



# Public Document Pack

Arun District Council  
Civic Centre  
Maltravers Road  
Littlehampton  
West Sussex  
BN17 5LF

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Tel: (01903 737500)  
Fax: (01903) 730442  
DX: 57406 Littlehampton  
Minicom: 01903 732765

e-mail: [committees@arun.gov.uk](mailto:committees@arun.gov.uk)

5 September 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 14 September 2022 at 6.00 pm** in the **Council Chamber, at the Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** to transact the business set out below:

A handwritten signature in black ink, appearing to read "James Hassett", is written in a cursive style.

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.
2. 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](mailto:Committees@arun.gov.uk) by 5.15 pm on **Tuesday, 6 September 2022** in line with current Council Meeting Procedure Rules.

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](mailto: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

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

### 4. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

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 (Pages 1 - 8)

To approve as a correct record the Minutes of the Meeting of the Council held on 13 July 2022, which are *attached*.

### 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. **REPORT FROM THE RETURNING OFFICER OF THE PERSON ELECTED AS DISTRICT COUNCILLOR FOR ARUN DISTRICT COUNCIL ON 8 SEPTEMBER 2022**

The Returning Officer will report to the Council on the result of the District Council By-Election held on 8 September 2022. An information report will be circulated separately.

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

10. **AUDIT & GOVERNANCE COMMITTEE - 28 JULY 2022** (Pages 9 - 52)

The Chair, Councillor Clayden, will present the Minutes containing recommendations from the meeting of the Audit & Governance Committee held on 28 July 2022.

There are recommendations for Council to consider at:

- Minute 210 [Treasury Management Annual Report 2021/22] – the Officer's report is attached.
- Minute 214 [Chair's Annual Report to Full Council 2021/22] – the report is attached.

11. **POLICY & FINANCE COMMITTEE - 6 SEPTEMBER 2022** (Pages 53 - 74)

The Chair, Councillor Gunner, will present the Minutes containing recommendations from the meeting of the Policy & Finance Committee held on 6 September 2022.

Please note that the minutes containing recommendations for the Council to consider will be circulated separately to this agenda.

There will be recommendations for Council to consider at:

- [Strategic Options for the Regeneration of The Regis Centre, Bognor Regis Using Levelling Up Grant Funding – Exempt Item] – the Officer's report is attached – this is a confidential report by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
- [Environment Committee – 14 July 2022 and Financial Report] – the Officer's report is attached.

12. **MOTIONS**

The following Motion has been submitted in accordance with Council Procedure Rule 15.1 and 15.2.

Proposer – Councillor Gregory  
Seconder – Councillor Bennett

**This Council resolves:** To declare a “Cost of Living Emergency”

As part of this, the Council calls on the Government to:

- Immediately reduce the standard rate of VAT from 20% to 17.5% for one year, saving the average Arun household £600 this year
- Immediately scrap the 5% VAT levied on domestic energy bills
- Immediately cut the National Insurance Tax hike which is costing £117.10 to local families.
- Immediately use revenue from the windfall tax to help Arun families with their energy bills.

Council requests the Chief Executive to write to the Government to express the Council's demands for VAT to be cut to 17.5% and to scrap the 5% VAT levied on domestic energy bills.

Further, Council requests:

- ADC Officers to start working with a clear goal of a Council Tax Freeze for next year.
- An internal review into any additional help it can offer Arun families struggling with the Cost-of-Living Emergency.
- A section added to the website dedicated to highlight help available to those struggling with Cost of Living that is clear and easy to navigate. To include information on different organisations, local and national, for example Community Fridge, Food Banks, grants for boilers, solar panels.

13. QUESTIONS FROM MEMBERS

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

14. COMMITTEE MEMBERSHIPS

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

15. 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 \(arun.gov.uk\)](#).

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# Public Document Pack Agenda Item 6

Subject to approval at the next Full Council meeting

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**MINUTES  
OF A  
MEETING OF THE ARUN DISTRICT COUNCIL  
HELD IN THE ARUN CIVIC CENTRE  
On 13 JULY 2022 AT 6.00 PM**

Present: Councillors Staniforth (Chair), Mrs Cooper (Vice-Chair), Bennett, Bicknell, Blanchard-Cooper, Bower, Brooks, Buckland, Chapman, Chace, Clayden, Cooper, Coster, Daniells, Dendle, Dixon, Edwards, Elkins, Mrs English, English, Goodheart, Gregory, Gunner, Mrs Haywood, Hughes, Huntley, Kelly, Lury, Madeley, Needs, Northeast, Oliver-Redgate, Roberts, Seex, Mrs Stainton, Thurston, Dr Walsh, Worne and Yeates.

The following Members were absent from the meeting during consideration of the matters referred to in the Minutes indicated:-  
Councillors Bicknell, Madeley and Stainton - Minute 116 to Minute 117 (Part) and Councillors Brooks, Madeley, Stainton, Thurston and Worne – Minute 130 to 134.

116. WELCOME

The Chair welcomed Councillors, representatives of the public, press and officers to the meeting.

117. COUNCILLOR JOHN CHARLES AND FORMER COUNCILLOR ALAN BROWNLOW

The Chair stated that sadly she had to commence her first Full Council meeting by announcing the death of Councillor John Charles who had passed away on 3 July 2022 following a period of illness.

Councillor Charles had become a Councillor in 2011 and during his time at Arun had been Cabinet Member for Planning and had sat on many different Committees. The Chair outlined that he would be truly missed and she passed on the Council's condolences to Councillor Charles' family and friends at this time.

Various Councillors had indicated to the Chair that they wished to have the opportunity to pay tribute to Councillor Charles. Tributes were then made by Councillor Gunner, as Leader of the Council, Councillor Walsh, as Leader of the Liberal Democrat Group and from Councillor Edwards.

The Chair then announced the sad death of former Councillor Alan Brownlow who had also been Leader of the Council from 1992 to 1995 and had passed away on 21 May 2022. Various Councillors had indicated to the Chair that they wished to have the opportunity to pay tribute to former Councillor Brownlow. Tributes were then made by Councillor Bower and Councillor Walsh.

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The Council then undertook a minute's silence in the memory of Councillor Charles and former Councillor Brownlow.

118. APOLOGIES FOR ABSENCE

Apologies for Absence had been received from Councillors Batley, Caffyn, Catterson, Hamilton, Oppler, Pendleton, Purchase, Rhodes, Stanley and Warr and from Honorary Aldermen, Mrs Stinchcombe and Mr Dingemans.

119. DECLARATIONS OF INTEREST

The Declaration of Interest Sheet set out below confirms those Members who had made a declaration of their personal interest as a Member of a Town or Parish Councillor or a West Sussex County Councillor, as confirmed in their Register of Interest as these declarations could apply to any of the issues to be discussed at the meeting.

Councillor Bennett declared a Personal Interest in Agenda Item 13 [Policy & Finance Committee – 30 June 2022 in relation to Minute 109 – Supplementary Estimate to Defend Planning Appeals at Chandlers, Angmering (A/1101/21/PL), Rustington Golf Centre (A/129/21/PL), Worthing Road (A/168/21/PL) and Pagham Road (P/178/21/OUT) Including the cover of the Coasts award at Shripney Road (BE/109/19/OUT) and the Costs Associated with Further Technical Work the Planning Committee has Requested on the Fitzalan Acoustic Barrier. This was in his capacity as Chair of Rustington Parish Council's Planning Committee which had objected to one of the applications being appealed.

Personal Declarations of Interest on the same Agenda Item and minute were then made by:

- Councillors Cooper as a Member of Rustington Parish Council
- Councillor Mrs Cooper as a Member of Rustington Parish Council and Member of its Planning Committee.
- Councillor Elkins as he had attended the appeal hearing regarding East Preston.

<b>Name</b>	<b>Town or Parish Council or West Sussex County Council [WSSC]</b>
Councillor Tracy Baker	Littlehampton
Councillor Kenton Batley	Bognor Regis
Councillor Jamie Bennett	Rustington
Councillor Paul Bicknell	Angmering
Councillor Billy Blanchard-Cooper	Littlehampton
Councillor Jim Brooks	Bognor Regis
Councillor Ian Buckland	Littlehampton and WSSC
Councillor David Chace	Littlehampton
Councillor Mike Clayden	Rustington



Councillor Andy Cooper	Rustington
Councillor Alison Cooper	Rustington
Councillor Sandra Daniells	Bognor Regis
Councillor David Edwards	WSCC
Councillor Roger Elkins	Ferring and WSCC
Councillor Paul English	Felpham
Councillor Steve Goodheart	Bognor Regis
Councillor Pauline Gregory	Rustington
Councillor June Hamilton	Pagham
Councillor Shirley Haywood	Middleton-on-Sea
Councillor David Huntley	Pagham
Councillor Henry Jones	Bognor Regis
Councillor Martin Lury	Bersted
Councillor Claire Needs	Bognor Regis
Councillor Mike Northeast	Littlehampton
Councillor Francis Oppler	WSCC
Councillor Jacky Pendleton	Middleton-on-Sea and WSCC
Councillor Vicky Rhodes	Littlehampton
Councillor Emily Seex	Littlehampton
Councillor Martin Smith	Aldwick
Councillor Samantha Staniforth	Bognor Regis
Councillor Matt Stanley	Bognor Regis
Councillor Isabel Thurston	Barnham & Eastergate
Councillor James Walsh	Littlehampton and WSCC
Councillor Jeanette Warr	Bognor Regis
Councillor Amanda Worne	Yapton
Councillor Gillian Yeates	Bersted

## 120. PUBLIC QUESTION TIME

The Chair confirmed that four public questions had been submitted, all of which were to be responded to by Councillor Chapman as Chair of the Planning Committee. These are very briefly summarised below:

- (1) From Mr Pivett in relation to the pursuit of enforcement action against Bellway Homes at Hook Lane, Pagham;
- (2) From Mrs Smith regarding the legal status of the access to the site known as 'Land West of Fontwell Avenue (AL/121/16/PL);
- (3) From Mrs Smith in relation to planning application AL/122/17/PL;
- (4) From Mrs Smith in relation to the adherence of conditions on planning applications AL/116/18/PL, AL/50/17/DOC and AL/21/21/NMA

Supplementary questions were asked and responded to at the meeting.

(A schedule of the full questions asked, and the responses provided can be found on the Public Question Web page at: <https://www.arun.gov.uk/public-question-time>)

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121. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

No questions were asked.

122. PETITIONS

There were no petitions presented to this meeting.

123. MINUTES

The Chair asked Members to approve as a correct record the Minutes from the meetings held below:

- Special Meeting of the Council on 3 March 2022
- Full Council on 11 May 2022
- Annual Council Meeting – 18 May 2022

The Chair then turned to the Minutes from the Special Meeting of the Council held on 3 March 2022 which were proposed by Councillor Gunner and seconded by Councillor Bower. The minutes were approved

The Chair then turned to the minutes from the meeting of the Council held on 11 May 2022. Having been proposed by Councillor Gunner and seconded by Councillor Edwards, these were approved.

Turning to the minutes from the Annual Meeting of the Council held on 18 May 2022, having been proposed by Councillor Gunner and seconded by Councillor Bower, they were approved.

124. CHAIR'S ANNOUNCEMENTS

The Chair outlined that it gave her the greatest of pleasure to be able to present to Councillor Brooks his Past Chairs' badge as it had not been possible to make this presentation at the Annual Meeting of the Council.

125. URGENT MATTERS

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

126. GENERAL QUESTIONS FROM MEMBERS [BY ADVANCE NOTICE]

The Chair referred Councillors to the Questions from Members that had been adjourned from the meeting of Full Council held on 11 May 2022, submitted in line with Council Procedure Rule 14.3.

Four questions had been submitted by Councillor Coster as bullet pointed below:

- (1) To the Chair of the Policy & Finance Committee, Councillor Gunner, regarding the meeting of the Housing & Wellbeing Committee held on 17 March 2022 and the increased budget for the proposed new integrated housing management system;
- (2) To the Chair of the Economy Committee, Councillor Cooper, regarding the meeting of the Economy Committee on 29 March 2022 and beach hut provision;
- (3) To the Chair of the Environment Committee, Councillor Edwards, regarding the Place St Maur project in Bognor Regis; and
- (4) To the Chair of the Environment Committee, Councillor Edwards and the Chair of the Planning Policy Committee, Councillor Bower, regarding Natural England's advice that new residential development must achieve 'nutrient neutrality'.

Supplementary questions and responses were asked and provided to all four questions asked.

A copy of the Member Question schedule would be uploaded to the Full Council web page following the meeting.

#### 127. COMMITTEE MEMBERSHIPS

The Chair confirmed that this was a standing item adjourned from the last meeting of Full Council held on 11 May 2022 but was repeated later as a standing item for this meeting and so would be considered at that point in the agenda.

#### 128. REPRESENTATION ON OUTSIDE BODIES

The Chair confirmed that this was a standing item adjourned from the last meeting of Full Council held on 11 May 2022 but was repeated later as a standing item for this meeting and so would be considered at that point in the agenda.

#### 129. PLANNING POLICY COMMITTEE - 7 JUNE 2022

The Chair of the Planning Policy Committee, Councillor Bower, presented and formally proposed a recommendation at Minute 52 [Arun Local Plan – Six Month Review] from the meeting of the Planning Policy Committee held on 7 June 2022.

The recommendation was seconded by Councillor Hughes.

Councillor Bower in presenting the recommendation to Councillors outlined that to approve that the local plan be resumed held considerable implications for the council and so this was why many Members had abstained from voting at the Planning Policy Committee on 7 June 2022. The major implications in resuming updating the local plan were explained. Councillor Bower confirmed that this would add 6,000 new homes to

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the council's housing target that was already a challenge. Also, there were some 6,000 planning permissions unimplemented in the district so in total somewhere in the region of about 12,000 additional homes was the figure to seriously look at. Councillor Bower outlined that since the meeting of the Planning Policy Committee on 7 June, future arrangements for dealing with local plans had become opaque due to national matters and so he would be voting against the recommendation in anticipation that the changes hoped for would come to fruition.

Debate on this recommendation saw similar views being expressed as a reason to not support the update of the local plan to be resumed. It was anticipated that the reforms to the planning process expected from central government would still be forthcoming and so it was too soon to make a decision to resume updating the local plan.

Other Councillors spoke in support of the recommendation siting that it was a dangerous move to assume that the wished for reforms would occur. Councillors needed to remember that the council was in presumption leading to developers making speculative planning applications on sites outside of the local plan, worsening an already bad situation in the district. This was seen as more of a risk to take with the council needing to take control in terms of where houses should be built. Further concerns surrounding infrastructure and sewage discharge were also highlighted coupled with the need for the council to continue with the already commenced work on evidence gathering and updating policies that would form an updated plan.

Following further debate, a recorded vote was requested on the voting of the recommendation.

Those voting for the recommendation were Councillors Bennett, Blanchard-Cooper, Brooks, Buckland, Gregory, Haywood, Lury, Needs, Thurston, Walsh, Worn and Yeates (12). Those voting against were Councillors Bicknell, Bower, Chace, Chapman, Clayden, Mrs Cooper, Cooper, Dendle, Edwards, Elkins, Mrs English, Gunner, Hughes, Kelly, Madeley, Oliver-Redgate, Roberts, Stainton, Staniforth [19]. Councillors Coster, Daniells, Dixon, English, Goodheart, Huntley and Northeast abstained from voting [7].

The Council

**RESOLVED**

Not to resume the Arun Local Plan update.

The Chair then called a fifteen minute adjournment.

130. POLICY & FINANCE COMMITTEE - 30 JUNE 2022

The Chair of the Policy & Finance Committee, Councillor Gunner, presented recommendations from the meeting of the Policy & Finance Committee held on 30 June 2022. It was explained that the minutes from this meeting had been circulated separately to the agenda having already been uploaded to the Council's web site and circulated to Members on 12 July 2022.

Councillor Gunner turned Members' attention to Minute 109 [Supplementary Estimate to Defend Planning Appeals at Chandlers, Angmering (A/110/21/PL, Rustington Golf Centre (A/129/21/PL), Worthing Road (A/168/21/PL) and Pagham Road (P/178/21/OUT). This will also cover the costs award at Shripney Road (BE/109/19/OUT). It will also cover costs associated with further technical work that Planning Committee has requested on the Fitzalan acoustic barrier. Councillor Gunner formally proposed the recommendation with it being seconded by Councillor Cooper.

A request was received from Councillor Bennett for the voting on the recommendation to be made in two parts, with the vote on including Rustington Golf Centre (A/129/21/PL) being taken separately.

Having completed this action,

The Council

RESOLVED

That a supplementary estimate of £100,000 is agreed in order to defend appeals taken on planning applications A/110/21/PL and A/168/21/PL, A/129/21 PL and P/178/21/OUT to cover the costs award in respect of BE/109/19/OUT and to carry out further work required on the Fitzalan Acoustic Barrier.

The Band D equivalent for a £100,000 supplementary estimate is £1.58.

Councillor Gunner then turned to two recommendations contained within Minute 110 [Combined Cleansing Services Contract Extensions – Financial Implications] which he duly proposed. The recommendations were then seconded by Councillor Cooper.

The Council

RESOLVED – That

(1) It approves a supplementary revenue budget of £180k in 2022/23 to fund the increase in cost of the contract indexation as agreed for year 6 of the current contract and 2 months of the new contract. This equates to a Band D equivalent tax of £2.86; and

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(2) It approves a further supplementary revenue budget of £109k (£655 full year effect) plus appropriate indexation in 2022/23 to fund the increased cost of continuing current weekly refuse collections in February and March 2023. The £109k for 2022/23 equates to a Band D Council Tax of £10.40

131. MOTIONS [30 MINUTES]

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

132. QUESTIONS FROM MEMBERS

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

133. COMMITTEE MEMBERSHIPS

The Leader of the Council, Councillor Gunner, confirmed the following changes to Committee Memberships which were noted:

- (1) That Councillor Warr would replace Councillor Tilbrook as a Member of the Planning Committee; and
- (2) That Councillor Chace would replace Councillor P English as a Member of the Beach Access Working Party.

134. REPRESENTATION ON OUTSIDE BODIES

The Chair confirmed that there were no changes to representation on Outside Bodies for the meeting to consider.

(The meeting concluded at 8.08 pm)

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Subject to approval at the next Audit & Governance Committee meeting

129

## AUDIT & GOVERNANCE COMMITTEE

28 July 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Chace, Oliver-Redgate and Gunner (Substitute for Staniforth)

### 199. WELCOME

After welcoming Members, Officers and guests to the meeting, the Chair noted thanks to Councillor Northeast, who had now left the Audit & Governance Committee, for his service to the Committee.

### 200. APOLOGIES

Apologies for absence had been received from Councillors Bennett, Brooks, Goodheart and Oppler and Staniforth.

### 201. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

### 202. MINUTES

The Minutes of the meeting held on 22 February 2022 were approved by the Committee. These would be signed at the end of the meeting.

### 203. ITEMS ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCE

The Chair confirmed that there were no urgent matters for this meeting.

### 204. PUBLIC QUESTION TIME

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

### 205. START TIMES

The Chair Proposed that start times for the Audit & Governance Committee meetings for 2022/23 be 10.00am. This was Seconded by Councillor Chapman.

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The Committee

RESOLVED

That its start times for meetings for 2022/23 be 10.00am.

206. ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2021

The Chair invited the Audit Manager, James Stuttaford, from Ernst & Young LLP (E&Y) to present the report. He explained that the Auditors Annual Report replaced the Annual Audit Letter. The report summarised the audit, and so there was not much to update the Committee on at this stage, as the Annual Audit Report had been provided on the same day as signing the Opinion. The report also provided a detail of Value for Money work that E&Y had completed, which did not identify any risk of significant weaknesses in the council's Value for Money arrangements for 2021. This document would be built upon and more detail would be provided in future years. The Audit Fees had been submitted to Public Sector Audit Appointments (PSAA) and would be confirmed in due course.

Members thanked E&Y for the thorough report. Attention was drawn to statements made under Value for Money from page 24-26, particularly 'We note that this level of borrowing has not increased during the Covid-19 period and the council have sufficient levels of cash to pay off the short term borrowing without the need to borrow further.' It was felt that this was a valuable statement for the financial sustainability of Arun.

There were no questions from Members.

The Committee agreed that they had received the Auditors Annual Report for the year ended 31 March 2021.

207. OUTLINE EXTERNAL AUDIT PLAN 2021/22

The Chair invited the Audit Manager, James Stuttaford, from E&Y to present the Outline Audit Plan for 2021/22 . He explained that an outline had been provided at this stage as they had not yet fully completed the planning work. The main audit visit would take place in a couple of months and was expected to be completed towards the end of the year. The plan outlined what they expected to be the significant risks. There was no significant change in the audit focus for 2021-22. The risks were shown on page 7 of the Outline Audit Plan, which included the fraud risks, Misstatements due to fraud or error; Risk of fraud in revenue recognition – capitalisation of revenue expenditure. The risks were Valuation of Land and Buildings; and Pension Liability Valuation. The one change from the prior year was the accounting for Covid-19 related government grants, which they no longer considered to be an inherent risk.



The Chair then invited Member questions. It was noted that under Auditor Responsibilities under the Code in Value for Money, E&Y were required to consider whether the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This was a wide topic, and it was asked how E&Y proposed to achieve this. The Audit Manager from E&Y explained that the Auditors Annual Report set out the process of how they had looked at the council as a whole. There were currently no specific risks identified with this, and they did not plan to drill down to any specific areas at this time.

The Committee noted the external audit, commencing in September 2022; and the remainder of the Outline Audit Plan.

208. RESPONSE TO ERNST & YOUNG ON ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained that on an annual basis, the council's external auditors requested assurance regarding governance arrangements from a number of Officers and also from the Chair of the Audit & Governance Committee. In previous years, this response had been provided earlier in the year and noted at the next meeting of the Committee. However, as the external audit had been delayed, the deadline for the response had allowed the draft, agreed by the Chair, to be presented to the Committee for approval before it was sent.

There were no questions from Members.

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

The Committee

RESOLVED

That they approved the response to be sent to the external auditors by the Chair.

209. ANNUAL GOVERNANCE STATEMENT 2021/22 AND CODE OF CORPORATE GOVERNANCE

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained the Annual Governance Statement was a mandatory document required to accompany the Annual Accounts, and the draft had been approved for signature by both the Chief Executive and Leader of the council. The

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document would be passed to the external auditors and published on the website with the draft Accounts and the final version would then be presented to the Committee when the audited Accounts were approved. The Annual Governance Statement was supported by some minor updates to the council's published Code of Corporate Governance, shown on pages 107-112.

Page 87 referenced the review of the Local Plan recommencing in 2022, which had been recommended by the Planning Policy Committee. However, at the Full Council meeting on 13 July 2022 it was resolved not to support this recommendation. The Internal Audit Manager therefore suggested that the wording of the document should be altered to remove both "subject to review after 6 months", which has taken place, and "the review is now expected to recommence in 2022".

Councillor Gunner stated that although he had been involved in the preparation of this Statement, the Monitoring Officer had confirmed he was happy that Councillor Gunner stay in the meeting for the item and to participate in discussions.

The Committee agreed to note the council's draft Annual Governance Statement for 2021/22, with the suggested changes, pending approval of the final version at a future meeting when the audited Annual Accounts were presented.

## 210. TREASURY MANAGEMENT ANNUAL REPORT 2021/22

Upon the invitation of the Chair, the Senior Accountant (Treasury) presented this report to the Committee. The purpose of the report was to present the treasury activity for the year 2021-22. Points highlighted included that the interest earned was £460,000 against a budget of £332,000, the addition was largely due to having more money to invest but at lower rates. The additional funding largely came from grants; point 4 on page 120 showed the maturity of Public Works Loan Board (PWLB) loans, making up the £35million currently of Arun's borrowing; the second table showed investments at the 31 March 2021 at £62million and the 31 March 2022 at £69million; Page 123 showed the interest rate forecast and how much it had changed over the previous 12-18 months. The current base rate was at 1.25%, and this was anticipated to rise again next month.

Members then took part in a question-and-answer session and the following points were made:

- Was it getting harder or easier to get counterparties for treasury agreements? The Senior Accountant (Treasury) explained it had been consistent.
- It was asked whether we were too cautious as a council. It was confirmed that although slightly cautious, Arun took slightly more risk than some other councils. The council was bound by some very strict codes that specified levels of risk – Security, Liquidity then Yield (SLY).
- It was asked how the fixed-rate interest rate was obtained. The Senior Accountant (Treasury) explained Link Group were the treasury advisors, and the council took their advice on interest rates but also that of capital economics.

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

The Committee

RECOMMEND TO FULL COUNCIL that

1. the actual prudential and treasury indicators for 2021/22 contained in the report be approved
2. they note the annual treasury management report for 2021/22
3. they note the treasury activity during 2021/22 which has generated interest receipts of £460,000 (0.59%). Budget £332,000 (0.64%)

211. INTERNAL AUDIT - ANNUAL REPORT & OPINION 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained the Annual Report and Opinion was required under the Chartered Institute of Public Finance and Accountability (CIPFA's) Public Sector Internal Audit Standards (PSIAS). This summarised the work of internal audit through the year 2021/22 for the information of the Committee. From April 2022 the internal audit services were being provided by the Southern Internal Audit Partnership (SIAP) and a similar report would be provided in SIAP's format in future years.

Members welcomed the resolution of the formation of the internal audit services and offered thanks to all concerned.

There were no questions from Members.

The Committee agreed they had received the Annual Report & Opinion 2021/22.

212. ANNUAL INTERNAL AUDIT CHARTER 2022/23

The Chair welcomed Iona Bond from Southern Internal Audit Partnership (SIAP), who then presented the Charter to the Committee. She explained the document was similar to those presented in previous years by the Internal Audit Manager as part of the Annual Planning. In line with requirements of the PSIAS, the document set out the purpose of internal audit, and formally defined the internal audit activities, purpose, authority and responsibility. It outlined all the various elements that contributed to how they carried out the audit, SIAP's responsibilities and Arun's responsibilities.

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The Chair then invited Member questions. It was asked who the Chief Internal Auditor was. It was confirmed that this was Neil Pitman, who was the Head of Partnership at SIAP.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

that the Internal Audit Charter for 2022/23, attached at Appendix A, be approved.

#### 213. ANNUAL INTERNAL AUDIT PLAN 2022/23

Upon the invitation of the Chair, the Interim Group Head of Finance presented the report to the Committee. She explained the Plan had been agreed under the delegated authority provided by the Committee. She thanked SIAP for getting the contract moving quickly.

The Interim Group Head of Finance then handed over to Iona Bond, SIAP, who introduced the Internal Audit Plan. It was confirmed that they conformed to the internal audit standards and were free of any conflicts of interests. She explained that they had arrived at the Audit Plan in discussion with the Corporate Management Team of the council and with an overview of what the strategic risks were within the council's risk register. Page 174 outlined what they felt were the auditable areas for the council. She explained this was the plan, however this would be subject to change. The proposed audits of the first year had been given indicative timings for which quarter they would be carried out, however as with the plan as a whole this was subject to change, and some audits would be carried out in separate quarters than stated, which was not unusual. Changes to the plan would come to the Committee as part of the progress report.

Members then took part in a question-and-answer session and the following points were made:

- Whether the top twenty risks listed had been produced by Arun. The Internal Audit Manager explained that the main risks had been taken from the Strategic Risk Register, which had been presented to this Committee last November. The Risk Management Strategy and the Strategic Risk Register were currently being revised and would come back to this Committee.
- Should Capital Programme Delivery be audited this year. The Interim Group Head of Finance explained that this would not be audited, however it was being reviewed.
- Should Planning and Development Control, Void Properties and Corporate Property Portfolio be audited this year. The Interim Group Head of Finance said

that these suggestions could be taken to Corporate Management Team for review, as the Audit Plan was dynamic and subject to change.

- A separate meeting involving the Audit Team and the Interim Group Head of Finance, to point out some of the residual issues still to be addressed regarding the Hannaby Review would be welcomed.
- Business Continuity Planning and Emergency Planning were scheduled for Quarter three this year, which was welcomed.

The recommendation was Proposed by Councillor Chapman and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the outline Annual Internal Audit Plan for 2022/23, attached at Appendix A, be approved.

214. CHAIR'S ANNUAL REPORT TO FULL COUNCIL 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained CIPFA best practice was that an annual report on the activities of the Committee was presented to Full Council. The draft report outlined the work of the Committee through the 2021/22 Municipal Year.

There were no questions from Members.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the content of the report be endorsed and to recommend its presentation to Full Council by the Committee Chair.

215. COUNTER-FRAUD REPORT 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained this was an advisory report, as per CIPFA best practice. This followed on from a more detailed report on Housing Tenancy Fraud activity presented to the Committee at its last meeting. The report outlined the main

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areas of fraud work undertaken within the council. There was still a considerable amount of work being done on counter-fraud activity relating to Covid-19 business grants. There was now also ongoing work on fraud checking in terms of the Council Tax Energy Rebate payments being made.

The Chair invited questions from Members. It was noted by one Member that on page 203 under the Housing Tenancy Section, the estimated savings were £380,000, however it was felt this was a conservative estimate. It was hoped the Officer would be kept in post to continue that work.

The Committee agreed they had received the Counter-Fraud Report 2021/22.

216. ANNUAL UPDATE ON THE COUNCIL'S USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained it was a requirement of the Investigatory Powers Commissioner's Office (IPCO) that the Committee be advised as to any use of allowable powers under the Regulation of Investigatory Powers Act (RIPA). It was confirmed that no use of RIPA powers had been made in the 2021/22 municipal year.

The Chair invited questions from Members. It was asked whether more use should be made of these powers. The Internal Audit Manager explained that in order to use RIPA powers certain strict criteria must be met, and it was the preference to use overt surveillance. Another Member expressed support for the fact that RIPA powers had not been used.

The Committee noted the report.

217. WORK PROGRAMME

Upon the invitation of the Chair, the Internal Audit Manager presented the Work Programme to the Committee. Many of the items were required on an annual basis, and the timing of some items were still to be finalised. There would also be a requirement for a review of Member allowances by the Independent Members' Remuneration Panel. However, this could not yet be planned until any potential changes to the Committees structure and responsibilities had been considered by the Constitution Working Party and agreed by Full Council.

The Work Programme was noted.

(The meeting concluded at 10.53 am)

# ARUN DISTRICT COUNCIL

## REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 28 July 2022

**SUBJECT:** Treasury Management Annual Report 2021/22

**REPORT AUTHOR:** Sian Southerton – Senior Accountant (Treasury)

**DATE:** June 2022

**EXTN:** 01903 737861

**AREA:** Corporate Support

### **EXECUTIVE SUMMARY:**

The purpose of this report is to present the Council's Treasury Management activities for the year 2021/22 and to enable the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

During 2021/22, the Council complied with its legislative and regulatory requirements. Including confirmation that the authorised limit was not breached.

The actual prudential and treasury indicators are to be found in the body of this report and in appendix 1.

The financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns.

### **RECOMMENDATIONS:**

The Committee is requested to recommend Full Council to:

- (i) approve the actual prudential and treasury indicators for 2021/22 contained in the report;
- (ii) note the annual treasury management report for 2021/22; and
- (iii) note the treasury activity during 2021/22 which has generated interest receipts of £460,000 (0.59%). Budget £332,000 (0.64%)

### **1. BACKGROUND:**

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24 March 2021)
- a mid-year, (minimum), treasury update report (Council 26 January 2022)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee before they were reported to the Full Council.

All Councillors were invited to attend a Treasury Management briefing presented by Link Group (the Councils treasury advisors) in order to support members' scrutiny role. The latest session was held on 13 July 2021 of which 14 members attended.

**2. PROPOSAL(S):**

This report, the annual report has the Treasury Management activities for 2021/22 appended.

It covers 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.

To approve all 3 recommendations.

**3. OPTIONS:**

The Treasury Management Strategy is legislative and under the Local Government Act 2003 and therefore the only option is to recommend the annual report 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:**

Approval will enable the Council to comply with legislation and provide a Treasury Service

**7. REASON FOR THE DECISION:**

Compliance with Statutory requirements and the limits set, safeguard the Council against financial losses.

**8. BACKGROUND PAPERS:**

- The Local Government Act 2003 ([www.legislation.gov.uk/ukpga/2003/26/content](http://www.legislation.gov.uk/ukpga/2003/26/content))
- CIPFA'S Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (2017). The updated code (2021) will be adopted as part of the 2023-24 Strategy.
- Cipfa Treasury Management Guidance notes (2018) (*Link not available as copyright*)
- The Prudential Code for Capital Finance in Local Authorities (2017). The updated code (2021) will be adopted as part of the 2023-24 Strategy.
- DLUHC's Guidance on Local Government Investments ("the Guidance")

# Arun District Council Treasury Management Annual Report 2021/22



## 1.0 INTRODUCTION

The Annual Treasury Management Report for 2021/22 summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

## 2.0 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2021/22

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or

- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2020/21 Actual £,000	2021/22 Original £,000	2021/22 Actual £,000
Non-HRA capital expenditure	2,930	3,228	4,341
HRA capital expenditure	6,472	4,732	6,940
HRA Settlement	-	-	-
<b>Total capital expenditure</b>	<b>9,402</b>	<b>7,960</b>	<b>11,280</b>
Resourced by:			
• Capital receipts	1,589	117	1,396
• Capital grants	2,668	1,400	3,174
• Capital reserves	1,823	4,602	2,467
• Revenue	37	1,841	1,059
	<b>6,117</b>	<b>7,960</b>	<b>8,096</b>
<b>Unfinanced capital expenditure</b>	<b>3,285</b>	<b>0</b>	<b>3,184</b>

### 3.0 THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

The CFR increases when capital expenditure is incurred but not financed and reduces when amounts are set aside for loan repayments.

**Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA)

borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments.

The Council currently has no external debt other than that taken out for the HRA Self-Financing (March 2012). The Council does not have an overdraft facility as it became very expensive and rather than incurring costs for the facility, an approx. £200k balance is held in the account daily. This is currently only earning 0.01% interest, but the balance is required to cover any potential cashflow need and to avoid high overdraft charges.

External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2021/22 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2021/22 on 24 March 2021.

The Council's CFR for the year is shown below and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

<b>CFR</b>	<b>2020/21 Actual £,000</b>	2021/22 Original £,000	<b>2021/22 Actual £,000</b>
Opening balance	<b>48,356</b>	46,642	<b>48,750</b>
<b>Add</b> unfinanced capital expenditure	<b>3,285</b>	2,727	<b>3,184</b>
<b>Less</b> Voluntary Revenue Provision (VRP) & Minimum Revenue Provision (MRP)	<b>(3,837)</b>	(3,896)	<b>(3,845)</b>
<b>CFR before leases</b>	<b>47,804</b>	45,472	<b>48,089</b>
Finance lease repayments	<b>946</b>	0	<b>0</b>
Closing balance	<b>48,750</b>	45,472	<b>48,089</b>

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This

essentially means that the Council is not borrowing to support revenue expenditure.

Arun's only borrowing relates to the HRA Self-Financing settlement (currently £35.46m). Prior to this borrowing being undertaken Arun 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.

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this is set, the Council does not have the power to borrow above this level. The authorised limit was not breached in 2021/22.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of 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.

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement (summary in appendix1).

#### 4.0 TREASURY POSITION AS AT 31 MARCH 2022

The Council's debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

During 2021/22, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2021 Actual £000	2021/22 Original £000	31 March 2022 Actual £000
Capital expenditure	9,402	7,960	<b>11,280</b>
Total Debt	44,320	44,320	<b>35,460</b>
Capital Financing Requirement at 31 <sup>st</sup> March:			
• Non-HRA	-4,223	-4,442	<b>-4,442</b>
• HRA	52,973	49,914	<b>52,531</b>
• <b>Total</b>	<b>48,750</b>	<b>45,472</b>	<b>48,089</b>
Over / (under) borrowing	(4,430)	(1,169)	<b>(12,629)</b>

The maturity structure of the debt portfolio was as follows (The upper and lower limits are also shown in appendix 1):

	31.3.21 actual	31.3.22 actual
Under 12 months	£8.86m	£0m
12 months and within 24 months	£0m	£0m
24 months and within 5 years	£0m	£0m
5 years and within 10 years	£8.87m	£8.87m
10 years and within 20 years	£8.87m	£8.87m
20 years and within 30 years	£8.86m	£8.86m
30 years and within 40 years	£0m	£0m
40 years and within 50 years	£8.86m	£8.86m

INVESTMENT PORTFOLIO	31.3.21 Actual £000	31.3.21 Actual %	31.3.22 Actual £000	31.3.22 Actual %
<b>Treasury investments</b>				
Banks	47,175	76%	44,000	64%
Building Societies - rated	0	0%	0	0%
Building Societies – unrated	2,000	3%	4,000	6%
Local authorities	2,000	3%	0	0%
Money Market Funds	4,000	7%	13,950	20%
<b>Total managed in house</b>	<b>55,175</b>	<b>89%</b>	<b>61,950</b>	<b>90%</b>
Property funds	5,000	8%	5,000	7%
Diversified funds	2,000	3%	2,000	3%
<b>TOTAL TREASURY INVESTMENTS</b>	<b>62,175</b>	<b>100%</b>	<b>68,950</b>	<b>100%</b>

The maturity structure of the investment portfolio was as follows:

	31.3.21 Actual £000	2021/22 Budget £000	31.3.22 Actual £000
Investments			
Longer than 1 year	7,000	6,000	7,000
Up to 1 year	55,175	45,600	61,950
<b>Total</b>	<b>62,175</b>	<b>51,600</b>	<b>68,950</b>

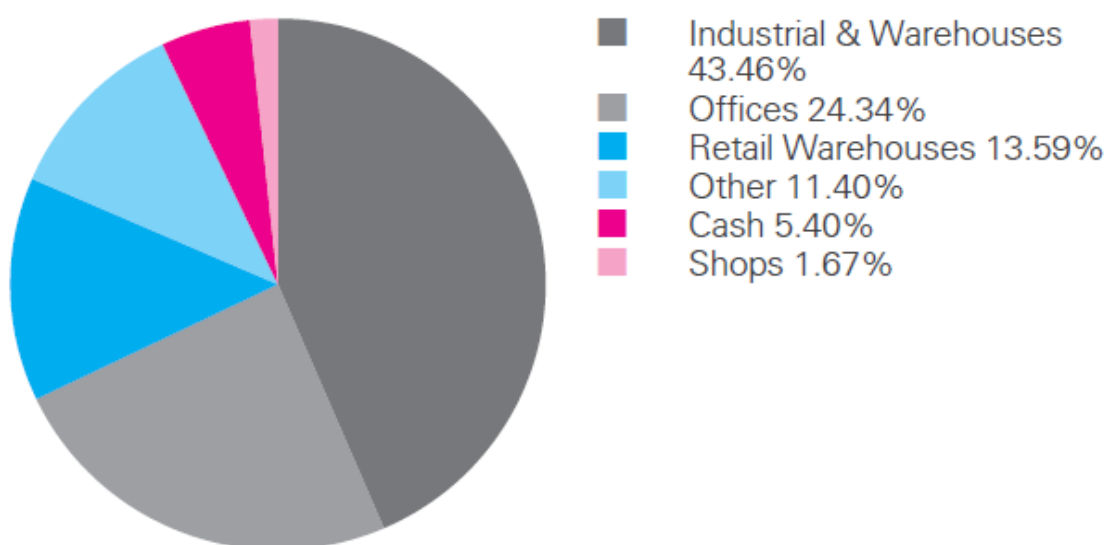
Other prudential and treasury indicators are to be found in the body of this report and appendix 1.

The base rate increased from 0.10% to 0.75% in the last quarter of 2021/22. The rates, despite the increases remained low and therefore achieving a return around 1% was still challenging.

The Churches Charities and Local Authorities (CCLA) property fund and diversified fund, (investment of £5M & £2M) continue to enhance these returns.

This CCLA property fund has a diverse property investment portfolio, none of which are in shopping centres due to the current climate (although a few standalone shops). The spread as at 31 March 2022 is as follows.

## Asset allocation at 31 March 2022



These fund managers are experts in property management and are always actively managing their portfolio.

At the beginning and the end of 2021/22, the Council's treasury position was as follows:

<b>Investments / Debt</b>	<b>2020/21 Rate/ Return (actual)</b>	<b>31<sup>st</sup> March 2021 Principal</b>	<b>2021/22 Rate / Return (budget)</b>	<b>2021/22 Rate / Return (Actual)</b>	<b>31<sup>st</sup> March 2022 Principal</b>
Total Investments	0.86%	£62.12m	<b>0.64%</b>	<b>0.59%</b>	<b>£68.95m</b>
Total Debt	3.20%	£44.32m	<b>3.41%</b>	<b>3.41%</b>	<b>£35.46m</b>

## 5.0 THE STRATEGY FOR 2021/22

### 5.1 Investment strategy and control of interest rate risk

Investment returns remained close to zero for much of 2021/22. Arun District Council's lending managed to avoid negative rates. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Council has taken a semi-cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates.

### 5.2 Borrowing strategy and control of interest rate risk

During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.



Our Treasury advisor forecasts at the time of approval of the treasury management strategy report for 2021/22 were as follows:

Link Group Interest Rate View		9.11.20													
		Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings		0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB		1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB		2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB		2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB		2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

Their interest rate forecast changed periodically during 2021/22 as below:

Link Group Interest Rate View		10.5.21											
		Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
BANK RATE		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40	0.40
12 month ave earnings		0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50	0.50
5 yr PWLB		1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50
10 yr PWLB		1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00	2.00
25 yr PWLB		2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60	2.60
50 yr PWLB		2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40	2.40

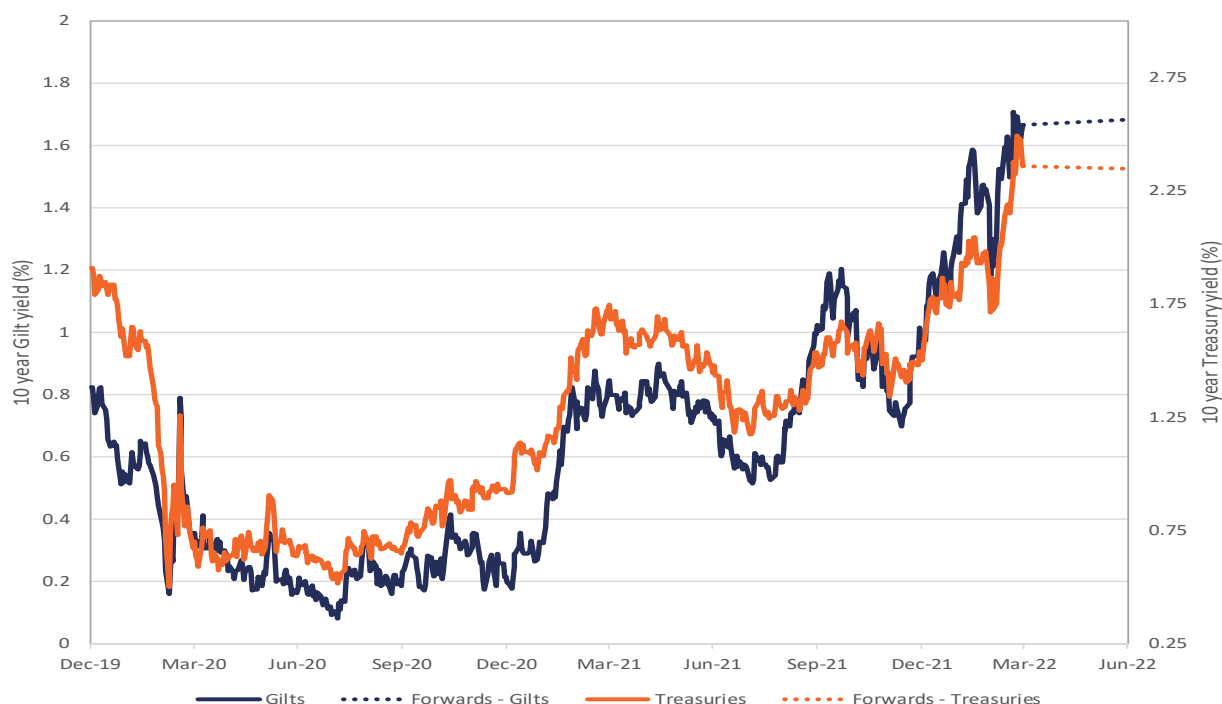
Link Group Interest Rate View		8.11.21													
		Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE		0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings		0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	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	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings		0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB		1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB		1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB		2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB		1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

Link Group Interest Rate View		7.2.22													
		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		0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	
3 month av. earnings		0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	
6 month av. earnings		1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
12 month av. earnings		1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40	
5 yr PWLB		2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	
10 yr PWLB		2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	
25 yr PWLB		2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	
50 yr PWLB		2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level

of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

**Graph of UK gilt yields v. US treasury yields**



Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing 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)

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold

back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

**Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2021/22 approved by the Council on 24 March 2021 was subject to no revisions during the year.

A full list of the Council’s approved counterparties is included in appendix 2.

## 6.0 BORROWING OUTTURN FOR 2021/2022

Maturity loans for £70.902m were taken out on the 28 March 2012 to fund the new HRA self-financing system. The borrowing remaining as at 31 March 2022 was £35.46 as shown below.

<u>Lender</u>	<u>Principal</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>
PWLB	£8.870m	Maturity	3.21%	28/3/2030
PWLB	£8.870m	Maturity	3.40%	28/3/2035
PWLB	£8.860m	Maturity	3.53%	28/3/2050
PWLB	£8.860m	Maturity	3.48%	28/3/2062
	<b>£35.46m</b>		<b>3.41%</b>	

A maturity loan is a bullet repayment loan which essentially means that you borrow at the start date, interest is paid on a semi-annual basis throughout the life of the loan and the principal is repaid at maturity. A maturity loan reduces exposure to risk of future rises in interest rates and the council has locked into very low borrowing rates. The average rate of these loans at 31 March 2022 was 3.41%.

No new external borrowing was undertaken during the year and therefore the Council has not borrowed in advance of its need.

No rescheduling was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 7.0 INVESTMENT OUTTURN IN 2021/22

**Investment Policy** – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 24 March 2021. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council’s cash balances comprise, primarily, revenue and capital

resources, although these will be influenced by cash flow considerations. The Council's core cash resources comprised as follows, and met the expectations of the budget:

Balance Sheet Resources (£m)	31 <sup>st</sup> March 2021 £m	31 <sup>st</sup> March 2022 £m
Balances	16.0	11.8
Earmarked reserves	29.1	29.1
Provisions	3.0	3.0
Usable capital receipts	1.9	2.0
Total	50.0	45.9

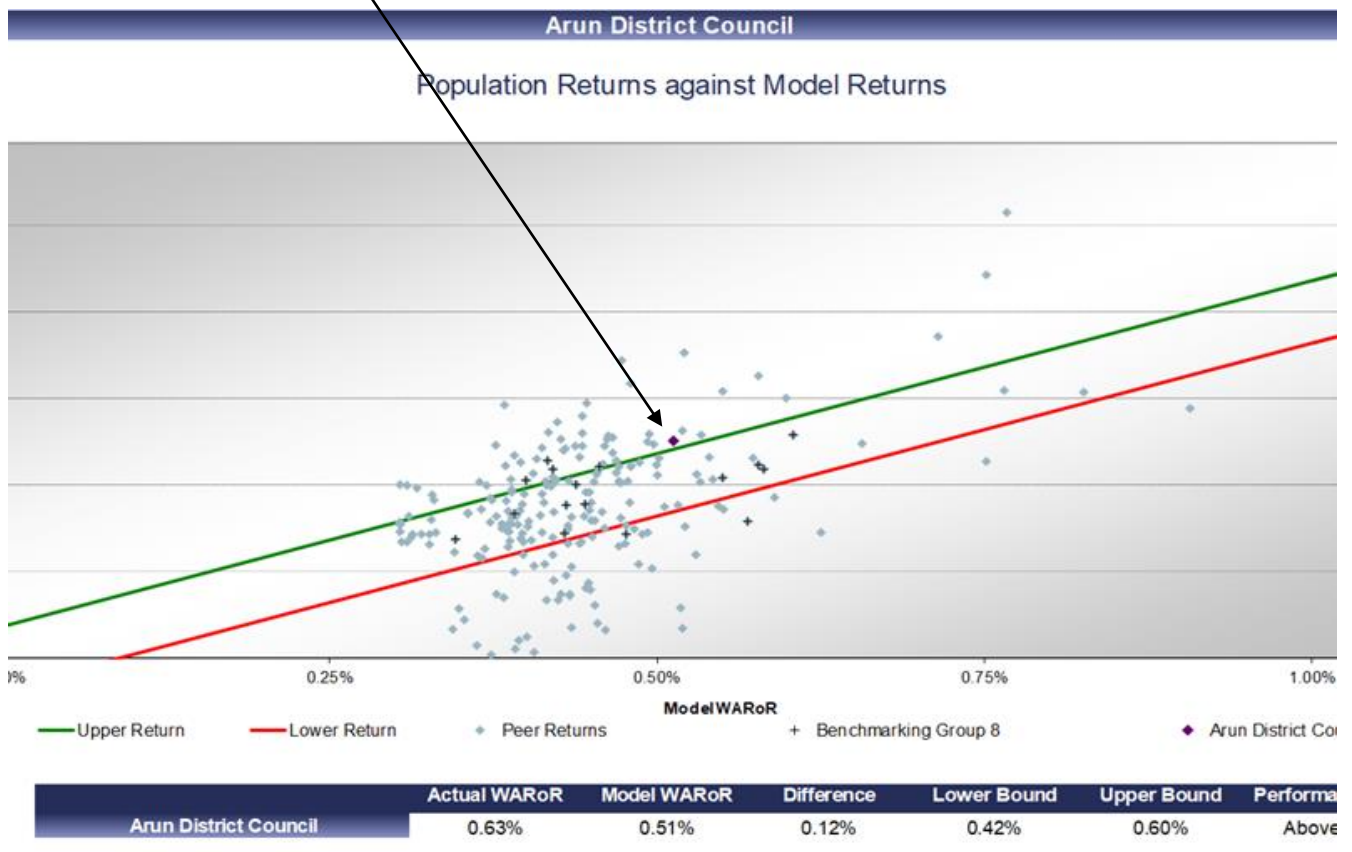
### Investments held by the Council

The Council maintained an average balance of approximately £79m of internally managed funds. These internally managed funds earned an average rate of return of 0.32% plus 3.71% for the property fund and 2.48% for the diversified fund giving an overall return of 0.59%.

The comparable performance indicator was the average 7-day LIBID rate, uncompounded, which was -0.0740% but this ceased to be used at the end of December 2022. The overnight (o/n) Sonia was used instead, and the average rate was 0.068%. This compares with a budget assumption of £52m investment balances earning an average rate of 0.64%.

Total investment income was £460k compared to a budget of £332k, largely due to additional balances in the form of grants and a further £1m placed into the CCLA Diversified fund.

A full list of investments at the 31 March 22 is included in appendix 3 and below shows a comparison of Arun's investments against other Councils.



The Councils performance for the treasury investment portfolio is above the upper return boundary for the end of Q1 2022.

This is as a result of the yields on investments under 1 month (MMF, Call accounts & Notice accounts) rising in line with increase in the Bank rate and the investments made in 6 to 12 month investments (Fixed Deposit) at the end of March pushing the portfolio's weighted average rate of return (WARoR) to 0.63% against the model portfolio's WARoR of 0.51% and also exceeding the upper boundary WARoR of 0.60%.

## 8.0 THE ECONOMY AND INTEREST RATES for 2021/2022 (April 22)

**UK. Economy.** 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 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**USA.** The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

**World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

**Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

## 9.0 IFRS 9 fair value of investments

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG] (now renamed the Department of Levelling Up, Housing & Communities) on IFRS 9 the Government previously introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

The valuation of investments previously valued under the available for sale category e.g. equity related to property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL)**. The Council made no losses on its investments in 2021-22.

# Prudential and treasury indicators

APPENDIX 1

1. PRUDENTIAL INDICATORS	2020/21	2021/22	2021/22
Extract from budget and rent setting report	Actual	Original	Actual
	£'000	£'000	£'000
<b>Capital Expenditure</b>			
Non – HRA	2,930	3,228	4,341
HRA	6,472	4,732	6,940
TOTAL	9,402	7,960	11,280
<b>Ratio of financing costs to net revenue stream</b>			
Non - HRA	-1.96%	-1.90%	-2.06%
HRA	31.84%	32.32%	31.35%
<b>Capital Financing Requirement as at 31 March</b>			
Non – HRA	-4,223	-4,442	-4,442
HRA	52,973	49,914	52,531
TOTAL	48,750	45,472	48,089
<b>Annual change in Cap. Financing Requirement</b>			
Non – HRA	-214	-219	-219
HRA	*609	-950	-442
TOTAL	395	-1,169	-661

\* HRA CFR increased partly due to Osbourne leases inclusion effective from 2020/21



<b>2. TREASURY MANAGEMENT INDICATORS</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2021/22</b>
	<b>Actual</b>	<b>Original</b>	<b>Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt</b>			
Borrowing	60,000	54,000	54,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	<b>61,000</b>	<b>55,000</b>	<b>55,000</b>
<b>Operational Boundary for external debt</b>			
Borrowing	57,000	49,000	49,000
other long term liabilities	1,000	1,000	1,000
TOTAL	<b>58,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Actual external debt</b>	44,320	*44,320	35,460
<b>Upper limit for total principal sums invested for over 365 days (£m)</b>	<b>18</b>	<b>18</b>	<b>18</b>
-	-	-	-

\* £8.86m of debt being repaid (28 March 2022)

2021/22 potentially up to £3m borrowing for New Acquisitions

<b>Maturity structure of fixed rate borrowing - upper &amp; Lower limits</b>	<b>Actual at 31/03/22</b>	<b>lower limit</b>	<b>upper limit</b>
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%

**LIST OF AUTHORISED COUNTERPARTIES****Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years**

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
<b><i>Min Criteria</i></b>	<b>Fitch</b>	<b>AA-</b>	<b>F1+</b>
	<b>Moody</b>	<b>Aa3</b>	<b>P-1</b>
	<b>S&amp;P</b>	<b>AA-</b>	<b>A-1+</b>
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**

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
<b><i>Min Criteria</i></b>	<b>Fitch</b>	<b>A+</b>	<b>F1</b>
	<b>Moody</b>	<b>A1</b>	<b>P-2</b>
	<b>S&amp;P</b>	<b>A+</b>	<b>A-1</b>
Barclays Bank plc (RFB & NRFB) (UK)			
Bank of Scotland PLC (RFB) (Lloyds Banking Group)			
Goldman Sachs International Bank (UK)			
HSBC Bank plc (UK)			
Standard Chartered Bank (UK)			
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**

		<u>Long Term</u>	<u>Short Term</u>
<b>Min Criteria</b>	<b>Fitch</b>	<b>A-</b>	<b>F1</b>
	<b>Moody</b>	<b>A3</b>	<b>P-2</b>
	<b>S&amp;P</b>	<b>A-</b>	<b>A-1</b>

Nationwide Building Society (UK)  
Close Brothers (UK)  
Qatar National Bank (Qatar)

**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

		<u>Long Term</u>	<u>Short Term</u>
<b>Min Criteria</b>	<b>Fitch</b>	<b>BBB-</b>	<b>F3</b>
	<b>Moody</b>	<b>Baa3</b>	<b>P-3</b>
	<b>S&amp;P</b>	<b>BBB-</b>	<b>A-3</b>

## **Category 7 - Collective Investment Schemes structured as Open Ended Investment**

### **Companies (OEICs)**

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

Limit of £4million for each institution

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

## INVESTMENTS at 31st March 2022

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	783	Qatar National Bank	01/04/2021	01/04/2022	£1,000,000.00	0.535
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	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	802	Qatar National Bank	03/08/2021	02/08/2022	£1,000,000.00	0.585
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	817	Standard Chartered Bank - Sustainable Deposits	06/01/2022	05/01/2023	£1,000,000.00	0.8200
Fixed Term Deposit	818	Goldman Sachs International	07/01/2022	05/01/2023	£1,000,000.00	0.9300
Fixed Term Deposit	819	Goldman Sachs International	14/01/2022	14/12/2022	£1,000,000.00	0.9850
Fixed Term Deposit	821	Close Brothers Limited	21/03/2022	21/03/2023	£4,000,000.00	1.5000
Fixed Term Deposit	822	Standard Chartered Bank - Sustainable Deposits	24/03/2022	26/09/2022	£1,000,000.00	1.4400
Fixed Term Deposit	823	National Westminster Bank	24/03/2022	26/09/2022	£2,000,000.00	1.3000
Fixed Term Deposit	824	Standard Chartered Bank - Sustainable Deposits	28/03/2022	28/09/2022	£2,000,000.00	1.4400
Fixed Term Deposit	825	Standard Chartered Bank - Sustainable Deposits	31/03/2022	31/03/2023	£1,000,000.00	1.9400
Fixed Term Deposit	826	DBS	31/03/2022	05/05/2022	£5,000,000.00	0.720
Money Market Fund	110000	Federated			£2,000,000.00	0.5058
Money Market Fund	99999	Fidelity			£3,950,000.00	0.5563
Money Market Fund	120000	Aberdeen Standard			£4,000,000.00	0.5067
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£4,000,000.00	0.5785
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*3.25
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*2.39
					<b>£68,950,000.00</b>	

\* rates at 31-3-22

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# Audit & Governance Committee

## Chair's Annual Report To Full Council 2021/22

## **Introduction**

Both Central Government and the Chartered Institute of Public Finance & Accountancy (CIPFA) promote the view that certain governance related functions would be best delivered by an audit committee – which is separate from the ‘executive’ and ‘scrutiny’ functions of a local authority.

This is the annual report to Full Council of the Audit & Governance Committee. The Council’s Audit Committee was constituted by the Council in May 2006 and became the Audit & Governance Committee in June 2011, following the disbanding of the old standalone ‘Governance’ Committee in March 2011. The Committee complies with the best practice guidance as set out in the ‘CIPFA Role of Audit Committees in Local Government’ and operates to Terms of Reference agreed by Full Council and included in the Council’s published Constitution. Terms of reference and functions delegated to the Committee have been considered and remained largely unchanged when the Council moved from the Leader & Cabinet model to a committee governance structure from May 2021.

The Audit & Governance Committee provides independent assurance and challenge on the effectiveness of the Council’s overall corporate governance and internal control environments. This includes the associated approach to risk management and independent scrutiny of the Council’s financial and non-financial performance, to the extent that it affects the authority’s exposure to risk and weaknesses in the control environment, as well as to oversee the financial reporting process and approve the Annual Statement of Accounts.

The role of the Audit & Governance Committee is distinctly different from the role of a scrutiny function. Its role, in short, is to provide assurance to Members and to the public that there are controls in place to mitigate key risks and that the Authority is operating effectively in terms of overall governance.

The Committee carries out its function by monitoring, challenging and providing assurance on a number of matters relating to internal and external audit, financial reporting, risk management, corporate governance and compliance issues. It is important that the Committee is able to demonstrate the impact of its work to Members and to the public.

Membership of the Committee is decided annually by Full Council and follows the requirements for political balance. However, it is emphasised that the role of the Committee should be both objective and apolitical. While continuity of membership is important, as much of the work of the Committee operates to an annual cycle, it is also beneficial for there to be some change in order to generate different challenges and opinions. Where membership changes have taken place in each Municipal Year, Member training and updates have been provided by the Internal Audit Manager and the Group Head for Corporate Support.

In 2010, the role of the Committee was expanded to include oversight of the Council’s Treasury Management processes and, since June 2011, the Committee also has responsibility to receive, consider and make recommendations to Full Council on the submissions of the Independent Members’ Remuneration Panel.



The Committee strives to be proactive in seeking assurance on a range of issues, rather than just accepting assurance where it is given. Committee Members have demonstrated commitment to the process, contributing to a level of continuity of approach and building up expertise of Members, in often complex areas. The Committee takes the position of encouraging all Members and Officers to take responsibility for contributing to effective corporate governance, with the aim of embedding governance as a concept in the organisation.

Representatives of the Council's external auditors (Ernst & Young LLP) are also invited to attend and to present their key documents. This provides the opportunity to present matters to the Committee, aiding consistency of message and wider awareness of respective views and challenge.

The Committee agrees its ongoing work plan and has scheduled meetings through the year (but these may be supplemented by 'special' meetings of the Committee and meetings held by 'task and finish' working groups, set up for specific purposes). Meetings of the Committee are scheduled through the year coincide with the key decision / document approval dates e.g. for the Annual Accounts. The standing invitation to the appointed external auditor to attend meetings of the Committee, allows observation of the level of challenge and assurance that the Committee provides on governance, financial reporting and audit issues.

From July 2021, meetings of the Committee resumed in the Council Chamber at the Civic Centre with Members and officers in attendance observing the Council's Covid safety guidelines. (Meetings in 2020/21 had been held 'virtually' using Zoom technology due to the Covid pandemic).

All matters brought before the Committee have been subject to challenge, but the Committee has also had an input into the progress of issues, through active discussion and by making practical suggestions for improvement. Detailed below is a breakdown of areas that the Committee has considered during the 2021/22 municipal year (in Appendix 1).

## **Internal Processes**

### **Governance**

The Committee received regular updates throughout the year on the overall approach adopted to secure effective arrangements for the Council. This has provided the Committee with the opportunity to challenge, and have an input into:-

- review of the Council's updated local Code of Corporate Governance;
- the corporate governance framework;
- the assurance framework;
- updates to governance-related Council policies.

The Committee considered and provided challenge to the Annual Governance Statement, prior to its approval in February 2022 (having considered the draft version in July 2021) and also to the Council's Code of Corporate Governance. These were

prepared under the revised Delivering Good Governance in Local Government Framework issued by CIPFA in 2017.

### **Counter Fraud and Corruption**

The Audit & Governance Committee, as part of its terms of reference, is required to consider the counter-fraud and corruption arrangements of the Council and their effectiveness.

At its meeting of 29 July 2021, the Committee was presented with the annual formal counter-fraud progress report, covering the year 2020/21. This included details of work performed on Council Tax Single Person Discount entitlement, the Cabinet Office National Fraud Initiative and assurance checking required for Covid business support grants distributed by the Council on behalf of the Department for Business, Energy & Industrial Strategy (BEIS).

### **Risk Management**

The Council's updated Strategic Risk Register was presented to the Committee in November 2021. Consideration of the relevant issues confirms a top-level commitment to the risk management agenda and allows the Audit & Governance Committee to make assessments and provide assurance on the Council's risk management arrangements.

### **Financial Reporting**

The Council's Interim Group Head of Corporate Support and other members of the Finance department attended meetings and presented reports relating to the Statement of Accounts and the Treasury Management function throughout the year. The Committee was able to challenge these reports and was assured that due process was being followed and best practice had been applied. Officers were able to provide further clarification on a number of issues raised by Members to aid the Committee in reaching its conclusions and decisions

In particular, the Council has delegated to this Committee the task of formally approving the Accounts by the statutory deadline each year.

In common with many other local authorities, there was a delay in the completion of the external audit of the Council's 2020/21 Annual Accounts, which were approved by the Committee, having received an unqualified opinion from Ernst & Young LLP, and signed by the Chair at its meeting in February 2022. At the request of the Committee, letters had been sent in 2021 to the commissioning body (Public Sector Audit Appointments Ltd) querying both the delay to the audit and also the proposed fee variation requested by the external auditors in respect of the work on the 2019/20 Accounts. Following review, PSAA advised that they supported a lesser fee variation and also that Councils would be allocated a sum of Government funding to support affected local bodies to meet the anticipated rise in fees for 2020/21 audits.

The Committee is also required to consider the Treasury Management arrangements of the Council, primarily focused on the overall Treasury Management policy and the setting of the annual Treasury Management Strategies for adoption by Full Council. All prudential matters relating to borrowing, investments and debt repayment are

determined by Full Council, with the responsibility for scrutiny of performance in this area being delegated explicitly to the Audit & Governance Committee.

In 2012, the Council arranged the borrowing of £70.9M to be paid as a one-off debt settlement to the DCLG in March 2012, in respect of Government changes to make the Housing Revenue Account self-financing in Local Authorities. Four tranches of this loan have now been repaid by the Council (outstanding debt now stands at £35.45M), with the next tranche due for repayment in 2030.

The Committee continues to monitor the situation with regard to Council borrowing. (There may be a future borrowing requirement to allow e.g. the progress of the Housing Revenue Account Business Plan). A briefing on the current and predicted national financial situation was presented to A&GC and other Members by Link Group (the Council's treasury management advisors) in July 2021 (as the Covid situation prevented this in 2020).

## **Independent Assurances / Audit**

### **External Audit and Inspection**

Ernst & Young LLP are the Council's current appointed external auditors and the external audit work covers the full range of audit and inspection, including providing an opinion on the financial statements and forming an assessment of the corporate arrangements for 'value for money' covering:-

- securing financial resilience
- securing economy efficiency and effectiveness.

Reports to the Committee ('those charged with governance') arising from external review include the Audit Plan, Audit Results Report and Annual Audit Letter. These are subject to discussion and challenge by the Committee with the representatives of the external auditors in attendance at Committee meetings.

The Council has opted-in to the sector-led approach set up by central government for the appointment of its external auditors. The Government-appointed body (PSAA Ltd.) undertook a national procurement exercise and the contracts agreed included a reduction in fees being charged. As a result of this, Ernst & Young LLP has been appointed as the Council's external auditors for the 5-year period from 2018/19. In advance of the exercise to procure external audit services for the next 5-year period, the Committee recommended that the Council again opt-in to the sector-led approach via PSAA Ltd. and this was approved by Full Council in January 2022.

It should however be noted that this appointment only covers the work being performed on the Council's Annual Accounts. In 2019, the Council was required to agree a separate arrangement involving the Council, the DWP and an appointed reporting accountant for the annual certification of the Council's Housing Benefit Subsidy Claim and the Revenues & Benefits Manager agreed that E&Y will continue to provide this additional service.

### **Internal Audit**

Under the Accounts and Audit Regulations 2015, the Council is required to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Assessment is undertaken against criteria published by CIPFA and presented to the Committee for consideration. The Committee was able to support the judgement on the effectiveness of the system of Internal Audit and also confirmed that Internal Audit has continued to provide a quality service to the Council, with the assessment being certified by the Chair of the Committee and the Council’s Group Head for Corporate Support.

From 1<sup>st</sup> April 2013, CIPFA replaced its Code of Practice for Internal Audit with the Public Sector Internal Audit Standards (which are based on the mandatory elements of the Institute of Internal Auditors, International Professional Practices Framework). This has been reflected in the Internal Audit Charter, with the changes approved by the Committee in past years.

Internal Audit also performs an assessment of the effectiveness of the Audit & Governance Committee and any changes / improvements that could be made, based upon CIPFA criteria. This report was presented for consideration and certified by the Chair of the Committee.

Throughout the year, Internal Audit provides a number of key documents for the Committee to consider and Approve or Note. These include:-

- the Annual Internal Audit Plan (February)
- the Internal Audit Annual Report & Opinion (July)
- periodic reports of progress against the Audit Plan.

The Committee received the annual performance reports for Internal Audit for the year and were provided with assurance that appropriate action plans had been put in place to improve the Council’s control environment and confirmed that this assurance was reflected within the Council’s published Annual Governance Statement.

As reflected in the Internal Audit Charter and Annual Plan, the Internal Audit service needs to be flexible, with the ability to respond to changes and new challenges to the Council, as and when required. Since the start of the pandemic in 2020, the Committee has been updated on the Covid-related work undertaken by the section, impacting delivery of the audit plan, and also the reduction in staff resource available (with the current remaining member of staff due to retire in 2022). In conjunction with the Interim Group Head of Corporate Support, the Committee recommended that the Council joins the Southern Internal Audit Partnership (SIAP) from April 2022 for the future provision of internal audit services and this was approved by the Corporate Support Committee in March 2022. This arrangement will provide resilience in terms of resource and also access to specialist audit skills going forwards.

## **Members’ Allowances**

In March 2011, the Council's Governance Committee was disbanded and the responsibility to receive, consider and make recommendations to Full Council on the submissions of the Independent Members' Remuneration Panel passed to the Audit & Governance Committee from June 2011.

At its July 2020 meeting, the Committee noted the approach to be taken for the Panel's next review and also agreed to extend the terms of office for the five Panel members until 31 March 2023. This review covered proposals for allowances for the new service committee chairs and vice-chairs, replacing those previously paid to Cabinet Members for the change from the Leader / Cabinet to the committee system of governance from May 2021 and these were agreed by Full Council in January 2021.

It was anticipated that the Panel would return in 2022 to review how the new arrangements have settled in and whether the Special Responsibility Allowances in place remain appropriate. This work cannot yet be planned until the deferred review of changes to the number of committees and frequency of meetings takes place in the new municipal year.

### **Review of the Handling of the Pagham Petition**

In accordance with the Council's published Petition Scheme, Full Council at its meeting of 14 July 2021 considered a public petition which had been received:

- Petition Relating to Development in Pagham - Planning Applications P/25/17 OUT, P/140/16 OUT, P/134/16 OUT and P/30/19 OUT

At this meeting the Council resolved that it would not consider further the revocation of the planning permissions referenced. Under the scheme, the petition organiser has the right to request that the Council's Audit & Governance Committee review the steps that the Council has taken in response to the petition.

At a Special Meeting held on 7 October 2021 the Committee reviewed the handling of the Pagham Petition. In response to the allegations that the petition had not been handled properly, the Committee received a report from the Deputy Monitoring Officer in respect of the points raised. This was debated by members of the committee who resolved that the Petition was dealt with properly.

### **Chair's Summary**

Based upon the work of the Audit & Governance Committee during the period I am satisfied that it has provided effective challenge across a range of governance related issues upon which it can provide assurance to the Council. The Committee has demonstrated leadership on governance, financial reporting and audit issues. The Committee also is effective in providing an additional source of assurance to the Interim Group Head of Corporate Support (s151 Officer of the Council) that systems of internal control are working effectively and that Internal Audit is operating in accordance with the Public Sector Internal Audit Standards.

I have reviewed the CIPFA requirements relating to Internal Audit and the work of the Committee and consider that the arrangements in place remain appropriate. The level

of challenge provided by the Committee contributes to Members and Officers giving due significance to governance and control matters. An additional role of the Committee continues to be to provide suggestions for continual improvement on a number of matters and to be supportive of Council staff, showing appreciation where merited.

I offer my thanks and appreciation to all members of the Committee for their proactive contributions which have continued to facilitate constructive, apolitical challenge. This input has enabled the Committee again this year to be effective and confident in providing assurances to the Council. Also, on behalf of the Committee, I would like to thank all Members and officers who have helped us to carry out our role, the Committee Services Officer for the preparation, advice and minuting of meetings and the representatives of Ernst & Young LLP for their constructive engagement, contributions and responses.

**Councillor Michael Clayden,  
Chair of the Audit & Governance Committee**

**Audit & Governance Committee – Activities Performed in Year 2021/22**

<b>Meeting Date:</b>	<b>Item:</b>	<b>Action:</b>	<b>Notes:</b>
<b>Governance Framework</b>			
29 July 2021	Annual Governance Statement 2020/21	Noted	This was a draft version, prior to the final Accounts preparation
29 July 2021	Code of Corporate Governance 2021/22	Noted	
29 July 2021	Counter-Fraud Report 2020/21	Noted	
29 July 2021	Update on the Council’s Use of Powers Under the Regulation of Investigatory Powers Act 2000 (RIPA)	Noted	Nil for 2020/21 Municipal Year
16 November 2021	Updated Risk Management Policy Statement and Strategy	Noted	
16 November 2021	Updated Strategic Risk Register 2021/22	Noted	
22 February 2022	Final Annual Governance Statement 2020/21	Approved	
<b>Internal Audit Activity</b>			
29 July 2021	Internal Audit Annual Report & Opinion 2020/21	Noted	
29 July 2021	Revised Internal Audit Plan 2021/22	Noted	
29 July 2021 16 November 2021 22 February 2022	Progress Against the Internal Audit Plan	Noted	
22 February 2022	Provision of Internal Audit Service to the Council	Recommend to the Corporate Support Committee that SIAP be appointed as the	Presented by the Southern Internal Audit Partnership (SIAP) Approved by Corporate Support Committee 24 March 2022

		Council's internal audit provider from 1 April 2022	
<b>External Audit and Inspection</b>			
29 July 2021	Response to Ernst & Young on Annual Assurance Letter Regarding Arrangements	Noted	
29 July 2021	Audit Planning Report	Noted	
29 July 2021	Annual Audit Fee Letter	Further letter to be sent to PSAA Ltd regarding the proposed increase	The Committee had agreed at its February 2021 meeting that a letter be sent to PSAA Ltd in respect of the uplift in the audit fee advised by E&Y in their Annual Audit Letter
16 November 2021	Audit Fees 2019/20 Update	Noted	The Committee considered the update from PSAA Ltd on the outcome of its review of the fee variation proposal
16 November 2021	Arrangements for Appointment of External Auditor	Recommend to Full Council that the Council opt-in to the sector-led body for the procurement and appointment of external auditors with effect from 2023/24	Approved by Full Council 26 January 2022
22 February 2022	Audit Results Report	Noted	
<b>Statement of Accounts</b>			
22 February 2022	Annual Statement of Accounts 2020/21 and Letter of Representation	Approved and signed	



22 February 2022	Approval of Accounting Policies 2021/22	To be applied to Statement of Accounts for 2021/22	
<b>Treasury Management</b>			
29 July 2021	Treasury Management Annual Report 2020/21	Recommend to Full Council that the report be Noted and that the actual prudential and treasury indicators be approved	Approved by Full Council 15 September 2021
16 November 2021	Treasury Management – Mid-Year Review Report 2021/22	Recommend to Full Council that the report be Noted and that the actual prudential and treasury indicators be approved	Approved by Full Council 26 January 2022
22 February 2022	Treasury Management Strategy Statement and Annual Investment Strategy 2022/23	Recommend approval to Full Council	Approved at Full Council 9 March 2022
<b>Committee Working Arrangements</b>			
29 July 2021	Committee Terms of Reference	Noted	Following updates to the Council's Constitution in respect of the change to the committee system of governance from May 2021
29 July 2021	Chair's Annual Report to Council 2020/21	Recommended for approval by Full Council	Presented to Full Council 15 September 2021
29 July 2021 16 November 2021 22 February 2022	Audit & Governance Committee Work Programme	Noted	'Rolling' document – progress noted through the year

<b>Other</b>			
29 July 2021	Update on Tenancy Fraud	Noted	The Neighbourhood Services Manager was requested to provide a further update in February 2022
29 July 2021	Housing Benefit Subsidy Claim 2019/20 Certification	Noted	The Committee agreed this would only be reported to them in future if significant issues were highlighted
7 October 2021	Review of Handling of Pagham Petition	Resolved that the Petition was dealt with properly	
16 November 2021	Arun District Council Partnership Register	Resolved to review the Register on an annual basis and direct Internal Audit to carry out detailed reviews where necessary	
22 February 2022	Progress Update on Housing Tenancy Fraud	Noted	
22 February 2022	Feedback & Complaints Policy	Adopted	

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

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## Arun District Council

<b>REPORT TO:</b>	<b>Policy and Finance Committee – 6 September 2022</b>
<b>SUBJECT:</b>	<b>Options for Introducing Further Controls on the Quality of Houses in Multiple Occupation – Financial Implications</b>
<b>LEAD OFFICER:</b>	<b>Carolyn Martlew – Interim Group Head of Finance and Section 151 Officer</b>
<b>LEAD MEMBER:</b>	Cllr Shaun Gunner
<b>WARDS:</b>	<b>Marine, Hotham, River</b>
<b>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</b> The recommendation supports: <ul style="list-style-type: none"><li>• Improving the wellbeing of Arun;</li><li>• Delivering the right homes in the right places.</li></ul>	
<b>DIRECTORATE POLICY CONTEXT:</b> The licensing of Homes in Multiple Occupation (HMO) is a major function performed in the Directorate. Medium Term Financial Plan: Supplementary estimates increase the amount of net expenditure which reduces the balances available.	
<b>FINANCIAL SUMMARY:</b> The report requests a supplementary revenue estimate of £40,000, to be funded from general fund balances.	

### 1. PURPOSE OF REPORT

1.1. The purpose of this report is to make financial arrangements to implement the recommendation of the Environment Committee at its meeting of 14 July 2022.

### 2. RECOMMENDATIONS

2.1. It is recommended that Policy and Finance Committee recommend to Full Council that a supplementary estimate of up to £40,000 be approved for additional resources to support the consultation process required to implement the additional licensing scheme for house in multiple occupation. This equates to a Band D Council Tax equivalent of 63p.

### **3. EXECUTIVE SUMMARY**

3.1. The Environment Committee considered a report 'Options for introducing further controls on the quality of Houses in Multiple Occupation' at its meeting on 14 July 2022. The Environment Committee report contained a recommendation to approve a supplementary revenue estimate of up to £40,000 which has a financial implication for the Council. Under the Council Constitution, the Environment Committee resolution is subject to Policy and Finance Committee and Full Council confirmation of finances being available. This report recommends that Policy and Finance Committee approve the finance subject to Full Council approval.

### **4. DETAIL**

4.1. As outlined above, the Environment Committee have approved instigating a consultation process for HMOs in Marine, Hotham and river Wards. This requires a consultation process to be undertaken.

4.2. There is no current provision for this in the 2022/23 General Fund Revenue Budget approved by the Council in February 2022. For the consultation to be undertaken, the Council must provide additional resource.

4.3. This report therefore recommends a non-recurring supplementary revenue estimate be approved of up to £40,000 in 2022/23.

### **5. CONSULTATION**

5.1. No consultation has been undertaken with external bodies.

### **6. OPTIONS / ALTERNATIVES CONSIDERED**

6.1. No alternatives have been considered.

### **7. COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER**

7.1. The approval of the supplementary estimate will be funded from General Fund balances. The approved budget includes a withdrawal from balances of £817k. The approval of a one-off General Fund supplementary estimate of £40k is not material to the financial position of the Council.

### **8. RISK ASSESSMENT CONSIDERATIONS**

8.1. Undertaking the consultation will ameliorate any likely risks in the implementation of the new policy.

### **9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER**

9.1. To implement an additional HMO licensing scheme a legally prescribed consultation process must be followed. Increased enforcement and potential appeals via the First Tier Tribunal will impact on the resources of the Legal Services Team.

## **10.HUMAN RESOURCES IMPACT**

10.1. None.

## **11.HEALTH & SAFETY IMPACT**

11.1. None.

## **12.PROPERTY & ESTATES IMPACT**

12.1. None.

## **13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE**

13.1. No adverse impacts on protected characteristics have been identified but a formal consultation for an additional licensing scheme would provide the opportunity for further consideration.

## **14.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE**

14.1. None.

## **15.CRIME AND DISORDER REDUCTION IMPACT**

15.1. None.

## **16.HUMAN RIGHTS IMPACT**

16.1. None.

## **17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS**

17.1. None.

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### **CONTACT OFFICER:**

Name: Carolin Martlew

Job Title: Interim Group Head of Finance and Section 151 Officer

Contact Number: 01903 737558

### **BACKGROUND DOCUMENTS:**

Minutes of Environment Committee Meeting of 14 July 2022;

Report to Environment Committee of 14 July 2022 - Options for introducing further controls on the quality of Houses in Multiple Occupation

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# Public Document Pack

Subject to approval at the next Environment Committee meeting

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## ENVIRONMENT COMMITTEE

14 July 2022 at 6.00 pm

Present: Councillors Chace (Vice-Chair, in the Chair), Bicknell, English, Goodheart, Huntley, Needs, Thurston, Warr and Worne

[Councillor English left the meeting during discussion of Minute 142 and was absent for the remainder of the items]

### 135. APOLOGIES

Apologies for absence had been received from Councillors Edwards and Pendleton.

### 136. DECLARATIONS OF INTEREST

Councillor Goodheart declared a Personal Interest in Agenda Items 7, 8 and 10 as a Member of Bognor Regis Town Council.

Councillor Needs declared a Personal Interest in Agenda Items 8 and 10 as a Member of Bognor Regis Town Council.

Councillor Warr declared a Personal Interest in Agenda Items 10 as a Member of the Bognor Regis Beach Access Team.

### 137. MINUTES

The Minutes of the meeting held on 19 May 2022 were approved by the Committee. These would be signed at the end of the meeting.

### 138. ITEMS NOT ON THE AGENDA THAT THE CHAIRMAN 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 matters for this meeting.

Environment Committee - 14.07.22

139. PUBLIC QUESTION TIME

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

140. OUTSIDE BODIES

There were no updates from Members regarding Outside Bodies.

141. EXIT STRATEGY FOR WITHDRAWAL OF THE 1-2-3 FOOD WASTE & ABSORBENT HYGIENE PRODUCTS (AHP) COLLECTIONS

Upon the invitation of the Chair, the Environmental Services & Strategy Manager presented the report to the Committee. He explained the report sought Committee approval on the timing of the early withdrawal from the 1-2-3 Food Waste Collection Trial, due to the discontinuation of funding from West Sussex County Council (WSSCC). Following the Committee decision at the last meeting, which had been to retain a weekly residual service from black sacks until such time that the Government mandated food waste collections to all household, WSSCC through the Joint Project Board had questioned the added value of continuing the 1-2-3 collections in the trial area and had concluded that continuing the collections in the trial area would not present the best use of their Recycling Improvement Fund.

It was recommended that the trial continue until the end of September which would allow a coordinated exit strategy and appropriate resident communications. There was a financial implication which was noted in the report.

The Environmental Services & Strategy Manager stated that the trial had provided some significant learning and data which would be useful and could be applied to future roll-out of a food collection service when this was mandated in the future.

Members then took part in a question-and-answer session and the following points were made:

- Disappointment was expressed by Councillor Thurston, who wanted this to be recorded. Councillor Thurston felt the wrong decision had been made at the last meeting, and that this was a backwards step, she thanked the Officers for their work.
- It was asked whether the exit strategy had been drawn up. The Environmental Services & Strategy Manager explained the exit strategy would be drawn up after the Committee had made their decision.

- Clarification was sought around which budget the £35,000 would come from, which it was confirmed would only be required if Committee decided to retain the 1-2-3 trial until the end of January 2023.
- Clarification was sought on the Absorbent Hygiene Products (AHP) collection, which the Environmental Services & Strategy Manager confirmed was part of the trial and would be stopping.
- Further disappointment was expressed.
- Questions were asked regarding electric vehicles and seagull proof bags, which the Environmental Services & Strategy Manager would circulate information about outside of the meeting.
- It was stated the Council should press on with 1-2-3 collection as soon as possible.

The recommendations were Proposed by Councillor English and Seconded by Councillor Bicknell.

The Committee

RESOLVED – That

1. The withdrawal of the 1-2-3 collections to residents from the end of September 2022 be approved.
2. Approval be given to fund the remaining collection costs until the point from existing Neighbourhoods Group budgets.

142. OPTIONS FOR INTRODUCING FURTHER CONTROLS ON THE QUALITY OF HOUSES IN MULTIPLE OCCUPATION

*[Councillor English left the meeting during discussion of this Item]*

Upon the invitation of the Chair, the Group Head of Technical Services presented the report to the Committee. He explained that at Full Council in February 2020 a Motion asked Officers to investigate means of improving the quality and standard of Houses in Multiple Occupation (HMOs) within the District. At the Housing and Customer Services Working Group meeting on 5 November 2020 Members recommended to Cabinet to continue to research and gather further evidence to help establish whether additional HMO licensing or Selective Licensing of the private rented sector was justified. This decision was approved by Cabinet on 14 December 2020 and Officers instigated the process of procuring the services of a company to undertake the required additional research and provision of a supporting report.

Environment Committee - 14.07.22

This report provided a summary of the findings from the research undertaken and set out recommendations for additional controls that could be implemented to manage the quality of HMOs. The research supported the ability of the Council to introduce additional HMO licencing or Selective Licencing in three wards, which were Marine, River and Hotham. Data suggested there were issues of disrepair of houses, anti-social behaviour and deprivation in those wards. Selective Licencing would apply to the whole of the private rented sector, requiring landlords to obtain tenant references as the aim was to reduce anti-social behaviour. Additional HMO licencing would allow properties comprised of 2 or more households and 3 or 4 people to be licenced. In addition, any self-contained flats which were not fully building regulation compliant and in blocks where less than two thirds were owner-occupied would also fall within the additional HMO licencing regime. The benefits of introducing additional HMO licencing in the three Wards would be the requirement of certain amenity standards; to enable a fit and proper person check to be carried out on the Landlord; and to enable the council to undertake proactive inspections, a proportion of which were cost-recoverable under licencing fees. Introducing additional HMO licencing fit within the council's Vision. The recommendations were then explained to the Committee.

Members then took part in a question-and-answer session and the following points were made:

- Clarification was sought on the data, which was provided by the Group Head of Technical Services
- It was asked what would be considered 'appropriate action' in paragraph 1.19. The Senior Environmental Health Officer for Private Sector Housing explained the council already had detailed standards which sat behind the summarised sentence, which were not appended to the report but were available.
- Was additional HMO licencing expected to resolve issues of disrepair, deprivation and anti-social behaviour? The Group Head of Technical Services explained that the purpose of the licence was to increase the standard of HMOs within the District.
- It was asked whether the Committee would hear the result of the consultation, which it was confirmed they would.
- Clarification was requested regarding funding the additional staff and ongoing costs which was provided by the Group Head of Technical Services.
- Support was offered for the recommendations.
- It was suggested that HMOs could be required to provide adequate waste storage areas.
- One Member expressed the view that the number of HMOs in the area should be reduced.

The recommendations were Proposed by Councillor Bicknell and Seconded by Councillor Thurston.

The Committee

RESOLVED

1. That they agreed to instigating the consultation process subject to funding being approved for a proposed additional licensing scheme for houses in multiple occupation for the wards Marine, Hotham and River, to cover privately rented properties occupied by three or four people making up two or more households and properties converted into self-contained flats that meet the definition of Section 257 HMOs at a cost of £40,000.

The Committee also

RECOMMEND TO THE POLICY & FINANCE COMMITTEE AND FULL COUNCIL

1. That a supplementary estimate of up to £40,000 for additional resources to support the consultation process required to implement the additional licensing scheme for houses in multiple occupation be approved. This is a Band D Council Tax equivalent of 63p.

143. POTENTIAL INCREASE IN THE NUMBER OF DESIGNATED BATHING WATERS IN ARUN DISTRICT

Upon the invitation of the Chair, the Engineering Services Manager presented this report to the Committee. He explained that since the report had been written the role of Director of Services had now been re-titled Director of Environment and Communities, so the recommendation was now slightly amended to reflect this change. The report sought authority to undertake the necessary investigation and survey work and then if appropriate to make representation to the Department for Environment Food and Rural Affairs (DEFRA), to increase the number of designated Bathing Waters in Arun District. The water sampling would be carried out by the Environment Agency (EA), so there would be no cost to Arun, and it would show the bathing water qualities at more points across the District, not just the six existing designated bathing water areas.

Members then took part in a question-and-answer session and the following points were made:

- Potential location of any new designated bathing waters. The Engineering Services Manager explained they were looking at West of the River Arun, potentially West Beach. The areas being looked at would be feasible in terms of facilities for users and landowners' agreement.
- It was felt important the EA sample the water for a broader picture.

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- It was requested that a copy of the water sampling points be circulated to Members of the Committee, which the Engineering Services Manager agreed to do after the meeting.

The recommendations were Proposed by Councillor Worne and Seconded by Councillor Huntley.

The Committee

RESOLVED – That

1. Investigations, survey work and public consultation to ascertain whether or not any targeted beaches of the Arun District Council coastline, anticipated to meet the criteria for designating Bathing Waters, warrant a request to Department for Environment Food and Rural Affairs (Defra), to designate them as Bathing Waters under the Bathing Waters Regulation 2013, be approved.
2. The Director of Environment and Communities be authorised, in liaison with the Chair of Environment Committee to request that Defra considers designating any beaches found under 1 above to be suitable for designation.

#### 144. KEYSTONE YOUTH CENTRE UPDATE

Upon the invitation of the Chair, the Group Head of Environment and Climate Change explained that the report was for the information of the Committee. He confirmed that the tenders had come in and were higher than budgeted for, so Littlehampton Town Council were examining options on that.

The Chair updated that it would be discussed at a Littlehampton Town Council Extraordinary Full Council Meeting next Thursday.

Members then took part in a question-and-answer session and the following points were made:

- It was asked where the additional funding would come from, which it was explained, would be for the Littlehampton Town Council to determine.
- Support was offered for this and it was hoped Arun would continue to support other youth projects around the District.

145. BOGNOR REGIS BEACH ACCESS WORKING PARTY - 06 JULY 2022

The Chair of the Bognor Regis Beach Access Working Party gave an update to the Committee. She explained that the survey results had been received, and there had been a great response to this. 588 people had completed the survey, and 4 members of the public had attended the second meeting of the Working Party to give verbal submissions. The evidence was now being looked at by Members of the Working Party and the Officers and a final report was due to come back to Environment Committee on November 17 2022.

It was asked where the location of the potential access would be. The Chair of the Bognor Regis Beach Access Working Party explained that there was no fixed idea of location yet as the evidence was still being assessed.

146. WORK PROGRAMME

Upon the invitation of the Chair, the Group Head of Environment and Climate Change introduced the Work Programme.

An update regarding the electricity supply at Place St Maur was requested. The Group Head of Environment and Climate Change explained that they were waiting for the electricity supply to be connected, as the supplier were yet to provide the meter. Daily updates were being requested from the supplier. It was asked whether an update could be provided on whether this would be sufficient to power the ice rink. This would be circulated after the meeting.

It was asked whether an update on tree planting could be provided at the next meeting. The Group Head of Environment and Climate Change explained that September would be too early for a tree planting update as it was too early in the season, but they would look at the November meeting.

The Work Programme was noted.

(The meeting concluded at 7.10 pm)

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