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt at 1 April (HRA)	**44.32**	**44.32**	**36.21**	**39.84**	**47.27**
Expected change in Debt	0.00	0	3.1	7.1	1.3
Re-payments (HRA debt)	0.00	(8.86)	0.00	0.00	0.00
Other long-term liabilities (OLTL)	0.00	0.75	0.53	0.33	0.25
Actual gross debt at 31 March	**44.32**	**36.21**	**39.84**	**47.27**	**48.82**
Capital Financing requirement – HRA	52.97	49.35	54.48	61.85	60.01
Capital Financing requirement - GF	(4.22)	(4.44)	(3.65)	(3.74)	(3.83)
The Capital Financing Requirement	**48.75**	**44.91**	**50.82**	**58.11**	**57.18**
Under / (over) borrowing	4.43	8.70	10.98	10.84	8.36

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council's only external borrowing relates to the HRA Self-Financing settlement (initially £70.9m on 28/3/2012 now £44.32m but to reduce to £35.46 on 28/3/2022). Prior to this borrowing being undertaken, the Council had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result, Arun's gross debt is not expected to exceed its CFR.

The Interim Group Head of Corporate Support reports that the Council complied with the prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 **The Operational Boundary.**

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

The Council is requested to approve an operational boundary of £53M in Appendix 1 (2022/23).

3.2.2 **The Authorised Limit for external debt.**

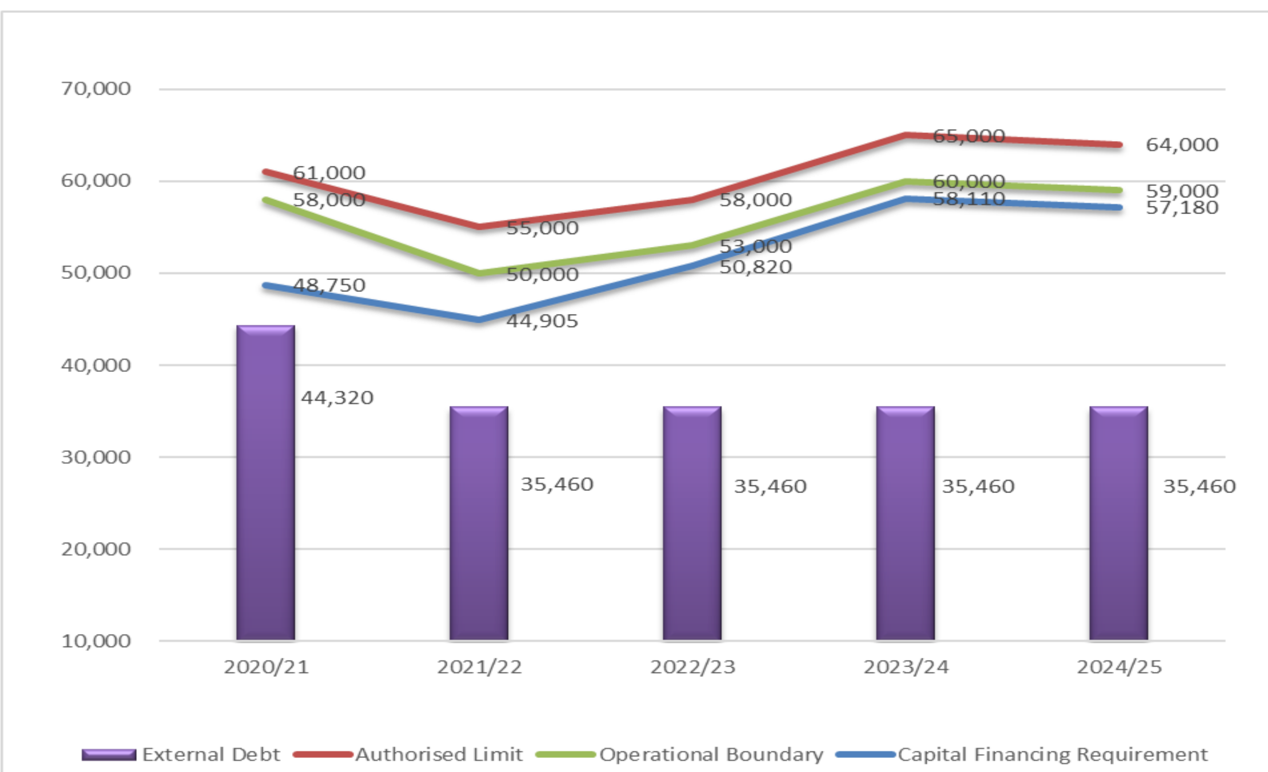
This is a key prudential indicator represents a control on the maximum level of borrowing.

This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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

ii. The Council is asked to approve an Authorised Limit of £58M appendix 1 (2022/23).

3.2.3 The chart below shows the Councils projection of CFR and borrowing.



The bars in the chart above show the actual external debt (£44M-35M) and does not include any potential future borrowing. The Authorised limit and operational boundary factor in up to £23m potential borrowing (in 2022/23) which allows for expenditure on sheltered accommodation, new acquisitions, garages and works to the Arun Leisure Centre. The debt repayment on 28 March 2022 is shown in 2021/22 (reducing the borrowing from £44M to £35M at this date).

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. A further rise to 0.50% took place on 3rd February 2022.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%. Link Group will update this forecast in light of the February rate rise.

Forecasts for Bank Rate (Link Group on 20th December 2021)
It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC’s 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

A new era for local authority investing
– a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)

- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** Link Group's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk

3.4 Borrowing Strategy

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

The Council has a significant capital programme including HRA acquisition/new build. The level of expenditure within the HRA will almost certainly require additional borrowing which will be reflected in the HRA 30 year financial model which will form an integral part of the Business Plan. The HRA business plan will include a programme of new build/stock acquisition, in addition to ongoing maintenance and decent homes programme.

The source of any new borrowing has not been identified at the time of writing, but this would need to be dependent on a viable business case which fully justifies the investment.

The Council's borrowing strategy will give consideration to new borrowing in the following order or priority;

- Internal borrowing;

  By running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing, however, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years;

- External borrowing;

  - the PWLB Certainty Rate is available to the Council at 0.2% below the normal terms (the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing) or;

  - local authorities and the Local Government Association Municipal Bonds Agency who may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

- Following the decision by the PWLB to reduce its rates to gilts + 80 basis points, its rates are now competitive. However, consideration will also need to be given to sourcing funding at cheaper rates from the following:

On Balance Sheet	Fixed	Variable
Banks	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local Bonds	●	
Negotiable Bonds	●	●

Some options have been added for the 2022-23 strategy to ensure the best funding option can be selected should the Council require external borrowing.

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

There may be an occasional need to borrow for liquidity purposes especially as the Council no longer has an overdraft facility. The facility was removed as banking costs made it very expensive and rather than incurring any costs for the facility, the treasury team now maintain an approximate £200k balance in the account daily. Since the coronavirus outbreak, this balance has not been earning any interest but is now achieving the base rate less 10bp (0.15% prior to the rate hike in February).

3.4.2 **Maturity structure of borrowing**

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the treasury indicators and limits in Appendix 1 also shown below:

Maturity structure of fixed interest rate borrowing 2022/23			
	Actual at 31/3/22	**Lower**	**Upper**
Under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	25%	0%	60%
10 years and above	75%	0%	100%

The Council currently has no variable rate borrowing.

3.5 Policy of 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.

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.

3.6 Debt Rescheduling

The only loans that the Council currently hold are those taken to fund the housing reform payment.

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

If rescheduling was done, it will be reported to Full Council at the earliest meeting following its action.

4 Annual Investment Policy and Strategy

4.1 Investment Policy – Management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

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

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, where the rates are exceptionally low and, in some cases, negative, it is considered appropriate to keep investments short to cover cash flow needs, which are not always clear with the current pandemic. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in longer periods with high credit rated financial institutions, as well as wider range fund options.

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

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

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

3. **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.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 6 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments;** (these are considered low risk assets where the possibility of loss of principal or investment income is small) are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

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

5. **Lending limits**, (amounts and maturity), for each counterparty category will be set. (Appendix 6).

6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (Appendix 1).

7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (Appendix 8).

8. The Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given

the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

9. All investments will be denominated in **sterling**.

10. The Council may invest in investments that are termed **“alternative investments”.** These include, but are not limited to, things such as renewable energy bonds (Solar farms). These are asset backed bonds, offering good returns, and will enable the Council to enter new markets, thus furthering the diversification of our investment portfolio with secured investments and enhancing yield. Any investments entered into of this type will be subject to a full due diligence review prior to investment. (Category 8, Appendix 6)

11. The Council may invest in **Open Ended Investment Companies (OEICs)** such as diversified funds (currently the CCLA property fund and diversified fund) subject to some form of due diligence. These funds diversify the risk and offer enhanced returns (Category 11 & 12, Appendix 6)

12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Department of Levelling Up, Housing and Communities, (DLUHC) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

The Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

The Council does not strictly adhere to the advisor’s suggested lending list and durations, but does take account of the advice offered before making any investment decisions. The Council will take advantage of any attractive rates available from counterparties of high creditworthiness for longer periods while interest rates remain extremely low. Rates are set to stay low till at least March 2025, increasing only to 1.25%

4.2 Creditworthiness policy

The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

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

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

The Council achieves a high credit quality by using a minimum rating criteria (where rated). It does not use the approach suggested by CIPFA of using the lowest common denominator method of selecting counterparties as some rating agencies are more aggressive in giving low ratings than others. The Council applies a majority rule where a counterparty would be removed immediately from the lending list if 2 or more rating agencies downgrade the counterparty below the minimum criteria. The Council's minimum criteria can be seen in Appendix 7.

Additional requirements under the Code require the Council to supplement credit rating information, which the Council achieves using 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 & Poor's.

The credit ratings of counterparties are supplemented with the following overlays:

- 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.

All credit ratings are monitored weekly and 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, as well as information on any external support for banks to help support its decision-making process.

The current list of approved counterparties is included in Appendix 7. Lloyds being the incumbent bank, has no limit however the Council will only invest up to £11M in term deposits with them.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

Non-specified treasury management investment limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being £24M (22/23) of the total treasury management investment portfolio.

Country limits. The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as per the creditworthiness policy. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 7. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

The exception to this policy is the UK, which is currently rated AA- by 2 of the rating agencies. If the UK's credit rating should fall below the minimum criteria set above, investment will continue to be made in UK financial institutions if after careful consideration it is deemed appropriate to do so.

No more than 25% will be placed with any individual non-UK country or 50% total non-UK at any time.

Sector limits. The Council does not currently use sector limits e.g. banks v. building societies due to the limited number of quality counterparties available. The Council has a limit of between £4M and £12M (see Appendix 6 and 7 for investment categories) which can be invested with a single counterparty (or group) depending on the credit quality of the counterparty.

Every effort will be made to spread the maturity profile of investments to compensate for the lack of sector or country spreads (due to limited counterparties).

4.4 Investment Strategy

The Council does not utilise external fund managers, but reserves the option to do so in the future should this be deemed to be appropriate, although it does invest in pooled funds. Should consideration be given to exercising the option of external fund managers in the future, the relevant Committee will be advised of the reason for doing so.

The Council's funds are therefore all managed in-house although £7m is invested in pooled funds - £5m in a property fund and £2m in a diversified fund run by CCLA (Churches, Charities and Local Authorities).
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months).
Greater returns are usually obtainable by investing for longer periods. Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

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

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

The average level of funds available for investment purposes is currently £77M (as at 31 December 2021). These funds are partially cash-flow derived and there is a core balance of approximately £50M which is available for investments over a year (maximum 5 years or 25 years for property funds). The core balance is comprised of funds that are available due to a number of factors including the setting aside of funds to repay the HRA loans (£1.36M from 22-23 - previously £3.5M) for when they become repayable, the Earmarked Reserves, Capital Receipt, General Fund and HRA balances which were £29.16, £1.93m, £10.08m and £8.83m at 31 March 2021 respectively.

The Council has the following spanning the financial year and there are no forward commitments (deals) for the financial year 2022/23;

- £5m invested in the CCLA property fund
- £2m invested in the CCLA diversified fund

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its call accounts notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest.

The Council's budgeted rate of return for 2022/23 is 0.84% based on 0.48% of funds that are already invested; 3.9% for the property fund (£5M), 2.9% for the diversified fund (£2m), 0.34% for the remaining core balances; and 0.18% for short term cash flow derived balances. The total investment income budget for 2022/23 is £370k (compared to £332k in 2021/22) which highlights a slight expected improvement in the rates contributing to the returns.

The Council currently uses three types of Pooled Funds; property Funds, diversified funds and MMFs. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns particulary in the case of the property and diversified funds.

MMFs are used for short term daily surpluses of cash as they provide instant liquidity with high quality counterparties, but due to the pandemic, like other institutions, the rates are extremely low (0.06% - 0.13%).

The MMFs are “triple A” rated, liquid, and are currently all LVNAV (Low Volatility net asset value). This is a change from the previous constant net asset value (CNAV) as a result of the MMF reform where typically for every pound of principal invested you got a pound back. It is not guaranteed, but LVNAV offers better protection than using the VNAV (Variable net asset value) MMFs.

LVNAV MMFs are permitted to maintain a constant dealing NAV provided that certain criteria are met, including that the market NAV of the fund does not deviate from the dealing NAV by more than 20 basis points.

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 limits in appendix 1 (shown below- top line):

Upper limit for principal sums invested for longer than 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	£24m	£22m	£18m
Current investments as at 31/12/21 in excess of 1 year	£7m	£7m	£7m

4.5 Changes from last year

This report includes additions to the counterparty lending list (appendix 7) in the way of JP Morgan Chase Bank and National Australia Bank. They both adhere to the minimum credit criteria in category 1 and have been added for diversification/to offer further options in this low interest rate environment.

Also 3.4.1 – further borrowing options have been added to ensure the best funding source can be selected should the Council require external borrowing.

4.6 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of O/N SONIA (Sterling Overnight Index Average) compounded rate. The Council previously used the 7 day LIBID rate, but this ceased at the end of 2021.

The SONIA is a risk-free rate for sterling markets administered by the Bank of England. It is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and institutional investors.

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change.

The Council has also subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

4.7 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.

4.8 Scheme of delegation

Please see Appendix 9.

4.9 Role of the section 151 officer

Please see Appendix 10.

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Prudential and treasury indicators

APPENDIX 1

1. PRUDENTIAL INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
Extract from budget and rent setting report	**Actual**	**Probable outturn**	**Original**	**Original**	**Original**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Expenditure					
Non – HRA	2,930	3,851	3,939	2,446	2,142
HRA	6,472	8,488	8,351	6,560	6,774
TOTAL	**9,402**	**12,339**	**12,290**	**9,006**	**8,916**
Ratio of financing costs to net revenue stream					
Non – HRA	(1.96)%	(1.90)%	(1.88)%	(2.05)%	(2.05)%
HRA	31.84%	32.32%	*15.58%	16.32%	15.72%
Capital Financing Requirement as at 31 March					
Non – HRA	(4,223)	(4,442)	(3,655)	(3,742)	(3,830)
HRA	52,973	49,347	54,475	61,852	61,010
TOTAL	**48,750**	**44,905**	**50,820**	**58,110**	**57,180**
Annual change in Cap. Financing Requirement					
Non – HRA	(214)	(219)	787	(87)	(88)
HRA	*608	(3,626)	5,128	7,377	(842)
TOTAL	**394**	**(3,845)**	**5,915**	**7,289**	**(930)**

* Reduced VRP for HRA debt

2. TREASURY MANAGEMENT INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	60,000	54,000	53,000	60,000	59,000
Other long term liabilities	1,000	1,000	5,000	5,000	5,000
TOTAL	**61,000**	**55,000**	**58,000**	**65,000**	**64,000**
Operational Boundary for external debt					
Borrowing	57,000	49,000	48,000	55,000	54,000
other long term liabilities	1,000	1,000	5,000	5,000	5,000
TOTAL	**58,000**	**50,000**	**53,000**	**60,000**	**59,000**
Actual external debt	44,320	35,460	35,460	35,460	35,460
Upper limit for total principal sums invested for over 365 days (£m)	**18,000**	**18,000**	**24,000**	**22,000**	**18,000**

2022/23 potentially up to £7m of borrowing for garages and sheltered accommodation. (Plus £1m internal borrowing for Arun Leisure centre works)

2023/24 potentially up to £9m of borrowing for garages, Sheltered accommodation and new HRA acquisitions.

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 31/3/22	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	25%	0%	60%
10 years and above	75%	0%	100%

APPENDIX 2

Minimum Revenue Provision Policy

1. Introduction

1.1 DLUHC Guidance on Minimum Revenue Provision (fourth edition -issued in 2018) is currently out for consultation. It places a duty on local authorities to make a prudent provision for debt redemption. Where the Council finances capital expenditure by debt it must set aside resources to repay that debt in later years. The amount charged to revenue for the repayment of this debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council taxpayers.

1.2. From 2007/08 onwards there has been no statutory minimum and the requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which local authorities are required to ‘have regard to’ when setting a prudent level of MRP. The guidance gives local authorities more freedom to determine what would be a prudent level of MRP.

1.3. The DLUHC guidance requires the authority to approve an annual MRP statement, and recommends 4 options for calculating a prudent amount of MRP, for approval by Full Council in advance of the year to which it applies. Any subsequent revisions to that policy should also be approved by Full Council.

2. Details of DLUHC Guidance on MRP

2.1. The statutory guidance issued by DLUHC sets out the broad aims of a prudent MRP Policy as being “to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant.” It then identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.

2.2. The four MRP options available are:

- **Option 1**: Regulatory Method - is the previous statutory method, which is calculated as 4% of the Council’s General Fund Capital Financing Requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.

- **Option 2**: CFR Method - Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DLUHC to provide a simpler calculation for those councils for whom it would have a minimal impact, but the draft guidance does not expect it to be used by councils for whom it would significantly increase MRP.

- **Option 3**: Asset Life Method – MRP is charged over the expected useful life of the asset either in equal instalments or using an annuity method whereby the MRP increases in later years.

- **Option 4**: Depreciation Method - MRP is charged over the expected life of the asset in accordance with depreciation accounting. This would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year.

  The guidance clearly states this does not preclude other prudent methods to provide for the repayment of debt principal.

2.3 Under the statutory guidance, it is recommended that local authorities use Options 3 or 4 for all prudential borrowing and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.

2.4. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also mentions that Option 3 could be used for this type of debt.

2.5 The guidance also allows authorities to take an MRP Holiday where assets do not become operational for perhaps 2 or 3 years or longer. It proposes that MRP would not be charged until the year following the one in which the asset became operational.

3. Details of Statute - Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

3.1 In deciding on the appropriate level of MRP to charge and the most appropriate method of financing the capital programme, the Council needs to have regard to the wider legislation regarding the use of capital receipts.

3.2 Statute gives local authorities the option to apply capital receipts to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.

3.3 Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years.

4. MRP Policy

It is recommended the Council adopt the following MRP policy:

- MRP will be charged utilising **option 3** for assets which have been funded from prudential borrowing.
- MRP will only be charged in the year following the asset becoming operational.
- If capital receipts are utilised to repay debt in year, the value of MRP chargeable will be reduced by the value of the receipts utilised.
- Whether an annuity or equal instalment method is adopted for option 3 will be dependent on the most financially beneficial method as determined by the Chief Financial Officer
- For PFI and Finance lease liabilities an MRP charge will be made to match the value of any liabilities that have not been funded from capital receipts.
- The Chief Finance Officer will determine annually the most prudent use of Capital Receipts, taking into account forecasts for future expenditure and the generation of further receipts.
- There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments relating to debt inherited due to HRA self-financing settlement and provision has been made within the business plan to show that it can pay down the remaining debt over the life of the business plan.
- Any major revisions to this policy will be presented to Full Council for approval.

INVESTMENTS at 31st December 2021

Appendix 3

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	777	Goldman Sachs	15/01/2021	14/01/2022	£1,000,000.00	0.085
Fixed Term Deposit	783	Qatar National Bank	01/04/2021	01/04/2022	£1,000,000.00	0.535
Fixed Term Deposit	784	Qatar National Bank	06/04/2021	07/03/2022	£3,000,000.00	0.505
Fixed Term Deposit	786	Goldman Sachs	07/04/2021	07/01/2022	£1,000,000.00	0.31
Fixed Term Deposit	787	Qatar National Bank	26/04/2021	21/03/2022	£2,000,000.00	0.505
Fixed Term Deposit	789	Qatar National Bank	04/05/2021	21/03/2022	£1,000,000.00	0.485
Fixed Term Deposit	791	Goldman Sachs	21/05/2021	23/05/2022	£7,000,000.00	0.325
Fixed Term Deposit	792	Qatar National Bank	07/06/2021	06/06/2022	£1,000,000.00	0.56
Fixed Term Deposit	796	Thurrock Council	15/06/2021	15/02/2022	£3,000,000.00	0.12
Fixed Term Deposit	797	Close Brothers	10/08/2021	10/08/2022	£1,000,000.00	0.45
Fixed Term Deposit	799	Close Brothers	03/09/2021	05/09/2022	£3,000,000.00	0.45
Fixed Term Deposit	801	Standard Chartered Bank	07/07/2021	21/03/2022	£1,000,000.00	0.15
Fixed Term Deposit	802	Qatar National Bank	03/08/2021	02/08/2022	£1,000,000.00	0.585
Fixed Term Deposit	803	NatWest Bank	16/07/2021	16/03/2022	£2,000,000.00	0.09
Fixed Term Deposit	804	Standard Chartered Bank	24/08/2021	28/03/2022	£2,000,000.00	0.12
Fixed Term Deposit	805	Close Brothers	26/10/2021	21/03/2022	£2,000,000.00	0.20
Fixed Term Deposit	806	Close Brothers	09/11/2021	21/03/2022	£2,000,000.00	0.20
Fixed Term Deposit	807	Yorkshire Building Society	20/10/2021	20/10/2022	£4,000,000.00	0.56
Fixed Term Deposit	808	Standard Chartered Bank	28/10/2021	08/04/2022	£4,000,000.00	0.30
Fixed Term Deposit	809	Standard Chartered Bank	03/11/2021	06/04/2022	£2,000,000.00	0.35
Fixed Term Deposit	810	DBS	10/11/2021	06/04/2022	£4,000,000.00	0.20
Fixed Term Deposit	811	Goldman Sachs	22/11/2021	22/11/2022	£2,000,000.00	0.825
Fixed Term Deposit	812	DBS	25/11/2021	07/02/2022	£3,000,000.00	0.12
Fixed Term Deposit	814	DBS	07/12/2021	07/02/2022	£2,000,000.00	0.11
Fixed Term Deposit	815	Standard Chartered Bank	23/12/2021	31/03/2022	£1,000,000.00	0.20
Call Account	44447	Lloyds			£1,110,000.00	0.01
Callable deposit	44443	Santander 95DN			£11,000,000.00	0.40
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*3.46
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*2.39
Money Market Fund	99999	Fidelity			£2,550,000.00	0.06
Money Market Fund	120000	Aberdeen Standard			£3,900,000.00	0.06
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£4,000,000.00	0.132
					£85,560,000.00	

* rates at December

Interest Rate Forecast 2021- 2025

APPENDIX 4

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

APPENDIX 5

5.3 ECONOMIC BACKGROUND (Link Group)

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.

- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
  See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

	specified	non-specified	Minimum Credit Criteria Fitch (and equivalent) / Minimum Criteria	Maximum Investment per Institution	Max. maturity period
Term deposits – Local Authorities **(category 1)**	✓	✓	--	£12M	5 years
Term deposits – banks and building societies **(category 1)**	✓	✓	Short-term F1+ Long-term AA-	£12M	5 years
Term deposits – banks and building societies **(category 2)**	✓	✓	Short-term F1 Long-term A+	£11M	3 years
Term deposits – banks and building societies **(category 3)**	✓	✓	Short-term F1 Long-term A-	£8M	2 years
Term deposits – building societies **(Category 4)**	✓	✓	Assets in Excess of £10 billion	£4M	1 year
Council's bank (for term deposits use appropriate category 1 to 3) **(category 5)**	✓	✓	n/a	No limit *Although category limit for term deposits*	As category 1 to 3
Term deposits – UK part nationalised banks **(category 6)**	✓	✓	Short-term F3 Long term BBB-	£11M	3 years
Callable deposits	✓	✓	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6
Forward deposits	✓	✓	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6	As category 1,2,3,4,5 and 6
Alternative Investments – Asset Backed Bonds **(Category 8)**		✓	--	£4M	25 years
Debt Management Agency Deposit Facility **(category 9)**	✓	✓	--	No limit	Liquid

Bonds Issued by multilateral development banks **(category 10)**		✓	Long term AAA	£4M	5 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV, LVNAV & VNAV) Government Liquidity Fund **(Category 7)**	✓		AAA	£4M	liquid
Property funds **(Category 11)**		✓		£6M	25 years
Multi-Asset Funds **(Category 12 –** diversified funds**)**		✓	--	£6M	10 - 15 years

Part nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high creditworthiness. In particular, as they are no longer separate institutions in their own right, however, these institutions have effectively taken on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. It is therefore proposed to continue to keep the category of UK part nationalised banks for both specified and unspecified investments (category 6).

There are currently no counterparties within this section. National Westminster Bank and the Royal Bank of Scotland are part nationalised but their ratings adhere to category 2.

APPENDIX 7

LIST OF AUTHORISED COUNTERPARTIES

Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**AA-**	**F1+**
	Moody	**Aa3**	**P-1**
	S&P	**AA-**	**A-1+**

All Local Authorities

Bank of Nova Scotia (CAN)
DBS Bank Ltd (SING)
National Australia Bank
Oversea-Chinese Banking Corp Ltd (SING)
Handelsbanken Plc (UK)
JP Morgan Chase
United Overseas Bank Ltd (SING)
First Abu Dhabi Bank (U.A.E)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		Long Term	Short Term
Min Criteria			
	Fitch	**A+**	**F1**
	Moody	**A1**	**P-2**
	S&P	**A+**	**A-1**

Barclays Bank plc (RFB & NRFB) (UK)
Bank of Scotland PLC (RFB) (Lloyds Banking Group)
Goldman Sachs International Bank (UK)
HSBC Bank plc (UK)
Standard Charted Bank (UK)
Qatar National Bank (Qatar)
National Westminster Bank PLC (RFB) (UK)
Royal Bank of Scotland PLC (RFB) (UK)
Santander (UK)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**A-**	**F1**
	Moody	**A3**	**P-2**
	S&P	**A-**	**A-1**

Nationwide Building Society (UK)
Close Brothers (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
Leeds Building Society (UK)
Principality Building Society (UK)
Skipton Building Society (UK)
Yorkshire Building Society (UK)

Category 5 - Council's Bank
NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB) (Cat 2)
Lloyds Bank Corporate Markets Plc (NRFB) (Cat 2)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years
banks effectively nationalised by UK government

		Long Term	Short Term
Min Criteria	**Fitch**	**BBB-**	**F3**
	Moody	**Baa3**	**P-3**
	S&P	**BBB-**	**A-3**

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

- Money Market Funds (MMF's), (CNAV, LVNAV, VNAV) & Enhanced MMF's
- Government Liquidity Funds

Limit of £4million for each institution

	Fitch	NAV
Aberdeen Standard (GBP)	AAA	LVNAV
CCLA Public sector deposit fund (PSDF)	AAA	LVNAV
Deutsche Banking Group	AAA	LVNAV
Federated Investors Ltd	AAA	LVNAV
Fidelity (GBP)	AAA	LVNAV
Northern Trust	AAA	

Category 8 - Alternative Investments (Asset Backed Bonds) - 25 Years
Maximum investment £4 million

Category 9 - Debt Management Office
Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years
Maximum investment £4 million AAA

Category 11 – Property Funds - 25 Years
Maximum investment £6 million

CCLA

Category 12 - Multi-Asset Funds - 15 Years
Maximum investment £6 million

CCLA - Diversified Income Fund

Appendix 8

Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest of 2 or more rating agencies) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on a majority rule of available ratings.

AAA

- Australia
- Canada (Fitch AA+)
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A. (S&P AA+)

AA+

- Finland

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium (S&P AA)
- Hong Kong
- Qatar
- **U.K.** (S&P AA)

APPENDIX 9

Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing monitoring and outturn reports on treasury management.
- approval of annual Treasury Management Strategy Statement and Annual Investment Strategy
- approval of MRP Statement

(ii) Policy and Finance Committee

- approval of amendments to the annual treasury management strategy once approved by Full Council between its review in consultation with the Interim Group Head of Corporate Support.
- budget consideration and approval
- approval of the division of responsibilities;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee (responsibility for scrutiny)

- reviewing the treasury management policy and procedures and making recommendations to Full Council (the responsible body).
- Scrutiny of annual strategy prior to adoption by Full Council
- Scrutiny of monitoring and outturn reports
- receiving and reviewing reports on treasury management policies, practices and activities

APPENDIX 10

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.