



Public Document Pack

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

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[Arun District Council](#)

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6 March 2023

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 15 March 2023** at **6.00 pm** in the **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 by 5.15 pm on **Tuesday, 7 March 2023** in line with current Council Meeting Procedure Rules.

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

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

Members and Officers should make their declaration by stating:

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

3. PUBLIC QUESTION TIME

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

To approve as a correct record the Minutes of the Special Meetings of the Council held on 1 and 9 March 2023, which will be circulated separately to this agenda.

7. CHAIRMAN'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. **USE OF URGENT POWERS BY THE CHIEF EXECUTIVE - LITTLEHAMPTON HARBOUR BOARD FUNDING** (Pages 1 - 4)

The Council was approached by the Littlehampton Harbour Board for support in their grant fund application to the Department for the Environment Food, & Rural Affairs. The Harbour Board requested match funding of £262,500 from Arun District Council, if their grant fund application is approved. This is likely to save the Council circa £740,000 by accessing DEFRA funding.

10. **CALENDAR OF MEETINGS FOR 2023/2024** (Pages 5 - 8)

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

The draft calendar for the new Municipal Year is attached.

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

11. **CORPORATE SUPPORT COMMITTEE - 19 JANUARY 2023** (Pages 9 - 30)

The Chair of the Corporate Support Committee, Councillor Dendle, will present recommendations from the meeting of the Corporate Support Committee held on 19 January 2023. .

The recommendations for Council to consider are set out below:

- Minute 594 [Pay Policy Statement 2022]. The Minutes along with the Officer's report and Appendices are attached.

12. **HOUSING & WELLBEING COMMITTEE - 25 JANUARY 2023** (Pages 31 - 56)

The Chair of the Housing & Wellbeing Committee, Councillor Pendleton, will present recommendations from the meeting of the Housing & Wellbeing Committee held on 25 January 2023.

The recommendations for Council to consider are set out below:

- Minute 606 [Housing Revenue Account Business Plan (HRABP)]. The Minutes along with the Officer's report are attached.

13. **PLANNING POLICY COMMITTEE - 26 JANUARY 2023** (Pages 57 - 88)

The Chair of the Planning Policy Committee, Councillor Bower, will present recommendations from the meeting of the Planning Policy Committee held on 26 January 2023.

The recommendations for Council to consider are set out below:

- Minute 625 [Local Development Scheme (LDS) Update]. The Minutes along with the Officer's report are attached.

14. POLICY & FINANCE COMMITTEE - 9 FEBRUARY 2023 (Pages 89 - 108)

The Chair of the Policy & Finance Committee, Councillor Gunner, will present recommendations from the meeting of the Policy & Finance Committee held on 9 February 2023.

The recommendations for Council to consider are set out below:

- Minute 677 [Anti-Slavery Pledge]. The Minutes along with the Officer's report are attached.

15. STANDARDS COMMITTEE - 23 FEBRUARY 2023 (Pages 109 - 152)

The Chair of the Standards Committee, Councillor English, will present recommendations from the meeting of the Standards Committee held on 23 February 2023.

The recommendations for Council to consider will be circulated with the minutes which will be attached separately to this agenda, they relate to:

- Review of the Local Assessment Procedure and Assessment Panel Procedure – the Officer's report is attached.
- Review of Social Media Guidance – the Officer's report is attached.

16. AUDIT & GOVERNANCE COMMITTEE - 28 FEBRUARY 2023 (Pages 153 - 202)

The Chair of the Audit & Governance Committee, Councillor Clayden, will present recommendations from the meeting of the Audit & Governance Committee held on 28 February 2023.

The recommendations for Council to consider will be circulated with the minutes which will be attached separately to this agenda, but relate to:

- Treasury Management – Strategy Statement and Annual Investment Strategy – the Officer's report is attached.

17. POLICY & FINANCE COMMITTEE - 7 MARCH 2023 (Pages 203 - 218)

The Chair of the Policy & Finance Committee, Councillor Gunner, will present recommendations from the meeting of the Policy & Finance Committee held on 7 March 2023.

The recommendations for Council to consider will be circulated with the minutes which will be attached separately to this agenda but relate to:

- Capital Strategy 2023-24 to 2026/27 – the Officer's report is attached.

18. MOTIONS

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

19. QUESTIONS FROM MEMBERS [WITH ADVANCE NOTICE - 30 MINUTES]

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

20. COMMITTEE MEMBERSHIPS

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

21. 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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REPORT TO:	Full Council – 15 March 2023
SUBJECT:	Use of urgent powers by the Chief Executive – Littlehampton Harbour Board Funding
LEAD OFFICER:	James Hassett – Chief Executive
LEAD MEMBER:	Councillor Shaun Gunner
WARDS:	Wards within Littlehampton
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
Supporting the Littlehampton Harbour Board within the Arun District	
DIRECTORATE POLICY CONTEXT:	
In line with the Councils Constitution and the Use of Chief Executive’s Urgent Powers.	
FINANCIAL SUMMARY:	
This report details the use of urgent powers by the Chief Executive on 2 February 2023 in order to provide match funding of £262,500 to the Littlehampton Harbour Board.	

1. PURPOSE OF REPORT

- 1.1. This report details the use of urgent powers by the Chief Executive on 2 February 2023 in order to provide match funding to the Littlehampton Harbour Board for the amount of £262,500.

2. RECOMMENDATIONS

- 2.1 It is recommended to Full Council to note the use of the Chief Executive’s urgent powers.

2. EXECUTIVE SUMMARY

- 2.1. The Council was approached by Littlehampton Harbour Board for support in their grant fund application to the Department for the Environment Food, & Rural Affairs. The Harbour Board requested match funding of £262,500 from Arun District Council, if their grant fund application is approved. This is likely to save the Council circa £740,000 by accessing DEFRA funding.

3. DETAIL

- 3.1. Littlehampton harbour sits at the centre of one of the most deprived areas of West Sussex and its activities support a vibrant fleet of 7 commercial fishing vessels as well as a charter and other angling communities.

- 3.2. The 1920s structures at the harbour's entrance, the mouth of the River Arun, are now at the end of their planned life. Recent damage has resulted in closure of the harbour to certain larger commercial vessels as well as the closure of facilities on West Beach to the public. Left unaddressed further failures will follow potentially closing the port to its fishing fleets.
- 3.3. The waters off Littlehampton are almost uniquely diverse in terms of aquatic habitats. The Kingmere Marine Conservation Zone is an internationally renowned breeding ground for Black Bream. The local combination of chalk and rock reefs as well as sand and shingle bars make the fishing grounds rich and diverse.
- 3.4. Loss of access to Littlehampton harbour would almost certainly mean the loss of its commercial fishing fleet, and the ~175 tonnes per annum of catch it lands, as relocation options involve significant extra transit times and other hardships to the crews.
- 3.5. Littlehampton Harbour Board submitted a grant fund application to The Department for the Environment Food, & Rural Affairs requesting funding to protect both the local fishing and broader coastal community from the tragic loss of fishing infrastructure and livelihoods.
- 3.6. Arun District Council has committed to provide half of the 25% match funding required for the works which is a total of £262,500. This is a 12.5% contribution towards a £2.1 million project total. This funding is required by Trust Ports applying to this grant scheme on the understanding that the other 12.5% is covered by West Sussex County Council. West Sussex County Council has also committed to providing this funding. This money is towards the project's £2.1million total cost for phase 1 which would take place between April and December 2023. This funding can be made available from 1 April 2023.
- 3.7. Under Paragraph 5 of the Budget and Policy Framework Procedure Rules in the Constitution, a committee, sub-committee, joint committee or officer discharging functions of the council may take a decision which is contrary to the approved budget or Policy Framework if the decision is a matter of urgency. However, the decision may be taken only:
 - a) if it is not practical to convene a quorate meeting of the full council; and
 - b) if the Chair of the Policy and Finance Committee and the Leader of the Opposition agree that the decision is a matter of urgency."
- 3.8. The Harbour Board had to submit their grant fund application by 3 February 2023 and therefore the urgency of this matter meant that it was not possible to convene a meeting of the Council to agree to the funding from Arun District Council.
- 3.9. The agreement of the Chair of the Policy and Finance Committee and the Leader of the Opposition to the decision being taken as a matter of urgency was sought by the Chief Executive on 2 February 2023 and approval was given by both Councillors on that date.

- 3.10. The Rules go on to state at 5.4 that following the decision, the decision-taker will provide a full report to the next available Full Council meeting explaining the decision, the reasons for it, and why the decision was treated as a matter of urgency. This is the reason for this report to Full Council today.
- 3.11. The Section 151 officer has confirmed that the £262,500 would be allocated from in year underspends.

4. CONSULTATION

- 4.1. Consultation was undertaken by the Chief Executive with the Leader of the Council and the Deputy Leader of the Opposition on 2 February 2023 and approval for the use of the Chief Executive's urgent powers to agree to this funding was approved.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. To not provide the funding would mean that the grant application would fail and that Arun District Council would be liable for an additional £740,000.

6. COMMENTS BY THE GROUP HEAD OF COPRORATE SUPPORT/SECTION 151 OFFICER

- 6.1. I confirm that I have been consulted and the revenue funding can be set aside from the current year underspends to support the bid if successful. The actual method of financing will depend on whether the contribution is in the form of additional precept or a capital grant.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. This measure was taken to reduce the financial risk to the Council. There are no other major risks associated with this action.

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 9.1 The urgent action was taken by the Chief Executive in accordance with the Constitution and this report sets out both the rationale for that urgency decision and the substantive background to the decision.

9. HUMAN RESOURCES IMPACT

- 9.1. None

10. HEALTH & SAFETY IMPACT

- 10.1. There are no direct Health and Safety impacts on the Council, however the Health and Safety of the general population would be impacted if the Harbour works were not to proceed with urgency.

11. PROPERTY & ESTATES IMPACT

11.1. None

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. None

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. None

14. CRIME AND DISORDER REDUCTION IMPACT

14.1. None

15. HUMAN RIGHTS IMPACT

15.1. None

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. None

CONTACT OFFICER:

Name: James Hassett

Job Title: Chief Executive

Contact Number: 01903 737600

BACKGROUND DOCUMENTS: *None*

MEETING DATES 2023/24

Draft for Consultation following Group Leaders Meeting held on 20 February 2023

	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023
Mon	1 Bank Holiday		3			2 Cons Party Conf Week
Tues	2		4 LGA Conference	1		3
Wed	3		5 LGA Conference	2		4
Thurs	4 District Elections	1	6 LGA [finishes am] Member Induction [repeat of 21 June]	3		5 Economy (2)
Fri	5 Count	2	7	4	1	6
Mon	8 Bank Holiday	5	10 Licensing Sub [if needed]	7	4	9 Labour Party Conf Week
Tues	9	6 Induction Session for Licensing – day	11 Policy & Finance (1)	8	5	10
Wed	10 Induction Session – drop in day and evening	7 Planning	12 Planning	9 Planning	6 Planning	11
Thurs	11 Induction Session - day	8 Planning Policy (1)	13	10	7 Environment (2)	12 Corporate Support (2)
Fri	12	9	14	11	8	13
Mon	15	12	17	14 Licensing Sub [if needed]	11 Licensing Sub [if needed]	16 Licensing Sub [if needed]
Tues	16 Induction Session - day	13 Economy (1)	18 Hold – Member Induction [A&G] - Evening	15	12 Housing & Wellbeing (2)	17
Wed	17	14 Annual Council Reception	19 Council (1)	16	13	18 Planning
Thurs	18 Induction Session - day and evening	15 Environment (1)	20 Standards (1)	17	14	19
Fri	19	16	21	18	15 Licensing (2)	20
Mon	22	19	24 School holidays	21	18 Lib Dem Party Conf Week [tbc]	23 – half term
Tues	23	20 Housing & Wellbeing (1)	25 Audit & Governance (1)	22	19	24
Wed	24 Induction Session [evening] – Planning	21 Member Induction – Day - SEEMP	26	23	20	25
Thurs	25 Induction session [Day] – Planning [repeat of 24 th]	22 Induction Session [Treasury Management] – Evening	27	24	21 Planning Policy (2)	26 Policy & Finance (2)
Fri	26 Induction Session - Licensing [day]	23 Licensing (1)	28	25	22	27
Mon	29 Half Term/Bank Holiday	26	31	28 Bank Holiday	25	30
Tues	30	27 Corporate Support (1)		29	26	31 Standards (2)
Wed	31 Annual Council	28 Special Planning		30	27	
Thurs		29 Standards Induction - Evening		31	28 Audit & Governance (2)	
Fri		30			29	

MEETING DATES 2023/24

Draft for Consultation following Group Leaders Meeting held on 20 February 2023

	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024
Mon			1 Bank Holiday			1 Easter Holidays –	
Tues			2			2	
Wed	1		3			3	1
Thurs	2		4	1 Economy (3)		4	2 General Election ?
Fri	3	1	5	2	1	5	3
Mon	6	4	8	5	4	8	6 Bank Holiday
Tues	7	5	9	6	5	9	7
Wed	8 Council (2)	6 Policy & Finance (3)	10 Council (3)	7	6	10	8
Thurs	9	7	11	8 Policy & Finance [For the Budget] (4)	7 Policy & Finance (5)	11	9 Council (5)
Fri	10	8 Licensing (3)	12	9	8	12	10
Mon	13 Licensing Sub [if needed]	11 Licensing Sub [if needed]	15 Licensing Sub	12 Half Term	11	15	13
Tues	14	12	16	13	12	16 Economy (4)	14
Wed	15 Planning	13 Planning	17 Planning	14 Planning	13 Council (4)	17	15 Annual Council
Thurs	16	14	18 Standards (3)	15	14	18 Planning Policy (5)	16
Fri	17	15	19	16	15	19	17
Mon	20	18 School Holidays	22	19 Licensing Sub [if needed]	18 Licensing Sub	22 Licensing Sub	20
Tues	21 Environment (3)	19	23 Environment (4)	20	19 Environment (5)	23	21
Wed	22	20	24	21 Special Council [Budget]	20 Planning	24 Planning	22
Thurs	23 Housing & Wellbeing (3)	21	25 Housing & Wellbeing (4)	22	21	25	23
Fri	24	22	26	23 Licensing (4)	22	26	24
Mon	27	25 Bank Holiday	29	26	25	29	27 Bank Holiday
Tues	28 Planning Policy (3)	26 Bank Holiday	30 Planning Policy (4)	27 Audit & Governance (4)	26 Housing & Wellbeing (5)	30 Corporate Support (4)	28
Wed	29	27	31 Corporate Support (3)	28	27 Standards (4)		29
Thurs	30 Audit & Governance (3)	28		29	28		30
Fri		29			29 Good Friday		31

MEETING DATES 2023/24
Draft for Consultation following Group Leaders Meeting held on 20 February 2023

NOTES

Areas shaded in green are school holidays and Bank Holidays

Other Dates Avoided are:

Due to District Elections on 4 May 2023 and a new Bank Holiday on 8 May 2023 – this has meant that Member Induction has started later than planned

With Annual Council set on 31 May – Committees have started later in the new Municipal Year

Liberal Democrat Party Conference Week – usually 17 to 21 September 2023 – though dates still to be confirmed

Conservative Party Conference Week – 1-4 October 2023

Labour Party Conference Week 8-11 October 2023

Avoiding the Summer School Holidays as much as possible – only exception is Planning in maintaining monthly meetings and Licensing Sub [where required]

Fitting in around the timescales for KPI performance reporting

Fitting in around the timescales that Finance works to in terms of Budget Setting and preparing the Annual Budget and consultation with all Committees as well as Budget Monitoring Report timescales

The Dates for Audit & Governance may have to be adjusted once Ernst & Young – audit deadlines have been confirmed

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Public Document Pack Agenda Item 11

Subject to approval at the next Corporate Support Committee meeting

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CORPORATE SUPPORT COMMITTEE

19 January 2023 at 6.00 pm

Present: Councillors Dendle (Chair), Bennett, Bower, Tilbrook (Substitute for Oppler) and Warr

588. APOLOGIES

Apologies were received from Councillors Buckland, Huntley, Oppler (substituted by Tilbrook), Roberts and Seex.

589. DECLARATIONS OF INTEREST

There were no declarations of interest made.

590. MINUTES

The minutes of the meeting held on 10 November 2022 were approved and signed by the Chair.

591. 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

There were no urgent items presented at this meeting.

592. PUBLIC QUESTION TIME

(Councillor Warr arrived at the start of this item.)

The Chair confirmed that there was 1 public question that had previously been submitted for Full Council meeting that was held on 18 January 2023, where it was decided that the question be referred to this committee to be responded to by the Chair.

This question was then read out by the Committee Manager on behalf of the public questioner, and it was confirmed that a written answer would be provided.

(A schedule of the full questions asked, and the responses provided can be found on the meeting's webpage at: [Public Question Time | Arun District Council](#))

The Chair then drew Public Question Time to a close.

593. COMMITTEE BUDGET REPORT - SERVICE SPECIFIC - BUDGET 2023/24

The Interim Group Head of Finance and S151 Officer introduced the report and explained to members that, due to the significant budget gap for 2023/24, only essential growth items had been put forward for their approval. The main growth item for this committee related to the district election for this year. It was confirmed that would fall out in 2024/25. The growth bids for the committee totalling £109k were summarised in appendix B

The Chair then asked members if there were any questions on the report. As there were no questions the Chair then presented the recommendations and upon the vote;

The Committee

RESOLVED

- (a) Agree the 2023/24 Revenue Budget as illustrated in Appendix A of this report;
- (b) Agree the list of uncommitted growth items as illustrated in Appendix B of this report; and

RECOMMEND TO POLICY & FINANCE COMMITTEE that;

- (c) the Revenue Budget for this Committee be included in the overall General Fund Budget when considering the overall budgets on 9 February 2023.

594. PAY POLICY STATEMENT 2022

The Group Head of Organisational Excellence introduced the report and advised members that it was a statutory requirement for Local Authorities to prepare and publish a pay policy statement each year which set out the current pay and reward policies for each authority. The draft statement covers 2023 – 2024 and included a range of issues relating to the pay of its workforce, including the pay of senior staff and our processes for determining remuneration and several related issues. The contents of the Statement are matters of fact and simply set out current practice.

She stated that a point to note was that at the current time there had been no agreement on the 2023/24 cost of living increases which were negotiated nationally between the Local Government Association (LGA) and the Trade unions. Once agreement was reached the Council's published pay scales which are linked from the pay policy statement would be updated. As background local government employees were awarded a fixed sum of £1,925 last year, and an additional day of leave regardless of pay scale.

In summing up she advised there were two appendices, the Senior Management structure and the most up to date schedule of Elections Fees and Charges which is for 2022/2023 and the schedule for 2023-2024 which would be updated on the website when it was available.

The Chair then invited questions from the Committee where it was asked if it was known when the LGA and Government would come back with their recommendations for the next year. It was confirmed that it wasn't.

As there were no other questions asked the Chair presented the minutes and upon the vote;

The Committee

RECOMMEND TO FULL COUNCIL that it;

- (a) notes the contents of the Pay Policy Statement 2023/24 as set out in Appendix 1.
- (b) the Pay Policy Statement 2023/2024 for publication on the Arun website by 1 April 2023 be approved.
- (c) Gives delegated responsibility to the Group Head for Organisational Excellence to make changes to the Pay Policy Statement should the need arise because of new legislation being introduced or changes to the pay structure resulting from national pay negotiations during the forthcoming year.

595. REVIEW OF UNREASONABLE BEHAVIOUR POLICY

The Group Head of Law & Governance and Monitoring Officer introduced the report and drew members attention to the minor updates contained within the report that had arisen from one complaint that had been subject to a two-stage complaint process and was then reviewed by the investigating officer and the ombudsman. Members were advised that the changes could be seen as highlighted in yellow throughout the appendix.

The Chair then invited questions from members of the Committee, with the exception of one question raised regarding the choice of the word 'retract' that had been used within paragraph 3.1 bullet point 17, there were no other questions raised.

Therefore, the Chair presented the recommendations and upon the vote;

The Committee

RESOLVED

Corporate Support Committee - 19.01.23

That it adopts the revised Unreasonable Behaviour Policy as set out in the Appendix to this report.

596. QUARTER 3 KEY PERFORMANCE INDICATOR REPORT

The Group Head of Organisational Excellence advised members that due to the tight timeline for deadlines for the quarter 3 data, it was necessary for a supplement pack containing Appendix A to be circulated to members separately to the agenda. She also reminded members that the trend line could be seen in the final column of Appendix A.

The Chair then invited members to ask questions where the following questions were asked;

- It was great to see the improvement to the CP1 and CP2 stage 1 and 2 figures was this improvement due to the recruitment of the additional member of staff. The Group Head of Law & Governance and Monitoring Officer confirmed that the recruitment had not yet been completed, however the Information Management Manager had completed a review of internal processes and had implemented some changes due to this review and he believed that this was the reason for the improvement that had been recorded for quarter 3.
- CP5, Staff turnover is showing as 66 leavers over the year, however it shows over 30 retirements or end of fixed term contracts? Do you know how many were retirement or end of fixed term contracts? Also is states there have been 36 voluntary resignations and this seems very high are there any trends on these resignations? It was confirmed by the Group Head of Organisational Excellence that these figures were not where the council want it to be. There had been some streamlining to the recruitment process completed already. A written answer will be provided to you for the first parts of your question.
- It was strongly recommended that staff turnover should be targeted and that officers should consider and implement a target for this. The Group Head of Organisational Excellence stated that the figures in front of members for this in Appendix A was a baseline figure as it had not been reported previously.
- CP4 Sickness absence, how do the figures compare to a pre pandemic level. A written answer was promised.
- CP5, The Committee requested that the number of agency staff employed across the council/departments should also be reported. It was confirmed that it would be complicated to breakdown for reporting purposes. It was also confirmed that the senior management team were actively looking at this topic along with reviewing key issues how to reduce the number of agency staff where possible. Despite reassurance Members were still

keen to understand the number of agency staff versus employed council staff and the costs associated with this.

The Committee then noted the report.

597. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

There were no updates for this meeting.

598. WORK PROGRAMME

The Chair invited officers and members to make comment on the Work Programme of the committee.

One member gave thanks to the Chair and Officers for the work the committee had completed this last year.

One member queried when the Boundary Review item would appear on the work programme as it had been agreed at Full Council in November that this work should be reviewed by this committee. It was confirmed by the Head of Law & Governance and Monitoring Officer that it would be included in the programme of work for the next civic year, with a report to be brought to the first meeting of the committee of the 2023/24 year.

- The Committee then noted its work programme for 2022/23 had been completed for this civic year.

(The meeting concluded at 6.27 pm)

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Arun District Council

REPORT TO:	Corporate Support Committee – 19 January 2023
SUBJECT:	Pay Policy Statement 2023 – 2024
LEAD OFFICER:	Jackie Follis, Group Head of Organisational Excellence
LEAD MEMBER:	Councillor Paul Dendle
WARDS:	N/A
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: It is a statutory requirement under the Localism Act 2011 for Local Authorities to prepare and publish their Pay Policy Statement and therefore a priority of the Council that this legal obligation is met. It is also important that the Council's pay policy is available and transparent to elected members, staff, staff representatives and the public.	
DIRECTORATE POLICY CONTEXT: The Pay Policy Statement reflects existing pay and reward policies and guidance as agreed by the Joint Consultation Panel where appropriate.	
FINANCIAL SUMMARY: The Pay Policy Statement outlines current pay policies. There have been no cost-of-living increases agreed yet for the year 2023/24 and the financial implications of national negotiations is unknown at the time of publication of this report.	

1.0 PURPOSE OF REPORT

- 1.1. The Localism Act 2011, section 38 (1) requires that local authorities prepare an annual Pay Policy Statement. This paper introduces the draft Pay Policy Statement for 2023/2024 (attached) and asks members to approve it.

2.0 RECOMMENDATIONS

- 1.2. The Committee is requested to recommend to Full Council: -
- (a) To note the contents of the Pay Policy Statement 2023/24 as set out in Appendix 1.
 - (b) To approve the Pay Policy Statement 2023/2024 for publication on the Arun website by 1 April 2023.
 - (c) To give delegated responsibility to the Group Head for Organisational Excellence to make changes to the Pay Policy Statement should the need arise because of new legislation being introduced or changes to the pay structure resulting from national pay negotiations during the forthcoming year.

2. EXECUTIVE SUMMARY

- 2.1. The Council's Pay Policy Statement is reviewed and approved annually by Full Council and is published on the Council's website. The statement must be approved annually before 31 March each year prior to the financial year to which it relates.

4.0 DETAIL

- 2.2. The Localism Act 2011, Section 38(1) requires that local authorities prepare an annual Pay Policy Statement (The Statement). Each Local Authority is an individual employer and so the Statement should set out the authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. This statement must be prepared for each financial year and must be approved by Full Council ready to be published by April 2023.
- 2.3. The Statement sets out our processes for determining remuneration and several related issues, including the use of bonuses, severance pay, enhancement of pension entitlement, allowances etc.
- 2.4. At this current time there has been no agreement regarding the 2023/2024 annual cost of living increases which are negotiated on behalf of councils between the Local Government Association and Trade Unions. Once agreement is reached, the Council's published pay scales, which are linked from the Pay Policy Statement, will be updated.
- 2.5. The Pay Policy Statement for 2023/ 2024 is attached with its two appendices: the Senior Management Structure, and the most up to date schedule of Elections Fees and Charges, which is the schedule for 2022-2023 as agreement has not been reached about the Elections Fees and Charges for 2023-2024.

5.0 CONSULTATION

- 2.6. The contents of the Statement are matters of fact and simply set out current practice therefore formal consultation is not required.

6.0 OPTIONS / ALTERNATIVES CONSIDERED

- 2.7. No other options were considered, this is part of our statutory duty under the Localism Act 2011.

7.0 COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER

- 2.8. No comment

8.0 RISK ASSESSMENT CONSIDERATIONS

- 2.9. The requirement to review the Pay Policy Statement annually will be met for 2023/24 when the Statement is considered by Full Council and published on 1 April.

9.0 COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1 The policy meets the requirements of the Localism Act 2011 and all other relevant legislation.

10.0 HUMAN RESOURCES IMPACT

10.1 The Pay Policy Statement reflects existing policies and procedures on pay and reward.

11.0 HEALTH & SAFETY IMPACT

11.1 Not Applicable

12.0 PROPERTY & ESTATES IMPACT

12.1 Not Applicable

13.0 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1 The Pay Policy Statement reflects current policy in relation to pay and reward. The impact on the equality of these policies would have been assessed at the time they were adopted by the Council.

14.0 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1 Not Applicable

15.0 CRIME AND DISORDER REDUCTION IMPACT

15.1 Not Applicable

16.0 HUMAN RIGHTS IMPACT

16.1 Not Applicable

17.0 FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1 It is a requirement that the Council's Pay Policy Statement is published and accessible to the public.

CONTACT OFFICER:

Name: Karen Pearce
Job Title: Human Resources Manager
Contact Number: 01903 737807

BACKGROUND DOCUMENTS:

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ARUN DISTRICT COUNCIL Pay Policy Statement Financial Year 2023 – 2024

1. Purpose

- 1.1 This Pay Policy Statement (Statement) is provided in accordance with Section 38(1) to 43 of the Localism Act 2011 and the Statement will be updated annually from April each year.
- 1.2 The Statement sets out Arun District Council's (ADC) policies relating to the pay of its workforce for the financial year 2023 – 2024, in particular:
- The remuneration of its senior management, third tier and above
 - The remuneration of its "lowest paid employees"
 - The relationship between the remuneration of its senior managers and employees who are not senior managers

2. Definitions

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

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

"Chief Officers" refers to the following roles within ADC (Appendix 1):

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

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

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

3. Pay Framework and Remuneration Levels

3.1 Remuneration for staff up to and including Director Level

3.1.1 *Determining the Grades of Posts*

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

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

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

3.2 *Pay Structure and Pay Increases*

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

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

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

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

3.3 **Remuneration of the Chief Executive**

3.3.1 At recruitment stage, the starting salary of the Chief Executive is decided at Full Council. Thereafter, annual pay awards are determined by the Joint Negotiating Committee for Chief Executives of Local Authorities. The Chief Executive does not receive any additional payment other than fees in connection with election duties in the role of Returning Officer. Election fees are set out annually in the 'Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums', attached as Appendix 2. Increases to election fees have not yet been agreed for 2023/24.

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

4.0 Publication of Chief Officer Salaries including the Chief Executive

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

4.2 A structure chart showing the membership of the Senior Management Team is attached to this document as Appendix 1.

5 Other Pay Elements

5.1 Market Supplements

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

5.2 Honoraria/Honorariums

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

5.3 Other Allowances

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

5.3.2 Payments made to staff working during elections, polls and referendums will be in line with the Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums, as attached at Appendix 3.

6 Pensions

- 6.1 All employees are eligible to join the Local Government Pension Scheme (LGPS). Full details of the scheme can be found at www.lgps.org.uk. The LGPS is a contributory scheme and contributions are made by both the employer and the employee. The level of contribution is dependent on the employee's earnings.
- 6.2 The LGPS requires employers to prepare and publish a written policy on its discretionary powers in relation to pensions. These are known as the Council's Pension Discretions; they are reviewed annually and can be found on the Council's intranet.

7 New Starters Joining the Council

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

8 Termination of Employment

- 8.1 All employees who leave the Council's employment are entitled to payment of their contractual notice (except in cases of summary dismissal following disciplinary proceedings) along with any outstanding holiday pay.
- 8.1.2 The Council has determined that a vote by the Council regarding severance payments is not required. This is because the Joint Consultative Panel agrees all pay policies including those affecting severance payments. All severance payments are paid in accordance with Council policy and in compliance with employment legislation.
- 8.2 *Redundancy Payments*
- 8.2.1 Redundancy payments are payable to employees whose post is made redundant and the post holder has two years' service or more. ADC's redundancy payments are determined by the age of the employee and length of service and are based on actual salary. Details of how the redundancy payment is calculated is set out in the Council's redundancy policy.
- 8.2.2 There is no local discretion to increase an employee's total pension scheme membership or award additional pension except in exceptional circumstances where compassionate grounds apply.
- 8.3 *Settlement Agreements*

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

8.4 *Re-employment of Officers*

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

9 **Relationship between remuneration of “Chief Officers and “employees who are not Chief Officers”**

9.1 The mean average remuneration for the 2023/2024 budget is £45,571 and the highest paid employee £167,184. This includes all allowances and employers pension contributions at 17.5%. The pay multiple between the two is 3.67. This is based on current pay scales and excludes a national pay award for 23/24 budget as this is currently unknown.

In comparison, the mean average remuneration for the 2022/2023 budget was £40,050 and the highest paid employee £151,750. This included all allowances and employers pension contributions at 21.4%. The pay multiple between the two was 3.79. This was based on 2021/22 pay scales.

9.2 The lowest paid employee is at £17,716 and the highest paid employee £167,184. This includes allowances and employers pension contribution at 17.5% and the pay multiple between the two is 9.42*. This is based on current pay scales and excludes a national pay award for 23/24 budget which is currently unknown.

In comparison, for the 2022/2023 budget, the lowest paid employee was at £15,020 and the highest paid employee £151,750. This included allowances and employers pension contribution at 21.4%. The pay multiple between the

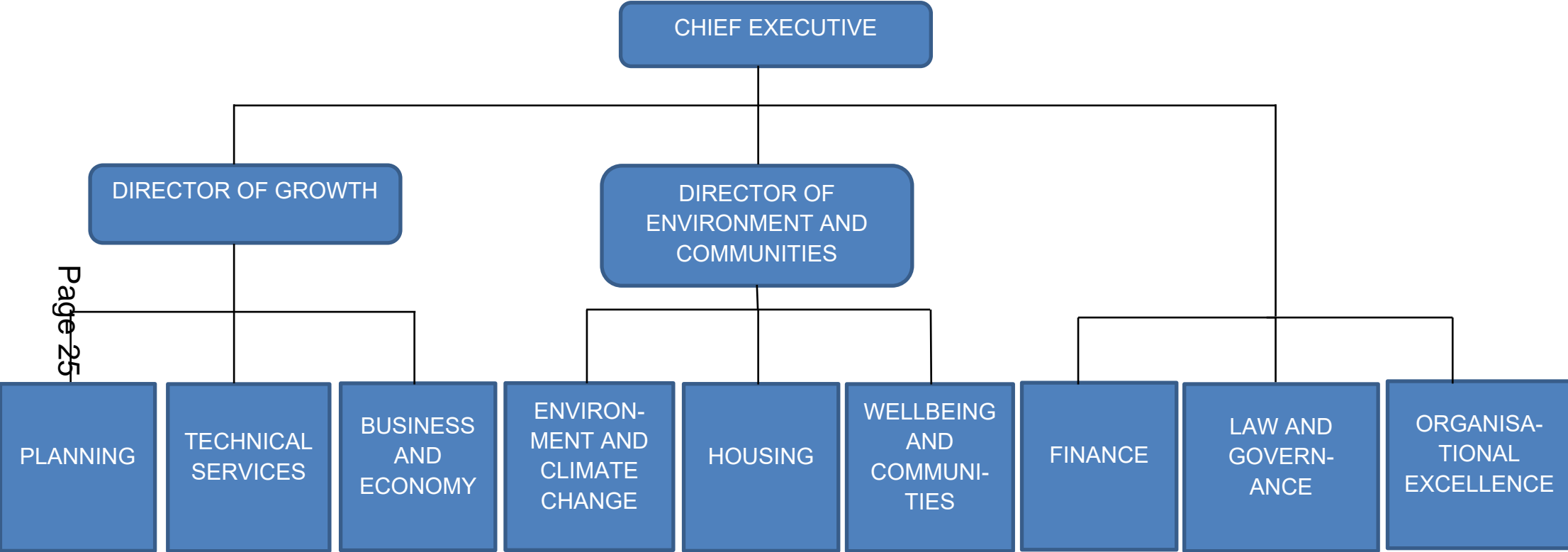
two was 10.10*. This was based on 2022/23 pay scales, excluding a national pay award.

*note that this includes apprentice pay. The multiplier excluding apprentice pay is 6.34 for 2023/24 (this was 7.57 in 2022/23).

Date approved by Full Council

APPENDIX 2 - SENIOR MANAGEMENT TEAM STRUCTURE CHART 2023

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SCALE OF RETURNING OFFICERS EXPENDITURE FOR LOCAL GOVERNMENT ELECTIONS, POLLS AND REFERENDUMS IN HELD WEST SUSSEX 2023/2024

The rates which will apply from 1 April 2023 are as follows:

	Rate from April 2023	Annual increase (£)	Annual increase (per cent)
National Living Wage	£10.42	0.92	9.7
21-22 Year Old Rate	£10.18	1.00	10.9
18-20 Year Old Rate	£7.49	0.66	9.7
16-17 Year Old Rate	£5.28	0.47	9.7
Apprentice Rate	£5.28	0.47	9.7
Accommodation Offset	£9.10	0.40	4.6

PART A – PERSONAL FEE FOR RETURNING OFFICER’S SERVICES

- A.1 Personal fee in respect of each electoral area for executing all the statutory duties of the Returning Officer for the conduct of the election, including the appointment of Deputy Returning Officers, the publication of prescribed notices, the distribution preparation, verification and adjudication of candidates’ nomination papers and consents, the provision of polling stations and ballot papers (including the dispatch and receipt of postal ballot papers), the appointment of presiding officers, poll clerks and counting assistants, the dispatch of poll cards, the issue of notifications of secrecy, the supervision of the counting of votes and declaration of the result of poll, the submission of returns and the custody of records.

For all services in an uncontested election or for services up to the close of the withdrawals period in a contested election £79.00

For services after the close of the withdrawals period in a contested election £31.00 for every 500 local government electors (or part 500)

For a countermanded election:-

a) If countermanded before the close of the withdrawals period £79.00

b) If countermanded after the close of the withdrawals period £79.00 plus £16.50

PART B – DISBURSEMENTS BY RETURNING OFFICER

B.1 Staff for polling Stations

a)	Presiding Officer's services	£255.00
b)	Supplementary fee to Presiding Officers for combined polls for district, parish or county elections	£45.50
c)	Poll Clerk's services (one clerk for each 1000 local government electors or part 1000 allocated to a polling station)	£170.00
d)	Supplementary fee to Poll Clerk for combined polls for district, parish or county elections	£30.00
e)	Services of part-time Poll Clerk (where not required for whole of polling hours)	Hourly rate (as proportion of normal fee) on basis of hours employed
f)	Supplementary fee to Presiding Officer who acts as Senior Presiding Officer at a polling place where there is more than one polling station	£15.50
g)	Polling Station Inspector	£255.00
h)	Fee in respect of attendance at training session for up to	£43.50
i)	Polling Station Marshalls/ Stewards	£187.00
j)	Supplementary fee for staff in connection with cleaning the polling station	Up to £35 in addition to the normal fee
k)	Supplementary fee for Presiding Officer to collect and deliver poll booths	£15.00

B.2 Staff for Counting of Votes

a)	Counting Assistant's services (for sorting and counting ballot papers)	£25.00 plus £10.50 per hour, or part, of duration of count proceedings or £25.00 plus £15.50 per hour, or part, of duration if count held overnight
b)	Counting Supervisor's services (for directing Counting Assistant's functions to ensure proper verification of ballot boxes)	£18.50 (responsibility supplement for each electoral area) plus £15.50 per hour (day count), £22.50 per hour (overnight count), or part.
c)	Deputy Returning Officer's services	£44.50 (responsibility supplement for each electoral area) plus the fee for Counting Assistant's services
d)	Fee in respect of Count Supervisors attendance at training up to	£43.50

B.3 Staff for Clerical Assistance

- | | | |
|----|--|--|
| a) | General Assistance for purposes of preparation for the dispatch and receipt of postal ballot papers | £28.50 for every 50 ballot papers (or part of 50) |
| b) | General assistance for all other matters in district, parish or county elections (including completing, handling and dispatch of poll cards) | £8.50 for every 100 electors (or part 100); allowance to be reduced by 5% in parish elections where no poll cards are issued |
| c) | Staff payments in respect of despatch and opening of postal ballot papers | £28.50 per half day session or £10.50 per hour (or part hour) where hourly rate is applicable or £12.00 per hour (or part hour) where working after 5pm is involved or £15.00 per hour (or part hour) where weekend/bank holiday working is involved |
| d) | Postal Vote Supervisor (opening and despatch) | £18.50 plus payment of despatch/opening fee |

Travelling and Subsistence Expenses

- | | | |
|----|--|---|
| a) | Journeys necessarily made for any purposes approved by the Returning Officer in relation to the election proceedings | Actual cost of rail fare (second class) or other forms of public transport. Top allowance on NJC Scale for use of private vehicle |
| b) | Travel Expenses paid to staff in connection with the election | |

Fixed Fee for Presiding Officer	£10.00
Fixed Fee for Poll Clerks/Counting Assistants	£7.00

For those being paid mileage rate	.45p per mile
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B.5 Ballot Boxes and Stamping Instruments

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

B.6 Poll Cards

For hand delivery of poll cards	20p per card
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B.7 All other expenses necessary for the proper conduct of the election proceedings, including the following particular matters:-

- | | |
|----|---|
| a) | Provision, use and fitting up of accommodation for polling stations |
| b) | Provision and transport of equipment for polling stations (e.g. voting compartments, tables and chairs) |
| c) | Provision and publication of notices, poll cards, ballot papers, registers of electors and postal and proxy voters' lists |

- d) Provision of all other stationery and documents
- e) Postage and telephone charges

- f) Compensation for injury to persons or damage to property

Holiday Pay

Holiday pay is to be paid at a rate of 12.07% of the total paid to the staff member on top of their pay, excluding mileage claims

Notes

- 1 The prescribed amounts in the scale are payable in respect of each separate electoral area
- 2 "Electoral area" means any ward/parish/division for which a separate election is held
- 3 The prescribed amounts in the scale are maximum sums and Returning Officers may pay lesser amounts for those items in circumstances where they consider this to be specifically justified
- 4 "Elector" means a person registered as a local government elector in the register for the electoral area concerned.
- 5 Fees for Parish polls will be adjusted according to the workload and timing of the poll.

Public Document Pack Agenda Item 12

Subject to approval at the next Housing and Wellbeing Committee meeting

403

HOUSING AND WELLBEING COMMITTEE

25 January 2023 at 6.00 pm

Present: Councillors Pendleton (Chair), Mrs Cooper (Vice-Chair), Daniells, Mrs English, Gregory, Haywood, Hughes, Madeley, Needs, Thurston and Yeates

Note: The following Councillors were absent from the meeting for consideration of the following items of business Councillor Gregory Minute 599 to Minute 605 (Part) and Councillor Needs Minute 599 to Minute 604 (Part)].

599. APOLOGIES

There were no apologies.

600. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

601. MINUTES

The Minutes of the meeting of the Housing & Wellbeing Committee held on 6 December 2022 were approved by the Committee as a correct record with the Chair confirming that she would sign these at the conclusion of the meeting.

602. 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 items for this meeting.

603. PUBLIC QUESTION TIME

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

Housing and Wellbeing Committee - 25.01.23

604. ARTSWORK PROJECT UPDATE

(Councillor Needs arrived at the meeting at the end of this item.)

The Wellbeing & Communities Manager introduced the report and Beccy East, Programme Manager from Arun Inspires who provided members with a detailed presentation.

The Chair thanked Beccy for her interesting and exciting presentation and invited members to ask any questions they had.

It was commented that the report and presentation contained a lot of detail, which was a joy to hear and look at.

One member queried the number of children that had access to the project and what was the advertisement plan and did this include reaching out to the wider community through parish councils. Beccy confirmed that in terms of promotion it was targeted towards those at risk through schools. Over the last 2 years they had worked 18 local primary schools across the district and the plan was to keep reaching out to new areas of the district. However, a high focus would remain with those who were vulnerable or classed as at risk. She explained that working with Care Council and other youth groups who specifically located in areas of high deprivation. It was confirmed that a target to reach 1,000 children locally year on year was in place. Alongside a further target to work with at least 100 children locally to help them achieve credited qualifications in addition to GCSEs. The aim was to spread this work over the entire district but with a priority to target those most at risk in the first instance.

The Chair stated that the work being completed through this project was really important for the young people of the district, especially after the pandemic. The work Beccy and the team were delivering was vital and she thanked them for it.

The recommendation was then proposed by Councillor Cooper and seconded by Councillor Thurston,

The Committee

RESOLVED

That the funding of £30,000 per year to support the Arun Inspires Programme (phase two) in 2023/24, 2024/25 and 2025/26 subject to satisfactory reviews and the availability of Council resources be approved.

605. SUSSEX POLICE PRECEPT

(Councillor Gregory arrived at the meeting during this item.)

The Wellbeing & Communities Manager introduced the report and advised members that the scheduled Police and Crime Panel meeting to be held on 27 January 2023 would consider the precept for 2023/24 and the proposed precept report was published on the Police & Crime Panel website on 20 January 2023, she confirmed that this was circulated to Members the same day. She then outlined some key findings from the public consultation as well as confirming that there was a proposed £15 per annum household increase on Band D property. She confirmed that the Chair (Cllr Pendleton) would be in attendance at the meeting to be held on 27 January 2023 and that this was the committee's opportunity to express any views they had and provide feedback to the Chair ahead of the meeting.

The Chair then invited members to make any comments they had a summary of the points raised by Councillor Haywood is below;

- It was good to see priority 1 strengthened for local Policing most will agree it is local policing that people are worried about, particularly when it comes to youths in local areas. Parishes would welcome any physical presence of police that they can have. A local ballroom dancing club now had to lock itself in when it performs due to youth aggravation and anti-social behaviour in the area. More PCSOs to tackle this behaviour would also be welcomed.
- Support for the £15 per annum for Band D properties as it was understood that local Policing was needed.
- Overall the report contained great aspirations, however there was a fear these would not be achieved.

The Chair confirmed that Councillor Haywood had identified two important areas with her comments, and she would raise these at the meeting. She knows that more local Policing is what members and residents want, but this would be managed against the requirement to focus on national issues, eg. drug issues, it was important for the Police to break the county lines and stop cuckooing as well as being important for local residents that drug dealing in their local areas was also focused and minimised.

Councillor Thurston advised the committee that the local PCSO in her area was doing a brilliant job and had been able to respond to community concerns very quickly. Because of this she was also supportive for an increase in Police Officers. She also commented that PCSOs noticed that the Community Engagement Strategy had been very much improved.

The Chair made comment on the importance of good communication with local Police Officers, in particular understanding where they are located and what they will be doing during their time in that location. However, Councillor Yeates highlighted that she was aware of the difficulties with the 101 service, from the length of time to answer an

incoming call, to being cut off once through to an individual. It was felt that there needed to be a shift in the way people were able to contact the Police. In responding to this concern, the Chair referred to her recent visit to the call centre for 101 and 999 emergency calls. She explained that they had recently changed the way they deal with 101 contact and she assured the committee that the service had been much improved. She explained that what she saw on her visit appeared to be very effective, in particular the way they processed each call ensuring the caller ended up with the right person to provide help. She then asked the Wellbeing & Communities Manager if the council received any stats relating to the call centre, It was confirmed that not currently, however it could be requested. The Vice-Chair suggested that a question could be added to the Safer Arun Survey that asked respondents '*How easy was it for you to contact the Police*'.

In summing up the Chair raised another communication barrier was that the relationship between Parish, District and the districts local Police Officers/PCSOs was important to get right. She confirmed that she would represent this point strongly at the meeting.

The Committee then agreed to note the content of the Sussex Police and Crime Panel precept report for 2023.

606. HOUSING REVENUE ACCOUNT BUSINESS PLAN (HRABP)

The Interim Head of Housing introduced his report and advised members that the Housing Revenue Account Business Plan (HRABP) report was required to be updated annually and that the objective of the plan was to increase housing stock and ensure stock was fit for purpose. He confirmed that there were some challenges to overcome in terms of reducing cost while achieving efficiency gains. He informed members that a review of charging for services would be undertaken to increase cost recovery. He also advised that there was a need for a greater use of borrowed finance from the HRA capital programme.

The Chair then introduced Glenn Smith from Housing Finance Associates Ltd who stated that an annual update of the HRABP allowed for officers to take a longer-term view of pressures and opportunities facing the HRA. Confirming that the current position was presenting differently than previous years as the world had changed. Inflationary pressures had hit the HRA severely not just at this council but nationally. There had also been constraints placed on rents that could be charged, restricted authority ability to generate rent to pay for additional costs. There had been overspend against the budget and this had put the council in a challenging position. With all of this, it had meant that an in depth look at measures that could be taken in order to address the situation, in order to make things manageable.

He then talked members through the graphs in the report and laid out each step that would be taken to ensure that the HRA was brought back to a more comfortable position.

The Chair asked for Glenn to elaborate on the overspend, she stated that the Committee understood the national situation, however more detail was needed regarding rent capping. Glenn then explained the percentage rent increase as detailed at paragraph 4.17 showed increases within the projections. A 7% increase was the maximum increase amount, an assumption had been made that the following year would see an increase of inflation plus 1% which had been based on the predicted inflation from the Bank of England. It was confirmed that if the rent cap was not in place, the council would be looking at an 11% maximum increase. He referred to graph at paragraph 4.5 in the report and explained that the bulge showed where the spare capital could be used for the reinstatement of a larger development programme. But that other pressure would also emerge and would require consideration.

It was then queried that the bulge on the graph starts in 2038 and it was clear that this was having to be done as a measure to keep the council afloat. Many members of the committee were not happy with this and wanted reassurance that the £3m spend allocated for the decarbonisation strategy would still be completed given the legal regulations that were attributed to this.

The Head of Housing advised that an application for a grant had been completed and the council would be match funding should the application be successful. He explained that there would also be further rounds of grant funding that could be applied for. He said he was committed to continue with the strategy but caveated that with unknown future risks. Discussion was also had regarding Gas boiler replacement; members were keen to clarify that although the report showed no further expenditure after 2024 that the project would continue. The Head of Housing advised that another report on this project would be produced next year where it was hoped that the situation the council was in now, would have improved as well as further knowledge of grants that could be applied for to support this work.

The Chair then invited debate and thanked Glenn Smith for providing such a detailed explanation which unfortunately confirmed that the HRA was in a worse position than originally anticipated. One Member of the Committee outlined that she had compared last year's report with this year's report, and this confirmed that:

- New build numbers had been reduced dramatically.
- There was no money in the Capital Reserve Fund as all the Right to Buy receipts had been spent.
- The dec-carbonisation project bid of £3m had yet to be agreed with Government and still had to be match funded and following the Member Briefing held on 5 January 2023 briefing it appeared that the Council had missed first round of the bidding.
- There was £2.5m in repairs reserve but that would have to be ringfenced.
- A rental increase of 7% was being proposed for 23/24 in line with the government rent cap. Rent increases of CPI + 1% are assumed for 24/25 so if this is capped at a lesser amount the Council would be in a worse situation than projected.

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- The minimum balance threshold of £2M mentioned in section 3.2 of the report will be breached for the next few years and is then projected to return above the £2M level after 7 years.
- £6m mentioned from capital for sheltered housing improvements but what about the progress of this review and the outcomes of that baseline project could make now, allowances for additional costs. Would the council be making redundancies relating to looking after its stock? There was no safety belt which was discouraging when last year and year before was so encouraging, was there anything else that could be done?
- Referring to paragraph 4.3 of the report, it was noted that the baseline projections make no allowances for further additional costs on energy efficiency or decarbonisation on existing stock and given changes to regulations it was vital this was monitored closely to ensure the plan stayed on track.
- Further risk factors identified by way of incorrect assumptions, additional spending pressures and reactive repairs.
- The overspend on HRA was a huge concern, but clarity sought on what efficiency gains from costs of managing stock meant. Did it mean redundancies?

The Director Environment and Climate Change Services was invited to make comment on the points raised. She explained that the Council was now in a very difficult financial position and that the reason an annual review of the HRABP was in place was because it helped to forecast and model the future position, ensuring that it had the right support, regular monitoring and reporting to react to the challenging financial position. There were plans to restructure the department to ensure that it had the right people in the right place to enable a strong team that focused on strong compliance. A commitment to move to a greener infrastructure was in place alongside more sheltered housing work of which a report will be brought to the committee outlining the next stages. She advised that it was a big programme but would also come with its challenges. She confirmed that officers were not shying away from the challenging position they were in, they were focused on putting in the right measures to bring up standards and get service performance up to upper quartile.

The Chair stated that the position was a very fragile one. But she was satisfied that there was a plan in place to deal with the challenges on the table. She said that she felt it was a positive plan that would resolve the issues. However, the committee would scrutinise that process, it was clear no member was happy this was the position presented however the best plan was in place to deal with the situation.

The Vice Chair then commented that the briefing held on 5 January 2023 was helpful and covered a lot of detailed information. She asked if a 6-month update was planned to be given to the committee or were officers going to continue with just the annual update. The Head of Housing confirmed the annual report was what was planned; however, he will review with Glenn Smith throughout the year to ensure further risks and or improvements are known at their earliest, he would then be able to keep members updated in this way also.

The Chair said she would like to have an update report presented in 6 months' time and there was agreement across the committee for this also. It was then proposed by Councillor Gregory and seconded by Councillor English that a 6 monthly update report brought back to the Committee.

The recommendations in the report were then proposed by Councillor Gregory and Councillor Cooper

The Committee

RECOMMEND TO FULL COUNCIL that

- 1) the annual update of the Housing Revenue Account Business Plan 2022/23 be noted.

The Committee also

RESOLVED

That an interim review of the HRA be brought back to this Committee in six months' time.

607. COMMITTEE GENERAL FUND REVENUE AND CAPITAL BUDGETS AND HOUSING REVENUE ACCOUNT BUDGETS 2023/24

The Interim Group Head of Finance and Section 151 Officer introduced the report and advised members that this was the second year of preparing the budget under the committee style of governance system. The budgets from this committee plus any growth bids would be considered at the Policy and Finance Committee as part of the overall budget on 9 February 2023 before being considered at Full Council on 1 March 2023 for approval. This committee being responsible for the General Fund and HRA.

Starting with the General Fund, it should be noted that the budget had been prepared against a backdrop of a significant budget gap for 2023/24. Only essential growth bids for 2023/24 had been put forward for the committee to approve. The growth bids listed in appendix B totalling £730k were: Support for Leisure Operator £580k (£265k current year); Events £100k and an Events Officer £50k.

The main year on year changes were: The most significant increase was in the net cost of Homelessness. The net budget had increased to £2m from £810k, which was an increase of £1.19m. Leisure contract contribution had increased by £121k – however, this had to be seen in light of the bid for £580k (£265k current year) Housing Benefit had increased by £127k. This was mainly due to assisted accommodation which attracted lower level of Housing Benefit and the move to Universal Credit

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The Chair invited comments from the committee regarding the general fund where comments were made regarding funding support for the Leisure Operator and it was confirmed that an additional report on that topic would be brought to the committee at a later date. A short discussion regarding the success of recent events over the Christmas period was also had.

Turning to HRA, the revised budget for the HRA for 2022/23 was approved at Full Council on 18 January 2023. It approved changes to accounting policies had been reflected in the projected HRA balance in paragraph 3.15 which showed the HRA balance improving steadily, and it would reach a balance of £2m by 2027/28. The projected improvement in the HRA balance was a result of the delivery of savings as part of a recovery plan to address the growing revenue costs of repairs and supervision and management costs as well as changes in accounting policies mentioned previously. The budget for next year assumed a 7% increase in rent levels resulting in an average rent level of £102.34 per week. The capital programme shown in appendix E. Shows the budget reflected the £3m match funding for decarbonisation programme and £1.6m for the first part of the sheltered housing improvement scheme.

The Chair then invited questions and comments on the HRA where more information was sought in relation to paragraph 3.9 where it referred to savings and what sought of savings would the council be expecting to receive. The Head of Housing explained that a lot is spent on emergency accommodation, however the councils recovery of funds for that income is low there was scope for this to be improved this considerably. The Chair then asked if there was a timeline for when the council would be on track with this improvement, and it was confirmed that 6-9 months should be enough time to see some improvements implemented. She then requested that the Head of Housing work with members to identify those improvement metrics that can be benchmarked against other authorities. It was agreed that an update report would be brought back to committee in 3 months' time.

The recommendations were then proposed by Councillor Gregory and seconded by Councillor Needs

The Committee

RESOLVED

- (a) Agree on the 2023/24 Revenue Budget as illustrated in Appendix A of this report;
- (b) Agree on the list of uncommitted growth items as illustrated in Appendix B of Page 39 Agenda Item 9 this report;
- (c) Agree on the 2023/24 HRA Revenue Budget set out in Appendix C of this report;
- (d) Recommends to allow the HRA Balance to remain below the minimum level of £2.0m for the period 2023/24 to 2026/27 to enable the realisation of savings in Repairs and Supervision & Management expenditure to deliver a sustainable HRA;

- (e) Recommends HRA rents for 2023/24 are increased by 7.0% in accordance with the provisions of the rent standard
- (f) Recommends that HRA garage rents are increased by 7% to give an average rent of £14.50 per week (excluding VAT) and heating and water/sewerage charges be increased on a scheme-by-scheme basis, with the aim of balancing costs with income;
- (g) Agree on the 2023/24 General Fund Capital Programme as illustrated in Appendix D of this report;
- (h) Agree on the 2023/24 HRA Capital Programme as illustrated in Appendix E of this report; and

RECOMMEND TO POLICY AND FINANCE COMMITTEE

- (i) that the General Fund Revenue Budget, list of growth items, General Fund Capital Programme, HRA Revenue Budget and HRA Capital Programme be included in the overall General Fund Budget when considering the overall budgets on 9 February 2023

Before moving on to the next agenda item the Chair took the opportunity to thank the Interim Group head of Finance and Section 151 Officer who was leaving Arun District Council at the end of February 2023. She thanked her for the support she has given to members over the years that would be missed and wished her luck with her new role at another authority.

608. ARUN WELLBEING PROGRAMME UPDATE

The Wellbeing & Communities Manager introduced the report and provided members with a brief update on the Arun Wellbeing Programme, where she advised that the team provided range of free adult health improvement programmes for residents and the wellbeing service helps people to stop smoking, reduce weight and reduce alcohol intake which is managed by the council and the service is funded through partnership agreement with West Sussex Health. In April 2022 a new 5 year partnership agreement has been entered into and this report details the outlined progress first the first 6 months of year 1. She explained that the programme has a strong focus on supporting residents with greatest health needs, working in specific areas that had been identified as the most deprived wards and with high-risk groups such as those with serious mental health and carers.

The Chair thanked Wellbeing & Communities Manager for her clear introduction and asked if members had any comments or questions.

As there were no questions from the Committee the recommendation was then proposed by Cooper and seconded by Yeates

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The Committee

RESOLVED

- 1) the Arun Wellbeing Programme and support targeted work in Arun's areas of significant health inequalities and need be endorsed.

609. PUBLIC SPACES PROTECTION ORDER (ASB)

The Community Safety Officer introduced the report and advised members that the Council's Public Spaces Protection Order (PSPO) in relation antisocial behaviour was due to expire at the end of March 2023. He confirmed that the report set out the options available to the Council in respect of the Order and that if the recommendation was accepted by committee it would be renewed for a further 3 years on the same terms as the current order.

The Chair thanked the Community Safety Officer for his introduction and confirmed to members that on page 81 of the agenda they could see the specific area locations that were being referred to. She then invited members to make any comment or ask questions where it was queried how the PSPO would help those areas that are subject to large groups of people who drink in public. It was confirmed that it would create a threshold by which officers could then deal with. The Chair stated that the Police would be required to make a judgement call as to whether anti-social behaviour was occurring.

It was then asked what action would be taken specifically when 'moving people' on from areas. The Community Safety Officer provided an example of feedback from Community Wardens. The Vice-Chair then commented that it was an extension of something members agreed and discussed at length in a member workshop not long after the 2019 Election where it was explained that managing this type of behaviour was a balancing act. The PSPO had worked for the purpose it was implemented for.

The recommendation was then proposed by Councillor Hughes and seconded by Councillor Yeates

The Committee

RESOLVED

- 1) the PSPO, as it is currently set out, be extended for a further three years with effect from April 2023.

610. HOME ENERGY ADVISOR ROLE

The Principal Environmental Health Officer to introduced the report and advised members that from the Extraordinary Committee meeting held on 3 November 2022 the decision was made that £180k be approved for a range of cost-of-living initiatives. However, £40k of that fund remained unallocated and the report and recommendations before members now proposed two options to use that £40k.

She confirmed that the role would provide direct support to residents and have a set criteria to work to alongside working with frontline staff to include consideration for referrals. This role would provide vital support to those who needed it and would assist with supporting a behavioural change. It was also explained that visiting residents in their homes would enable the council to see how people are living and would lead to being able to identify other issues where the council can also provide support.

The Chair stated that she thought this was a very proactive and useful initiative for residents and would help them to manage increasing living costs. She then invited the committee to make any comment or ask questions to the officer.

It was stated that this work and the role was crucially important and that the case studies referred to in the appendix were powerful and provided some depth to the differences that could be made. It was also commented that it was hoped the role would be considered to continue for more than a year as currently planned. Further discussion was had on the skills and qualifications required for the individual who would be recruited and was a part time role going to attract the right individual. It was confirmed that the job description was looking for an individual who had an energy efficiency qualification, however there would also be training offered and that it was hoped that because the role was being advertised as part time, this would attract more applications rather than hinder. A concern was raised regarding the safety risks of sending an employee into residents homes. It was explained that the council had robust risk assessments in place. It was also confirmed that initial contact with a resident would be via telephone along with additional information being shared from other sources such as GP's before the individual would complete a home visit.

The recommendations were then proposed by Councillor Thurston and seconded by Councillor Needs

The Committee

RESOLVED

- 1) To agree to use the £40,000 unallocated budget for cost-of-living initiatives to:
 - a. Recruit a Home Energy Advisor to be part of the Private Sector Housing and Public Health Team, part time (22 hours), on a one-year fixed term contract, at an annual cost of £21,890.

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- b. Utilise the remaining budget to support the most vulnerable residents with minor repairs and energy efficiency measures and give the Group Head of Technical Services the delegated authority to determine the criteria for this assistance.

611. HOUSING OMBUDSMAN COMPLAINT HANDLING CODE & SELF-ASSESSMENT

The Head of Housing introduced his report and drew members attention to published updated code, he advised that the council had to self- assess annually and the report before members sets out work that has been completed by officers in order to meet the regulations of the code.

The Committee noted the contents of the self-assessment completed in accordance with the requirements with the Housing Ombudsman complaint handling code and note that the self-assessment will be published on the council's website in accordance with the requirements of the Housing Ombudsman complaint handling code.

612. QUARTER 3 KEY PERFORMANCE INDICATORS REPORT

The Chair advised members that the report was to be taken as read and advised that if they had any questions these could be asked of the officers in attendance.

As there were no questions, the committee noted the report.

613. LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS) FOR APRIL 2023-MARCH 2024 (YEAR 11)

The Benefits Team Leader presented the report to members and explained that the purpose of the report was to gain approval for a minor change to current local scheme that had been previously agreed. She provided members with some background information where she referred to the previous members Working Party who had developed the scheme and updated its roll out with Universal Credit (UC) which was very complicated for customers. In 2019 a banded scheme was implemented for simplicity and the report before members was asking for the committees agreement to increase the income bands in line with September 2022's inflation increase. This would enable customers to have a bit more income and would assist those that were considered most vulnerable and on low incomes. In summing up she advised that the financial impact was £230k for the year, however this had already been budgeted and accounted for.

The Chair then asked for member to make any comments on the report, where it was asked how many people in the District were affected by this scheme. It was confirmed that the scheme had 4,342 claimants and these numbers do see regular increases and decreases as it is impacted by those eligible for UC. Clarity was sought regarding the council's share of the cost documented within the report. It was confirmed that £23,000 was the correct figure.

The recommendations was then proposed by Thurston and seconded by Gregory

The Committee

RESOLVED

- 1) Approve the increase in the income banding widths of the Local Council Tax Reduction Scheme in line with the Consumer Prices Index inflation. (Year 11)

614. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

The Committee received and noted a feedback report from a meeting of West Sussex County Council's Health and Adult Social Care Committee held on 11 January 2023 attended by the Chair. This was circulated to members for information purposes and would be uploaded to the Committee's web pages following the meeting.

The Vice-Chair also confirmed that at this meeting regarding the stroke services item she asked specifically that members be consulted as Arun was on the cusp of the area affecting travel times.

No questions were raised, and no other updates were shared at the meeting.

615. WORK PROGRAMME

The Chair invited members and officers to make comment on the work programme as there were no comments the Committee then noted its work programme.

The Chair then took this opportunity to express her thanks to the Wellbeing and Community Manager who was after 17 years leaving Arun District Council. She and the Vice-Chair stated they had both enjoyed working with her and wished her well with her new role.

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616. EXEMPT INFORMATION

The recommendation was proposed by Councillor Cooper and seconded by Councillor Hughes

The Committee

RESOLVED

That under Section 100a (4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

617. HOUSING BENEFIT OVER PAYMENTS

The Chair advised that the report should be taken as read and any questions could be asked to officers in attendance.

The recommendation was then proposed by Councillor Cooper and seconded by Councillor Gregory

The Committee

RESOLVED

- 1) To write off the outstanding Housing Benefit Overpayments totalling £42,045.02 where despite pursuing outstanding amounts, the Council has been unable to collect the debt.

618. COUNCIL TAX INSOLVENCY

The Chair advised that the report should be taken as read and any questions could be asked to officers in attendance.

Subject to approval at the next Housing and Wellbeing Committee meeting

417

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The recommendation was then proposed by Councillor Madeley and seconded by Councillor Cooper.

The Committee

RESOLVED

- 1) To write off the outstanding council tax charges totalling £18,957.01 which are subject to insolvency action, preventing the Council from pursuing the debtor for payment.

(The meeting concluded at 8.13 pm)

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Arun District Council

REPORT TO:	Housing & Wellbeing Committee on 25 January 2023
SUBJECT:	Annual Update Housing Revenue Account Business Plan
LEAD OFFICER:	Moh Hussein, Interim Head of Housing
LEAD MEMBER:	Councillor Jacky Pendleton
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<ul style="list-style-type: none"> • Improving the wellbeing of Arun The HRA Business Plan underpins the sustained delivery of landlord services to our community of tenants and residents; ensuring tenants homes are safe and decent places to live. • Delivering the right homes in the right places The HRA Business Plan enables medium and long-term planning of development and acquisition of new, more sustainable homes for our community. 	
DIRECTORATE POLICY CONTEXT:	
Our Housing & Homeless Strategy sets four main objectives:	
<ul style="list-style-type: none"> • Increase housing supply across all tenures • Prevent & relieve homelessness • Improve housing conditions across all tenures • Create sustainable communities to meet the needs of all residents 	
The HRA Business Plan is the financial basis upon which all our strategic and operational work relies. As such it is consequential to all our key priorities.	
FINANCIAL SUMMARY:	
The financial implications are detailed in the report	

1. PURPOSE OF REPORT

- 1.1 This report provides the annual update on the baseline position for the Housing Revenue Account Business Plan projections. The HRA Business Plan forecasts income, expenditure, investment and borrowing in respect of council housing stock over a 30-year period.
- 1.2 Regular review of the HRA Business Plan is essential to ensure its continued viability. This update has been produced by the Council's retained expert consultant; Housing Finance Associates, and is based on the Council's best available information and realistic assumptions for the coming years.

2. RECOMMENDATIONS

Housing & Wellbeing Committee RECOMMEND to Full Council:

- 2.1 That the annual update of the Housing Revenue Account Business Plan 2022/23 be noted.

3. EXECUTIVE SUMMARY

- 3.1 The HRA Business Plan 2017-2047 was approved by Full Council in September 2017. The primary objectives of the plan are to:

- Increase the housing stock
- Ensure housing assets are fit for purpose
- Maximise income and make the best use of available resources

- 3.2 This updated briefing highlights challenges for the Housing Revenue Account in the short to medium term. Whilst the plan remains viable our minimum balances are projected to be below our £2M threshold for up to 7 year.

- 3.3 In order to address these challenges, measures are already being developed to improve efficiency and financial sustainability. These include:

- Delivery of substantial cost reductions and efficiency gains from the costs of managing and maintaining the authority's housing stock
- A review of its approach to charging for services, with a view to increasing cost recovery over time
- Adjustment of the charges made for depreciation, so that they reflect the useful life of council dwellings and their components
- Greater use of borrowing to part-finance the HRA capital programme. This helps to spread the cost over a number of years, helping to reduce pressure on the HRA.

4. Detail

Baseline position

Baseline assumptions

- 4.1 Assumptions made in the baseline scenario are based on the following information sources:
- 4.1.1 Draft medium term revenue HRA budgets for 2022/23 to 2028/29. These include provision for a substantial efficiency programme to the costs of housing management and repairs.
- 4.1.2 Draft medium term capital HRA budgets for 2022/23 to 2027/28. In addition to the ongoing major works to the authority's housing stock, this includes provision for:

- investment in the authority's sheltered schemes totalling £6.000m between 2023/24 and 2025/26
 - decarbonisation works of £3.000m in 2023/24
- 4.1.3 Information from the stock condition survey relating to long term stock investment needs from 2028/29
- 4.1.4 The new build programme under development by the council, which allows for:
- New build on sites part-funded by 141 RTB receipts
 - New build on existing garage sites
- 4.1.5 141 RTB capital receipts are utilised to pay for new dwellings where they are available
- 4.1.6 Rent loss from voids and bad debts is in line with the draft HRA budgets
- 4.1.7 Rent increases are as follows:
- For 2023/24 we have assumed the rent increase is 7%. This is the maximum rent increase permitted in 2023/24 for existing general needs tenants under the Rent Standard and the government's policy statement on rents for social housing.
 - For 2024/25 we have assumed a rent increase of 6.2%. This reflects projected CPI of 5.2% in the final quarter of 2023 (Bank of England), plus 1% and reflects previously stated government policy
 - We anticipate a consultation from government during 2023 on rent increases from 2025/26 onwards. Pending this consultation we have made the prudent assumption that rents will increase at CPI.
- 4.1.8 Inflation projections reflect the Bank of England Monetary Policy Report published in November 2022, plus long-term government targets for CPI.
- 4.1.9 A £2.000m minimum balance on the HRA
- 4.1.10 The projections assume 6 right to buy (RTB) sales a year from 2023/24 onwards. This is slightly lower than the average of 7 sales a year over the past 4 years, as we expect economic factors to make it less affordable for some tenants to buy their home.
- 4.1.11 RTB sales generate different types of receipt, which may be treated differently by the authority. We anticipate that the total level of receipts available to the HRA will be in the region of £600,000 pa. Of the receipts generated, we have assumed that only "retained 141 receipts" will be available for use by the HRA, which is in line with the authority's current policy. "Allowable debt" and "LA share" receipts are projected to generate a further £200,000 pa for the authority from RTB sales. We have assumed that the council would not make allowable debt and LA share receipts available to the HRA, as its current policy is to use them for non-HRA purposes.
- 4.1.12 Note that "retained 141 receipts" can only be used to pay for up to 40% of the cost of a new home and must be spent within 5 years of receipt. Any receipts that

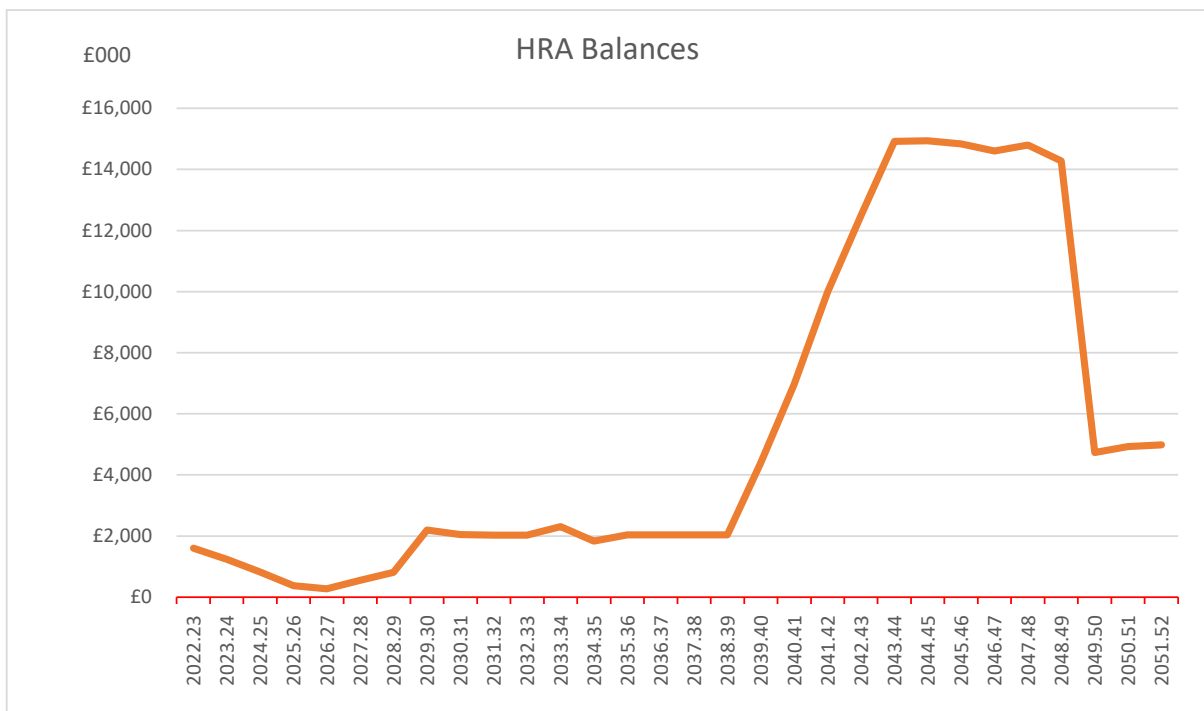
are unspent after 5 years must be paid to the Government, plus penalty interest. The authority fully utilises its “retained 141 receipts” within the timeframe set, and had spent all of these receipts at the beginning of 2022/23.

- 4.2 For the purposes of showing the affordability and sustainability of spending decisions, the forecast assumes that the authority repays debt as quickly as possible.
- 4.3 Note that this baseline projection makes no allowance for further growth pressures or additional costs. In particular, it excludes:
 - any additional spending required by the council after 2023/24 to deliver energy efficiency improvements and decarbonisation for its existing stock
 - changes to the decent homes standard
 - changes to regulatory requirements
- 4.4 Key assumptions within the baseline projections are also subject to change, as a result of changes in the underlying economic factors (such as interest rates and inflation rates). We have not conducted a full stress test of these projections, but can advise that any circumstances that increase net costs to the authority would impact on the position of its HRA adversely. For this reason we advise regular review of the underlying data and stress testing of the assumptions. This will allow the authority to identify emerging risks and take appropriate mitigating action at an early stage.

The effects of the baseline assumptions are shown in the following section.

Baseline - revenue forecast

- 4.5 The chart below shows the authority’s ability to maintain a minimum level of balances during the 30 year period covered by the forecast:



In this chart the orange line forecasts the accumulated balance at the end of each year.

4.6 The authority has recently experienced substantial overspending against its revenue budgets. Officers are working on immediate measures and a medium term plan to rectify the situation. The projections show that the HRA will need to continue drawing on balances while this plan is delivered, causing the projected balance remain below the minimum level set of £2.000m until 2029/30. This mirrors the draft medium term budgets provided by the Council.

4.7 From 2029/30 onwards the projections seek to maintain a minimum balance of £2.000m, utilising any balances above that level to help repay debt and finance the HRA capital programme. Balances are maintained at the minimum level from 2029/30 to 2038/39, after which they accumulate until required to repay debt.

4.8 As part of its response to overspending on the HRA the draft medium term plan considers a range of key measures, which have been reflected in the baseline projections. These include:

- Delivery of substantial cost reductions and efficiency gains from the costs of managing and maintaining the authority’s housing stock
- A review of its approach to charging for services, with a view to increasing cost recovery over time
- Adjustment of the charges made for depreciation, so that they reflect the useful life of council dwellings and their components
- Greater use of borrowing to part-finance the HRA capital programme. This helps to spread the cost over a number of years, helping to reduce pressure on the HRA.

4.9 The authority’s inability to maintain a minimum HRA balance while it implements its medium term plan to address overspending requires represents a key risk to the authority. It will therefore be important to keep the situation and progress against the authority’s action plan under review. The council should also explore the use of additional measures to help mitigate the situation over the medium term.

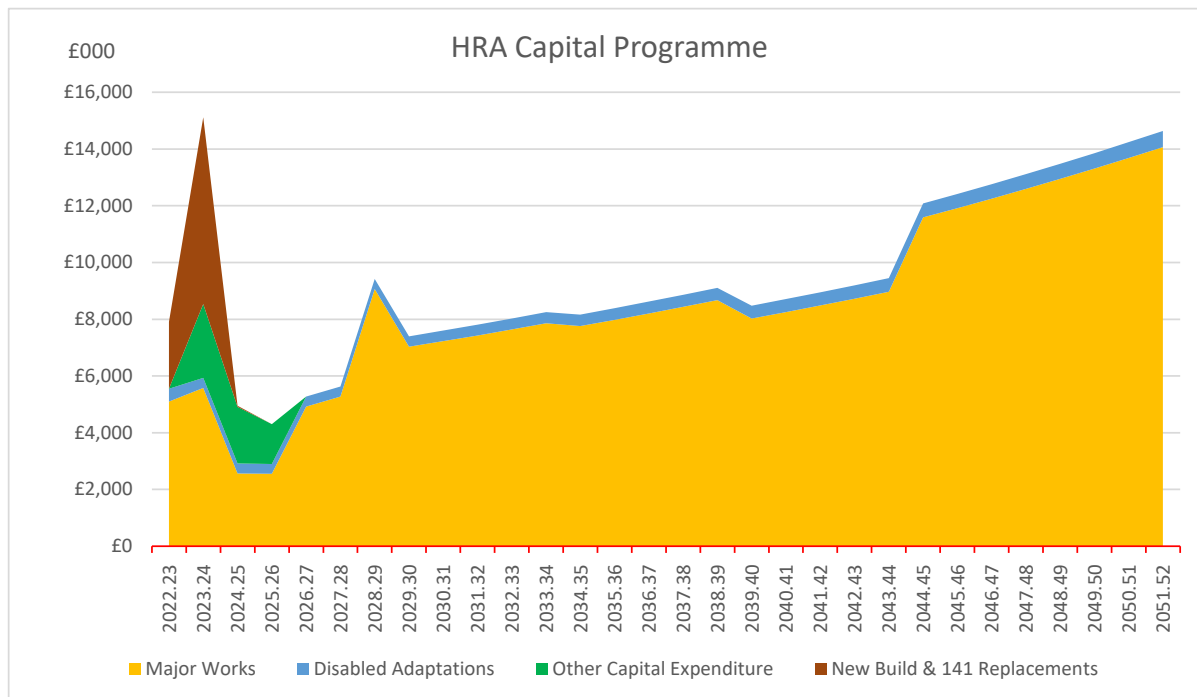
Work is already being undertaken designed to reduce management and maintenance costs with the implementation of new ways of working, a review of the structure and resources and a review of our purchasing arrangements. There is also work being undertaken to improve value for money in the repairs service through more competitive procurement, a sustained planned maintenance programme and improved scrutiny of works completed. The plan for cost savings is as follows:

	22/23	23/24	24/25	25/26	26/27	27/28
	£'000	£'000	£'000	£'000	£'000	£'000
Supervision & Management	5,959	6,236	6,548	6,675	6,804	6,935
Efficiency savings–		(187)	(384)	(584)	(788)	(996)
Repairs & Maintenance	7,182	6,099	6,543	6,640	6,752	6,900
Efficiency savings		(143)	(390)	(642)	(928)	(946)

The figures in the table above are December forecasts and may not be completely consistent with actual budgets.

Baseline -capital programme

4.10 The next chart for the baseline presents the authority’s HRA capital programme, within the available resources. It shows the capital expenditure required each year, identifying the main types of expenditure separately:

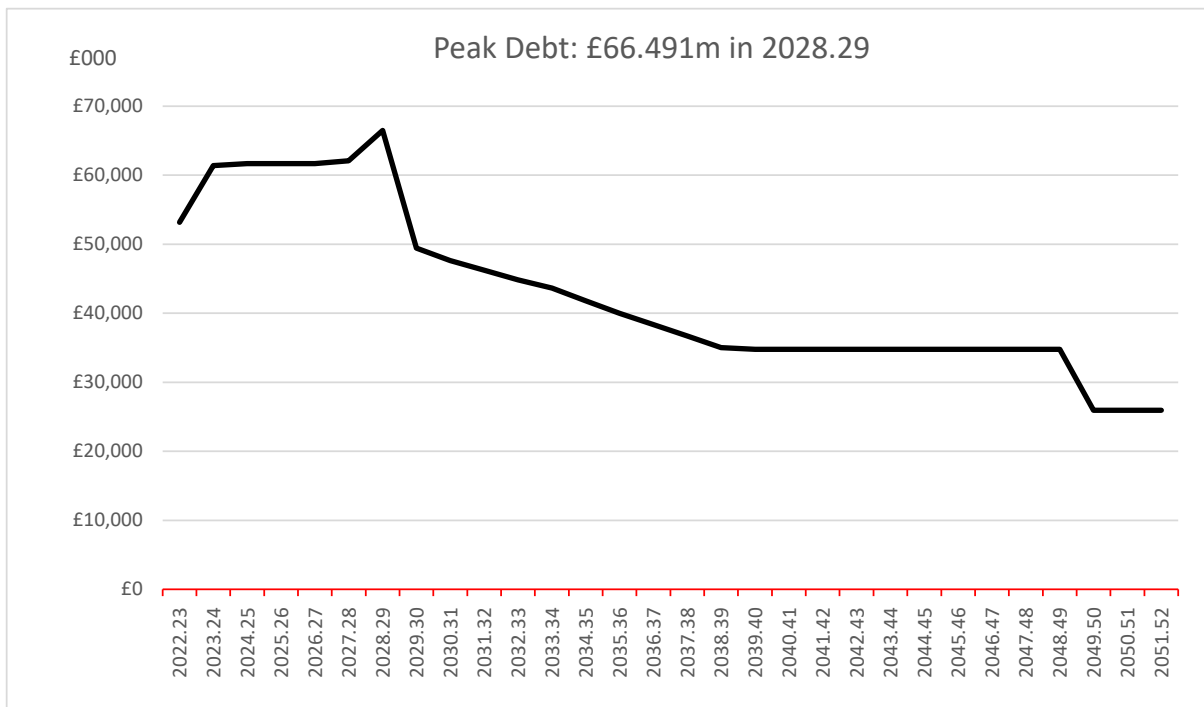


4.11 The baseline position allows for the addition of 35 properties over 2022/23 and 2023/24. Expenditure on these units appears as the brown area of the graph. Presently, this shows the existing development and acquisition pipeline. As we start to realise efficiency improvements this forecast will be extended to include forecast additional units. The chart also includes a three year programme for investing £6.000m in its sheltered stock, which forms the main part of the green area. The sheltered housing review has been completed and will be used as the basis of allocating redevelopment and regeneration spend on older person housing.

4.12 The Authority can finance this capital programme from the projected resources that are at its disposal, along with some additional borrowing. This means that the baseline levels of capital investment are affordable and fully financed throughout the planning period. The baseline levels are based around stock condition data gathered in 2017/8 and reflect the conditions of major components, allowing for Covid-19 impacts on delayed programmes over the last three years.

Baseline – debt

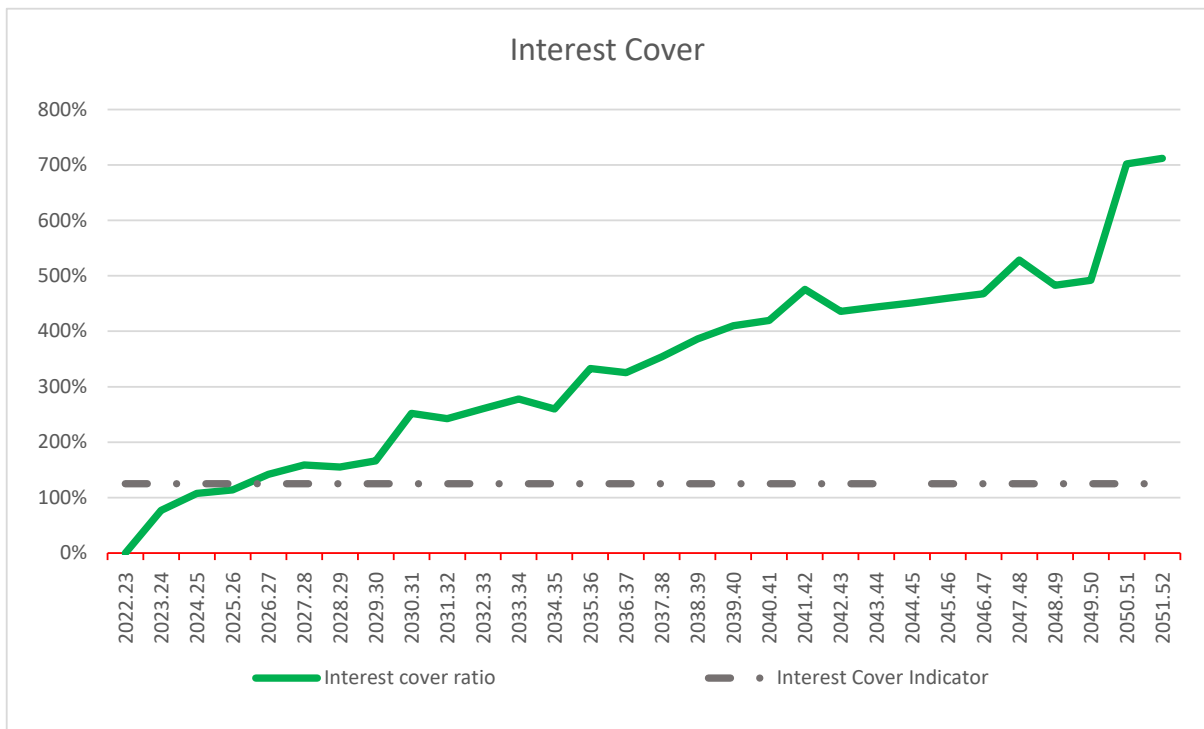
4.13 The next chart forecasts movements in the level of HRA debt during the planning period:



- 4.14 The resources generated by the baseline position mean that the authority needs to borrow to deliver its capital programme until 2028/29, with HRA-related debt reaching a peak of £66.491m in that year. It can start to repay the additional debt from 2029/30, once it is able to reach and maintain its minimum HRA balance.
- 4.15 By the end of the 30 year period debt drops from its peak level to £25.931m. This relates to existing external loans that are not due to be repaid until later years (£8.860m) and internal borrowing from other parts of the council (£17.071m).
- 4.16 On these assumptions the Authority is able to repay most of the borrowing required over a reasonable period, suggesting that the baseline programme is affordable and sustainable. However, this relies on the underlying baseline assumptions, plus delivery of a medium term plan to improve the financial position of the HRA.
- 4.17 We recommend that the authority adjusts its approach to financing the capital programme (including its use of borrowing) to safeguard the delivery of an affordable and sustainable financial position.

Baseline – affordability

- 4.18 The ability of the authority to repay debt within a reasonable timescale, as covered in the previous section, is a key indicator of the long term affordability of the authority’s projections. Alongside this we have also considered the level of interest cover provided by the operating surplus on the HRA, which is shown in the chart below:



- 4.19 Interest cover measures the ability of the HRA to pay for the costs of borrowing out of the surplus it generates from its operating income and expenditure. When costs or income go up, interest cover performance drops and vice versa. The green line on this chart shows the interest cover performance of the HRA over time. The dashed grey line indicates a performance level, where the HRA can pay the cost of its interest charges, plus a further 25%. When performance is below the grey line, the authority should take action to reduce costs or increase income.
- 4.20 The currently high operating costs of the HRA mean that interest cover performance is very low over the medium term, but rises above the interest cover indicator from 2026/27 as a result of the actions to minimise cost and increase income that are included within the baseline assumptions.
- 4.21 It would be unaffordable for interest cover to remain at the initial levels, as it would force the HRA into a (potentially unlawful) deficit position. It is therefore important that the authority prioritises its plans to restore the HRA to a sustainable financial position.

Baseline - summary

- 4.22 The baseline position for the HRA reflects the best available information on the available resources and need to spend on council housing for the foreseeable future. The projections show that the current cost base is very high and needs to be reduced as quickly as possible to improve the financial position of the HRA.
- 4.23 The level of investment required in the existing stock of council homes means that the authority will need to use greater use of borrowing to help finance the work required. Borrowing at the levels shown in this report means that the authority can meet its existing plans for investment.

- 4.24 The baseline projections indicate that the investment assumed is broadly affordable and sustainable, as long as the authority is able to implement substantial cost reductions in the early years. To minimise associated risks, the authority should prioritise plans to improve the financial position of the HRA.
- 4.25 The authority could also improve the financial position of the HRA and reduce its reliance on debt by making additional capital resources available to the HRA capital programme (such as other receipts from the sale of homes under the right to buy, from market sales or the disposal of other council assets, or by accessing external funding streams). As a general rule, the authority should seek to minimise operating costs for the HRA, while maximising income.
- 4.26 Note that this baseline projection makes no allowance for further growth pressures or additional costs, for example from decarbonisation works after 2023/24, compliance requirements, or higher interest charges. Any such pressures would impact negatively on the financial capacity of the HRA, unless the authority is able to take compensating actions. Such actions might include making cost savings, generating additional income, or making alternative funding sources available. Once such actions have been taken this plan can be amended to include forecasts for future decarbonisation works.

5. CONSULTATION

The annual update of the HRA Business Plan has been developed in consultation with the Director of Environment & Communities, Interim Head of Housing and Interim Group Head of Finance & s151 Officer

6. OPTIONS / ALTERNATIVES CONSIDERED

None

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

The HRA business plan is a model and as such differs from the budget in some which has to follow proper accounting principles, with statutory override where required. The assumptions behind the HRA Business Plan reflect those assumed in the budget where possible and have been subject to robust challenge. However, there remains significant risk in relation to additional growth pressures (4.3) and I would recommend a refresh during 2023/24 to ensure that the plan stays on track

The budget report will provide members with the projected budget for 2023/24 and will make recommendations in relation to the minimum balance for the HRA

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. The update identifies challenges and requires action to ensure a sustainable future. There is a significant risk to the HRA if those actions are not successfully implemented.

Risk	Likelihood	Impact	Risk Factor	Mitigation
Risk of incorrect assumptions	4	5	20	Assumptions are subject to change, as economic factors and the authority's situation continue to fluctuate. The authority should review its projections as circumstances change to enable it to identify, evaluate and respond to risks at an early stage.
Risk of additional spending pressures	4	5	20	Close monitoring of monthly spend especially repairs and void costs with plans for in year cost reductions if necessary
Risk of cost of reactive repairs rising in the short term as a result of our previous lack of investment in this area	4	4	16	Work is underway to establish a more competitive way to procure non-routine work. Also our planned average investment per property is £1341 which is consistent with, or slightly above, the average.

CONTACT OFFICER:

Name: Moh Hussein

Job Title: Interim Head of Housing

Contact Number: 01903 737718

BACKGROUND DOCUMENTS:

Public Document Pack Agenda Item 13

Subject to approval at the next Planning Policy Committee meeting

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PLANNING POLICY COMMITTEE

26 January 2023 at 6.00 pm

Present: Councillors Bower (Chair), Hughes (Vice-Chair), Coster, Edwards, Elkins, Lury, McAuliffe and Yeates

619. WELCOME

The Chair welcomed Councillor McAuliffe as a new Member to Planning Policy Committee and extended thanks to departing Committee Member Councillor Thurston for her service to the Committee.

620. DECLARATIONS OF INTEREST

No declarations of interest were made.

621. MINUTES

The Minutes of the previous meeting held on 24 November 2022 and the Minutes of the Special meeting on 7 December 2022 were approved by the Committee and signed by the Chair.

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

The Chair confirmed that there were no urgent items.

623. PUBLIC QUESTION TIME

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

624. COMMITTEE REVENUE AND CAPITAL BUDGETS 2023/24 - PLANNING POLICY

Upon the invitation of the Chair, the Interim Group Head of Finance and Section 151 Officer presented the report which asked the Committee to consider and recommend its revenue budget for inclusion in the Council's 2023/24 revenue budget for 2023/24. This would then be submitted to Policy and Finance Committee on 9 February 2023 when it considered the overall revenue and capital budgets for 2023/24 so recommendations could be made to a Special Meeting of the Council on 1 March 2023 on the budgets to be set and level of Council Tax for the District for 2023/24. It was noted that this was the second year of preparing the budget under the committee style governance system and that the budget had been prepared against a backdrop of a significant budget gap for 2023/24. The main budget changes from 2022/23 were highlighted - the full year cost of the proposed planning restructure being reflected in the establishment budget, £293k having been included for the Local Plan (£123k in the

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previous year), and the budget anticipating an increase in development control fees of £400k with a budget of £1.6m for 2023/24.

The Chair noted that this Committee was the budget holder for the entire Planning Service, with responsibility for both its own budget and statutory Development Control (Planning Committee). Members then took part in a full debate on the item where a number of points were raised. Clarification was sought on whether the figure quoted for 'Employees' was for a full compliment of staff given recent recruitment problems and whether there was any contingency within the budget to deal with additional pressures. The continued use and cost of agency staff was also raised. Further information was sought on the assumptions made on 'Other Income', as well as the figures for Local Plan expenditure and statutory fees in paragraph 3.8 of the Officer report [on page 3 of the supplementary pack].

It was confirmed that a full compliment of staff had been budgeted for and that there was some contingency in the budget before the need for requests of supplementary estimates to be made to Full Council. It was explained that expenditure could be earmarked at the end of the previous year in order to meet agency costs for example. If no funding was earmarked then the Planning Service would have to stay within its funding envelope, though through the Establishment budget held corporately there was the possibility of virement from elsewhere. It was further explained that due to the cost of living crisis assumptions for income were broadly flat, that though the Local Plan was paused some studies were ongoing hence the expenditure, and that statutory fees were set by statute over which the Council had no control.

As this was the final Planning Policy Committee meeting the Interim Group Head of Finance and Section 151 Officer would attend before leaving Arun, the Chair and Members thanked her for her services to this Committee and to the Council and wished her well in her future role.

The Committee

RESOLVED

That 2023/24 Revenue Budget as illustrated in Appendix A of the Officer report be agreed.

The Committee

RECOMMEND TO POLICY AND FINANCE COMMITTEE

That the Revenue Budget for this Committee be included in the overall General Fund Budget when considering the overall budgets on 9 February 2023.

625. LOCAL DEVELOPMENT SCHEME (LDS) UPDATE

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which sought Committee agreement to recommend to Full Council the adoption of an updated Local Development Scheme (LDS 2023), which was a legal document that set out an Authority's plan making programme and in particular set out the recommenced work programme for progressing the Gypsy & Traveller and Traveller Showmen Site Allocation Development Plan Document following consultation. One Member commended Officers on overcoming West Sussex County Council's (WSSC) previous objection to one of the proposed traveller sites. The Planning Policy Team Leader explained that negotiations had been undertaken to agree with WSSC that in principle it was possible to amend the terms of restrictive covenants on certain sites to allow for intensification of use subject to safeguards and protecting WSSC interests in the land. The recommendations were then proposed by Councillor Lury and seconded by Councillor Hughes.

The Committee

RECOMMEND TO FULL COUNCIL

That the draft Local Development Scheme January 2023 for the period 2023-2025 as amended be adopted.

The Committee

RESOLVED

That authority be delegated to the Group Head of Planning, in consultation with the Chair of Planning Policy Committee, to undertake minor updating and drafting of any amendments required to the LDS prior to publication on the Council's website.

626. INFRASTRUCTURE INVESTMENT PLAN (IIP) UPDATE

[During the discussion, Councillor Elkins declared a Personal Interest as both a Member of Ferring Parish Council and a Member for West Sussex County Council.]

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which updated the Committee on the Infrastructure Investment Plan (IIP) 2022-2024 and work scheduled for 2023 before the IIP was updated fully in 2024. It was explained that the Council's governance procedures allowed for a 'light touch' update in 2023 to existing projects on the IIP including any potential new projects that might be added and assessed.

Members then took part in a debate on the item where a number of points were raised. The liaising with and sharing information with Parish Councils was commended. The bringing forward of the Littlehampton Waste Centre project following the downgrading by West Sussex County Council of the Westhampnett Waste Transfer

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project was also discussed and concerns were raised for the impacts this might have on provision in Bognor Regis, for example whether expanded provision at both Chichester and Littlehampton could lead to the site in Bognor Regis being closed. The recommendation was then proposed by Councillor Elkins and seconded by Councillor Yeates.

The Committee

RESOLVED

That all infrastructure providers be invited to provide any updated information on the status of existing projects on the IIP and whether there were any potential new projects that providers may like to be considered for assessment and prioritisation.

629. WATER RESOURCES MANAGEMENT PLAN (WRMP) CONSULTATIONS

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which briefed the Committee on the key messages from the consultations being held on the regional and individual water company Water Resources Management Plans (WRMP) and Arun's proposed responses. It was noted that the WRMPs relevant to Arun include Southern Water, Portsmouth Water and Icosa Water plans related to maintaining water supplies into the future.

Members then took part in a full debate on the item where a number of points were raised. There was concern that the presentations prepared by the Water Companies made little or no reference to Arun. The District's relationship with water was raised by a number of Members with some exasperation in discussing water scarcity when parts of the District were currently suffering from considerable flooding. The proposal for a desalination plant on the river Arun was raised and Members spoke both in favour and against. The combining of desalination and water recycling at Ford made sense for some, whereas other Members would need considerable safeguards before supporting such proposals over safety concerns given the reputation specifically of Southern Water with its lack of investment in new infrastructure to keep stormwater separate from sewage and the resultant discharges into the sea. The importance of tourism to the local economy and the impact of the lack of investment to the economy and the reputation of Arun's resorts was also noted. The inability of Portsmouth Water to meet current supply demands was raised. The need for clarity on the capacity of the network and whether too much stress was being put on the water system in Arun were discussed in response. Concerns were also raised around biodiversity and the need to consider wider solutions, the need for better engagement with landholders and the impacts of water neutrality in adjacent authorities.

Members and Officers concluded the discussion by recognising the challenges brought by climate change to water resource management. The recommendations were then proposed by Councillor Hughes and seconded by Councillor Bower.

The Committee

RESOLVED – That

1. The content of the draft Best Value Regional Plan, the Southern Water draft Water Resources Management Plan, the Portsmouth Water draft Water Resources Management Plan and Icosa Water, where they affect Arun District, be noted; and
2. The proposed responses to the draft Best Value Regional Plan (Appendix 2); the Southern Water draft Water Resources Management Plan (Appendix 3); the Portsmouth Water draft Water Resources Management Plan (Appendix 4) and the Icosa Water draft Water Resource Management Plan (Appendix 5) be agreed.

628. ARUN AUTHORITY MONITORING REPORT (AMR)

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which updated the Committee on the Council's Authority Monitoring Report for the monitoring year 2021-2022. It was noted that the 5-year housing land supply stood at 2.36 years and was slightly down on the previous year's figure of 2.42 years. Members that spoke spoke of their frustration with the 5-year housing land supply measure as it was out of Arun's control and was a symptom of a broken system weighted towards developers. The Chair highlighted an approximate figure of 6,500 unimplemented permissions to illustrate this (and clarified this was total supply, not for the 5 year period). Though developers shared some responsibility by not building out permissions, another Member suggested that blame should principally rest with the Government as developers were only responding to the market and central Government methodology and figures were created in isolation from this. The recommendations were then proposed by Councillor Elkins and seconded by Councillor Yeates.

The Committee

RESOLVED – That

1. The Authority Monitoring Report 2021/22 be noted; and
2. The Authority Monitoring Report 2021/22 be published on the Council's web site.

629. ARUN BROWNFIELD LAND REGISTER (BLR)

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which updated the Committee on Arun's' Brownfield Land Register 2022 and any changes to it since it was published in 2021 before being used as the basis for the annual BLR statistical return to Government required by national legislation. Members that spoke noted the difficulties in developing brownfield sites due to contamination

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issues and the particular issues in developing the Littlehampton West Bank LEGA site. The recommendations were then proposed by Councillor Hughes and seconded by Councillor Edwards.

The Committee

RESOLVED – That

1. The 2022 Brownfield Land Register (Part 1) be noted; and
2. The Brownfield Land Register be kept under review regarding preparation of a Part 2 register and ‘permission in principle’ (including the carrying out of consultation and publicity requirements) should any suitable sites be identified, in accordance with the Brownfield Land Register Regulations 2017.

630. QUARTER 3 KEY PERFORMANCE INDICATORS

Upon the invitation of the Chair, the Planning Policy Team Leader presented the report which set out the performance of the Key Performance Indicators at Quarter 3 for the period 1 April 2022 to 31 December 2022. This Committee had one KPI to note [CP36 – Number of new homes completed]. Not wanting to repeat the discussion in Minute 628 and the lack of control the Council had in achieving this KPI, it was suggested that resources could be better spent elsewhere rather than collating such an unhelpful metric. The Committee then noted the report.

631. OUTSIDE BODIES

A verbal report on the South Downs National Park Authority was given on Councillor Thurston’s behalf. It noted that the National Park Authority had finished its restructuring exercise in response to the reduction in real terms of its grant funding, and whilst inevitably some activity has been scaled back, the core issues of climate change, renaturing and a National Park for all were still at the fore of the work. The Authority was also reapplying for grant funding for the Lapwings and Landscape project in the Arun valley, and was hoping to re-convene the Local Access forum which had not met for a while.

632. WORK PROGRAMME

The Committee noted that there would be a Special meeting of the Committee on 21 February 2023 to which reports on the NPPF’s consultation, Chichester’s Local Plan Regulation 19 consultation and the results of the housing market absorption study would be brought.

(The meeting concluded at 7.36 pm)

REPORT TO:	Planning Policy Committee - 26 January 2023
SUBJECT:	Local Development Scheme Update
LEAD OFFICER:	Kevin Owen, Planning Policy & Conservation Manager
LEAD MEMBER:	Councillor Richard Bower
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<p>The recommendations support:-</p> <ul style="list-style-type: none"> • Improve the Wellbeing of Arun; • Delivering the right homes in the right places. 	
DIRECTORATE POLICY CONTEXT:	
<p>The proposals will help to enhance the quality of the natural and built environment, protect the district's natural and heritage assets and to promote economic growth in a sustainable manner, striking a balance between the need for development and the protection of scarce resources.</p>	
FINANCIAL SUMMARY:	
<p>The plan making budget includes budget and resource provision to progress a Gypsy & Traveller & Traveller Showmen Site Allocation Development Plan Document. The additional work streams on delivery – including arising from national policy changes (e.g., Planning Practice Guidance in relation to Climate Change and flood risk) can be accommodated within the budget and if necessary, any virement from underspends on the Local Plan update.</p>	

1. PURPOSE OF REPORT

- 1.1. This report seeks the Committees agreement to recommend to Full Council, adoption of an updated Local Development Scheme (LDS 2023). This is with respect to signalling the current pause to the Local Plan Update but also specifically, in order to set out the recommenced work programme for progressing the Gypsy & Traveller and Traveller Showmen Site Allocation Development Plan Document (G&TDPD). The G&TDPD following public consultation in October 2020 (i.e. Regulation 18 of the Town & Country Planning (Local Planning) (England Regulations) 2012) had subsequently, stalled in 2020 and 2021 because of material objections.

2. RECOMMENDATIONS

- 2.1. Planning Policy Committee: -

- i. Recommends to Full Council that the draft Local Development Scheme January 2023 for the period 2023-2025 as amended (and set out in Background Paper 1) be adopted; and

- ii. That authority be delegated to the Group Head of Planning, in consultation with the Chairman of Planning Policy Committee, to undertake minor updating and drafting of any amendments required to the LDS prior to publication on the Council's website.

3. EXECUTIVE SUMMARY

3.1. The Council is required to produce, and keep up to date, a Local Development Scheme (LDS). The LDS provides a work programme for the production of those Development Plan Documents to be prepared over a three-year period and is monitored in the Authority Monitoring Report and used for resource planning by PINS (i.e. the Planning Inspectorate).

3.2. The current LDS adopted in 2020 needs to be specifically updated: -

- With regard to the signalling the current pause to the Local Plan Update initiated in October 2021 and maintained in July 2022;
- And to set out the recommended recast work programme for progressing the G&TDPD which is a Local Plan.

3.3. The revised LDS (Background Paper 1) includes the updated timescales for the production of G&TDPD

4. DETAIL

4.1. In July 2022 Members of Planning Policy Committee considered the updated position regarding outstanding objections to the G&TDPD (Background Paper 2). The G&TDPD preparation timetable had been delayed pending officers seeking legal opinion and investigating with West Sussex County Council (WSSCC) officers, the feasibility of resolving WSSCC material objections to the Regulation 18 Gypsy & Traveller and Traveller Showman Site Allocations (Preferred Options) DPD (which was subject to public consultation in October 2020). Officers considered that sufficient progress had been made that it would be feasible to resolve the objections subject to undertaking further evidence work.

4.2. Officers are commissioning evidence on site delivery matters and further work is likely to be necessary to consider changes to national policy including Flood Risk and Climate Change as amended in the Government's published Planning Practice Guidance (PPG).

4.3. The LDS therefore, sets out revised proposed key dates for the G&T DPD Regulation 19 Publication stage, Submission, Examination, Main Modifications and Adoption in 2023/24

- Spring 2023 Evidence Preparation
- Summer 2023 Regulation 19 Pre-submission consultation
- Autumn 2023 Submission
- Winter 2023 Examination
- Spring 2024 Adoption

5. CONCLUSION

- 5.1. The update to the LDS will help to ensure that Arun maintains effective and timely preparation of its development plan so that development management decisions relating to development within the District accord with up to date development plans consistent with national policy and sustainable development.

6. CONSULTATION

- 6.1. The Council is not required to consult on the LDS which is the authority's plan making timetable.

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

- 7.1. The plan making budget includes budget and resource provision to progress a G&TDPD. The additional work streams on delivery – including arising from national policy changes (Planning Practice guidance in relation to Climate Change and flood risk) can be accommodated within the budget and if necessary, any virement from underspends on the Local Plan update.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. The range of options available are to; approve the LDS 2023 to ensure a 'sound' development plan is prepared to guide future growth and infrastructure provision; or not to approve the LDS 2023 with the risk that planning decisions are not in accordance with an up-to-date development plan and determined by appeal.

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

- 9.1. There are no Governance or legal implications arising from this update.

10. HUMAN RESOURCES IMPACT

- 10.1. There are no implications arising for Human Resources.

11. HEALTH & SAFETY IMPACT

- 11.1. There are no direct implications for Health & Safety.

12. PROPERTY & ESTATES IMPACT

- 12.1. There are no direct implications for Council property.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

- 13.1. There are no direct adverse implications arising from preparing and adopting the LDS for Equalities/Social Value. However, the associated G&TDPD preparation may give rise to such positive and adverse implications but is subject to Sustainability Appraisal and Equalities Appraisal during its preparation and community consultation, to ensure that adverse effects are mitigated.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no direct adverse implications arising from preparing and adopting the LDS for Climate Change. However, the associated G&TDPD preparation may give rise to such positive and adverse implications but is subject to Sustainability Appraisal Environment Assessment and Habitats Regulation Assessment during its preparation and community consultation, to ensure that adverse effects are mitigated.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no direct adverse implications for Crime and Disorder. However, the Council has a legislative obligation to consider the impact on crime and disorder in all development plans and projects within the district.

16. HUMAN RIGHTS IMPACT

16.1. There are no direct adverse implications for Human Rights.

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no implications for FOI/Data Protection.

CONTACT OFFICER:-

Name:	Donna Moles
Job Title:	Principal Planning Officer
Contact Number:	01903 737697

BACKGROUND DOCUMENTS:

Background Paper 1: draft LDS 2023:-

<https://www.arun.gov.uk/local-development-scheme-lds>

Background Paper 2: [Gypsy & Traveller Development Plan Update to Committee on 27 July 2022](#)

	Question	Response
1	Do you agree that local planning authorities should not have to continually demonstrate a deliverable 5-year housing land supply (5YHLS) as long as the housing requirement set out in its strategic policies is less than 5 years old?	<p>Yes - agree that LPA should not have to continuously demonstrate a deliverable 5-year HLS for up-to-date plans.</p> <p>However, regardless of the age of the local plan, demonstrating the 5 y HLS should only be used as a positive monitoring tool that actually addresses the issue of housing delivery and supply and does not punish local communities. This is because plan making, strategic scale developments and infrastructure may take significantly more time than the 5 years rolling period - many plans are already within the first 5 years or more on adoption.</p> <p>Local planning authorities have limited market intervention tools (if any) to boost housing delivery rates other than ensuring that planning permission has been approved and infrastructure is being delivered. The first 5 to 10 years of plan making often involves strategic scale sites which require longer lead times to ensure necessary strategic infrastructure and phasing is joined up.</p> <p>Arun's adopted local plan (adopted in 2018 covering 2011-2031) portfolio of strategic sites first started to obtain outline consents in 2017 (8 years into the plan period) and has only recently achieved outline or detailed consents across all strategic sites in 2022 (some 12 years into the plan period). As a consequence, Arun's 5-year housing land supply failed in 2019 when the plan was only 2 years old.</p> <p>The assumption is that lead times - from site allocation to outline, reserved matters consent and discharge of conditions - is a key barrier to deliverable housing. Whilst local authority resource capacity may sometimes slow the consents regime, rather than adding to the burden with bringing forward an additional housing buffer, more resources should be provided. Arun has significantly supplied significant housing permissions.</p> <p>While monitoring 5-year housing supply is, indeed, important – a more effective policy approach the Government may wish to consider is to use a 5 y HLS monitoring requirement to establish a league table – in order to identify the need for positive intervention in those areas struggling to unlock local delivery issues. Such interventions might include positive enabling mechanisms e.g. setting up a local delivery agency to tackle the issues, streamlining financial grants and forward funding and setting spatial</p>

priorities for agencies and providers such as Homes England and National Highways. There are a number of reasons for this:-

- A Local Plan quickly becomes redundant / out of date even when less than 5 years old - but the local plan is setting a sustainable framework with supporting infrastructure, for the next 15-20 years;
- For example at Arun DC, the Local Plan adopted 7 years into its housing trajectory, is less than five years old but due to the housing land supply issues it is deemed out of date prematurely due to not delivering as many homes per annum that was in the housing requirement
- In Arun there are deliverable consents for over 4,100 deliverable dwellings (over 6,000 in total) yet around 550 dwellings per annum over the last 20 years i.e. running at 50% of the annualised Local Plan requirement) and more recently, modest (rising to around 620 dpa since 2016 partly explained by delivery of older strategic sites in the past, and via enabling affordable housing delivery in some years). In only two of the past 20 years has delivery exceeded 700 dwellings/year.
- The above compares to an annualised Local Plan requirement of 1,000 dpa.
- The rolling 5 yr HLS metric is a punitive measure and does not address the housing supply issues.
- A buffer and NPPF para 11d and 14 actually make the delivery and supply matters worse.
- This undermines sustainable development and the reputation of the plan making system.
- This leads to pressure for intensification on existing allocations and the infrastructure deficit becomes a 'vicious circle'.
- LPAs are not generally housing providers and while planning consents are put in place – some with long lead times (particularly, Strategic Development) authorities can do little to control the development market or developers with land banks and unimplemented consents.
- Even where plans are more than 5 years old there may be long lead times for strategic development and the 5 yr HLS metric penalties will continue to undermine strategic delivery and sustainable development.

As long as the housing requirement set out in its strategic policies has been rigorously tested and passed examination and is found sound - this should be the only litmus test, while monitoring a rolling 5 yr HLS will be important to signal need for positive intervention.

2	Do you agree that buffers should not be required as part of 5YHLS calculations (this includes the 20% buffer as applied by the Housing Delivery Test)?	<p>Yes – adding a significant buffer in each test is not addressing the issue but adding to it - for the reasons included in answer to Q1 above – buffers should not be required as part of 5YHLS calculations because it increases unnecessary requirements on LPAs to deliver unrealistic and unsustainable numbers of housing beyond planned infrastructure – and is just a punishment for persistent under delivery. This results in greater difficulty for a LPA to catch up with supply delivery as the requirements get greater every year - if the Sedgefield approach is used due to the need to add on the previous years under delivery since the adoption of the plan.</p> <p>The barriers to delivery may hinge on the ability of the local market and number of provider outlets to compete for sales from the local market, forming a natural absorption rate of housing sales. In addition the build out rates may be dependent on the delivery of infrastructure which has been matched to the planned housing rates/trajectories.</p> <p>Adding a buffer only adds to the difficulty and does not address the real problems of housing delivery and risks unsustainable development and community resistance. Climate change is now too important to let this continue.</p>
3	Should an oversupply of homes early in a plan period be taken into consideration when calculating a 5YHLS later on or is there an alternative approach that is preferable?	<p>Yes – the role of the Local Plan is to look at the totality and distribution of development and to match it to the necessary supporting infrastructure that can be afforded by developers and to achieve a sustainable development strategy.</p> <p>If there is an oversupply early in the plan period – a result of planned development and windfall – this will need to be addressed later in the plan period to ensure that infrastructure mitigates development individually and cumulatively (see answer to Question 6 below).</p> <p>If however, the government retains the 5 yr HLS (as proposed to be amended) with the ‘presumption’ – further clarity would be helpful over the role of under supply (i.e. the backlog) or over supply and the application of the SHM for plans that are less than 5 years old but which material policies are deemed out of date where unable to demonstrate a 5 yr-HLS or as a result of local policy triggers (i.e. Paragraph 031 Reference ID: 68-031-20190722).</p>

4	<p>What should any planning guidance dealing with oversupply and undersupply say?</p>	<p>That any local plan update needs to be based on sound monitoring and managing approach to supply and delivery across a 15 - 20-year period i.e. not just a rolling 5 year HLS - because of the need to match development to phased infrastructure planning and to ensure that development is sustainable across the economic cycle.</p> <p>Undersupply should be seen in this context and a rolling 5 year monitoring metric should only be used to identify need for intervention and positive policies to try to recover delivery – not penalties that make delivery more difficult and unsustainable.</p> <p>Oversupply may help with the Duty to Cooperate with other neighbouring authorities offering scope for oversupply to count towards unmet needs from neighbouring authorities.</p> <p>However, the Standard Housing Methodology uses the housing affordability uplift to factor in under delivery of housing – this is a more effective way to address local underperformance of the economy and housing delivery because it is used to set the plan requirement (subject to any constraints that may apply) and this in turn is used to test the sustainability credentials of development as well as the necessary supporting infrastructure and viability of development to deliver it.</p>
5	<p>Do you have any views about the potential changes to paragraph 14 of the existing Framework and increasing the protection given to neighbourhood plans?</p>	<p>Yes – This is very much welcomed and will provide greater certainty for neighbourhood planning and will in turn strengthen the development plan. Neighbourhood Development plans are part of the statutory development plan and should be treated equally with the Local Plan in terms of housing delivery and supply. As set out under Q1 above – local communities and authorities should not be punished for under delivery.</p>
6	<p>Do you agree that the opening chapters of the Framework should be revised to be clearer about the importance of planning for the homes</p>	<p>Yes - agree that additional text is needed to provide clarity that homes should be provided “sufficiently” and in a “sustainable manner” via “up-to-date plans” (paragraph 1). This should be a ‘golden thread’ throughout the document (where appropriate) and should include reference to the fact that climate change is here and there is a ‘Climate Emergency ‘also at the forefront of the NPPF as an important context for delivering housing supply sustainably. This is now too important and issue to allow perceived short term supply issues to override the sound policies in a statutory</p>

	and other development our communities need?	<p>development plan purely based not having a 5-year HLS. Applying penalties and buffers just makes delivery worse (particularly for Strategic developments that have long lead times which then find the planned infrastructure capacity has been taken up and therefore additional design and costs are incurred with significant delays to delivery as statutory bodies and agencies may object) or unsustainable developments are permitted on appeal. The emphasis in plan making should be on:-</p> <ul style="list-style-type: none"> • A realistic housing trajectory supported by necessary infrastructure within climate and environmental constraints • The range of site sizes and categories of need to address market delivery should be more rigorously applied though Local Plan examination and recognising that strategic scale development takes time to deliver • A stronger windfall allowance should be made in any trajectory at the beginning, to ensure that infrastructure is planned to meet all cumulative needs that will arise over the plan period.
7	What are your views on the implications these changes may have on plan-making and housing supply?	<p>The clarifications are helpful concerning the weight to be given to the status of the SHM as a starting point and how it may be tested. However, it should also be clear that it remains the starting point for consistency (being based on published ONS population and HH projections) and that any alternative needs forecasts are derivatives from this otherwise comparative evidence from neighbouring authorities will become more complex and lead to debate and delay – which the SHM was introduced to remove.</p> <p>Clarification of exceptional circumstances will be necessary.</p> <p>The tempering of projections using latest Census 2021 data is welcome.</p>
8	Do you agree that policy and guidance should be clearer on what may constitute an exceptional circumstance for the use of an alternative approach for assessing local housing needs? Are there	<p>There is a distinction between testing exceptional demographic components of housing need for authorities with demographic profiles that differ from the norm, compared to testing exceptional environmental and infrastructure (including viability) capacity constraints.</p> <p>Both of these considerations may, however, impose limits on setting a housing requirement.</p> <p>For example. Arun has an exceptional ageing demographic (i.e. 36% of residents are aged over 60 compared to other areas) with a large retirement population, many attracted from elsewhere, as house</p>

	<p>other issues we should consider alongside those set out above?</p>	<p>prices are lower in Arun compared to neighbour areas. However, Arun has acute local affordability issues, especially for younger earners because of low average wages such that these residents are unable to compete for market housing with more affluent households (trading down) coming from elsewhere. Providing more market housing will simply exacerbate this issue and fuel migration. Breaking down the housing need into specific tenures that benefit local residents in a fairer and more balanced way is therefore welcome.</p> <p>Other criteria may therefore need to consider local economic strength or weakness and affordability issues, levels of in migration, relative land and house prices and evidence on housing absorption rates – including any national collated research.</p> <p>Once need is established, in setting an appropriate target there may be other exceptional circumstances.</p>
9	<p>Do you agree that national policy should make clear that Green Belt does not need to be reviewed or altered when making plans, that building at densities significantly out of character with an existing area may be considered in assessing whether housing need can be met, and that past over-supply may be taken into account?</p>	<p>No. Green Belt is a policy instrument aimed at delivering the 5 specific purposes of designation. Climate change and sustainable development are not explicitly included. The national policy position should be reviewed to ensure that this omission is addressed because there is a climate emergency and need to reduce carbon emissions – the considerations of which may in certain circumstances, override the 5 current purposes of the Green Belt.</p>
10	<p>Do you have views on what evidence local planning authorities</p>	<p>Considerations could include:-</p> <ul style="list-style-type: none"> • Average densities and building heights within a character area

	should be expected to provide when making the case that need could only be met by building at densities significantly out of character with the existing area?	<ul style="list-style-type: none"> • Design codes • Appeals
11	Do you agree with removing the explicit requirement for plans to be 'justified', on the basis of delivering a more proportionate approach to examination?	Yes. This may reduce the burden and complexity/extent of evidence required.
12	Do you agree with our proposal to not apply revised tests of soundness to plans at more advanced stages of preparation? If no, which if any, plans should the revised tests apply to?	While it may be appropriate for some advanced plans to be subject to the revised approach – there may be contested matters that are important for stakeholders that then do not get considered - which is not supported. Further, some aspects of the changes being consulted on may need further revision in the light of consultation comments or may not be taken up in the final changes.
13	Do you agree that we should make a change to the Framework on the application of the urban uplift?	This authority is unable to answer this question as it is not one of the 20 largest towns and cities.

14	What, if any, additional policy or guidance could the department provide which could help support authorities plan for more homes in urban areas where the uplift applies?	This authority is unable to answer this question as it is not one of the 20 largest towns and cities. However, it would help to understand how the department has identified that the areas can actually accommodate such a large increase e.g. is there national collated evidence that land is actually available to accommodate the scale of development proposed e.g. Brown field Land Register etc. If no source has been used, it is not clear if the areas could potentially accommodate the figures proposed.
15	How, if at all, should neighbouring authorities consider the urban uplift applying, where part of those neighbouring authorities also functions as part of the wider economic, transport or housing market for the core town/city?	This authority is unable to answer this question as it is not one of the 20 largest towns and cities.
16	Do you agree with the proposed 4-year rolling land supply requirement for emerging plans, where work is needed to revise the plan to take account of revised national policy on addressing constraints and reflecting any past over-supply? If no, what approach should be taken, if any?	<p>A 5 year or 4 year rolling land supply is not supported as a potential test as currently applied under the 5 yr HLS but rather that this should just be a monitoring requirement and trigger for positive intervention when reviewing land supply see answer to Question 1 above.</p> <p>For more advanced Local Plans see answer under Q 12 above.</p>

17	Do you consider that the additional guidance on constraints should apply to plans continuing to be prepared under the transitional arrangements set out in the existing Framework paragraph 220?	No – see answer to Question 12 above.
18	Do you support adding an additional permissions-based test that will ‘switch off’ the application of the presumption in favour of sustainable development where an authority can demonstrate sufficient permissions to meet its housing requirement?	Yes. This is more reflective of recognising that LPAs have limited tools to boost housing delivery rates other than ensure that plans are up to date and lead times for strategic and small-scale developments achieve planning permission in good time. However, adoption of the permissions-based test should not be applied as a penalty with the ‘presumption’ but indicate that positive interventions should be applied – see answers to Question 1 above.
19	Do you consider that the 115% ‘switch-off’ figure (required to turn off the presumption in favour of sustainable development Housing Delivery Test consequence) is appropriate?	Yes – but see answer to Q 1 and Question 18 above. Further, the proposed threshold of 115% is arbitrary in that it does not account for the differing circumstances that will exist from authority to authority.
20	Do you have views on a robust method for	Maintain the current definitions.

	counting deliverable homes permitted for these purposes?	
21	What are your views on the right approach to applying Housing Delivery Test consequences pending the 2022 results?	The HDT and 5 yr HLS tests are not supported as currently applied. These should be indicators of where positive intervention is needed - the whole premise that delivery can be improved just by adding a penalty requiring increased supply (20% buffer) or undermining the sustainable policies of development plans is flawed. It does not address the problem but adds to it – see answers to Q 1 above.
22	Do you agree that the government should revise national planning policy to attach more weight to Social Rent in planning policies and decisions? If yes, do you have any specific suggestions on the best mechanisms for doing this?	The components of population change, household and housing mix requirements are addressed via the Strategic Housing Market Assessment (SHMA). Any strengthening of the national policy requirement for specific needs to be addressed via appropriate tenures in Local Plan evidence and policies would be welcomed.
23	Do you agree that we should amend existing paragraph 62 of the Framework to support the supply of specialist older people's housing?	Yes, the reference to older peoples housing is welcome see also answer to Q 22 above. Agree could be amended to make clearer to support the supply of older people's housing. This is because in some areas such as Arun, there is a high demand for older peoples housing needs, and it is important to sustainably plan for their needs within the wider community. Reference could also be made in an appropriate paragraph, to the importance of inclusive and sustainable design with good access and proximity to health care provision and links to green infrastructure to enable a therapeutic environment to be utilised.
24	Do you have views on the effectiveness of the	Arun's Local Plan does not allocate small sites and is therefore reliant upon much larger, strategic allocations in order to meet the housing target. However, as the authorities current 5-year housing land

	<p>existing small sites policy in the National Planning Policy Framework (set out in paragraph 69 of the existing Framework)?</p>	<p>supply (HLS) is not being met (due to sites not being delivered – even with consent), the authority has seen smaller sites permitted on appeal together with windfall developments. This undermines the delivery of strategic sites and supporting infrastructure as planned infrastructure capacity to support strategic schemes is used up requiring redesign and costs affecting viability.</p> <p>Whilst smaller sites can ensure that housing is delivered by developers, there are also positive elements of larger sites which will deliver substantially more infrastructure, most of it ‘on site’. infrastructure is also phased as part of the delivery of larger developments.</p> <p>The identification and allocation of smaller sites may be problematic to a Local Plan because of complexities of small-scale sites and distribution. HELAA intelligence is frustrated because of the uncertainty over the plan making and decision-making weight being given to sites included that has recently crept in with Inspectors decisions. This may frustrate the identification of sites and potential supply as well as lead to unintended development and appeals which then undermines planned development that has been align to infrastructure</p> <p>Finally, it should be remembered that at present small sites are referred to as being up to 1ha. Such a site could accommodate a good number of units in certain urban or town/city centre locations and would not necessarily be classed as ‘small’.</p>
25	<p>How, if at all, do you think the policy could be strengthened to encourage greater use of small sites, especially those that will deliver high levels of affordable housing?</p>	<p>There are a few options which could be considered:</p> <ul style="list-style-type: none"> • Require a higher percentage of smaller sites to be allocated in a plan or • Require HELAA and BLR to focus on actively identifying smaller sites – this would help a LPA to ensure that sites are available and therefore suitable for allocation • Link the number of small sites identified in the BLR or HELAA and the housing target.... i.e. if an LPA has a high housing target and a good number of sites in the BLR/HELAA then they should be required to allocate more smaller sites. • Require smaller urban sites – 1ha is quite large and could in certain circumstances accommodate a good number of units • Clarify the high level plan making status of sites in HELAA studies as opposed to decision making and appeals which is unhelpful.

26	Should the definition of “affordable housing for rent” in the Framework glossary be amended to make it easier for organisations that are not Registered Providers – in particular, community-led developers and almshouses – to develop new affordable homes?	Yes, the definition should be amended to make it easier for organisations to deliver affordable rent housing. Government website details ‘Of those who begin the application process most – around 80% – do not become a registered provider.’ If the description was amended to make it easier for non-registered providers such as community led development, to benefit from affordable housing then it is likely to lead to an increase in the number of providers that can deliver affordable properties thus contributing to their overall delivery
27	Are there any changes that could be made to exception site policy that would make it easier for community groups to bring forward affordable housing?	Perhaps including reference that these must be brought forward via a NDP or Community Land Trust (CLT)?
28	Is there anything else that you think would help community groups in delivering affordable housing on exception sites?	By referencing community led development specifically within local policy, it will help assist with the delivery of these developments.
29	Is there anything else national planning policy could do to support community-led developments?	By referencing it in policy and including a definition within the glossary this will ensure that its inclusion has more emphasis.

30	Do you agree in principle that an applicant's past behaviour should be taken into account into decision making?	The implementation of this and ongoing monitoring of developer performance/behaviour would place additional burden on already stretched LPA resources. Practically it is very unlikely to be able to be properly implemented.
31	Of the two options above, what would be the most effective mechanism? Are there any alternative mechanisms?	<p>Unless there is a requirement for developers to provide details of their delivery performance as part of the application it is unlikely that either option 1 or option 2 will be workable or implementable given LPA resources.</p> <p>However, if these measures can be implemented in a manner which does not place unnecessary burden on LPAs to monitor performance then option 1 would be preferable.</p>
32	Do you agree that the 3 build out policy measures that we propose to introduce through policy will help incentivise developers to build out more quickly? Do you have any comments on the design of these policy measures?	<p>It should first be highlighted that an increase in planning fees to enable the prompt determination and discharge of conditions whilst welcomed, fails to take into account the challenges faced by LPAs with recruitment.</p> <p>However, the proposals in an ideal scenario are sensible and would likely place additional pressure on developers to build out quicker or at the very least be realistic with their delivery trajectories.</p>
33	Do you agree with making changes to emphasise the role of beauty and placemaking in strategic policies and to further encourage well-designed and beautiful development?	We agree with making changes to emphasise the role that good design makes as this is vital to placemaking. The definition of 'beauty/beautiful' is subjective. Therefore, it may be preferable to refer to some informed and community based standard - achieving a high standard of urban and community based design.

34	Do you agree to the proposed changes to the title of Chapter 12, existing paragraphs 84a and 124c to include the word 'beautiful' when referring to 'well-designed places', to further encourage well-designed and beautiful development?	Beautiful is defined as 'pleasing the senses or mind aesthetically' which does provide further clarification as to what is expected of 'well-designed places'.
35	Do you agree greater visual clarity on design requirements set out in planning conditions should be encouraged to support effective enforcement action?	Yes and should cross refer to para 56
36	Do you agree that a specific reference to mansard roofs in relation to upward extensions in Chapter 11, paragraph 122e of the existing framework is helpful in encouraging LPAs to consider these as a means of increasing densification/creation of new homes? If no, how	No as not all LPAs are predominantly urban in nature where such an approach would be appropriate. It would be more helpful across the board if the point about greater densities to maximise housing provision was a standalone para in Chapter 11.

	else might we achieve this objective?	
37	How do you think national policy on small scale nature interventions could be strengthened? For example, in relation to the use of artificial grass by developers in new development?	The general point that is being referred to is well recognised and accepted that this would be an immediate solution that could be put in place to help reduce some associated issues of climate change, especially flooding. At present there appears to be little change within the document (revised NPPF) that would address this point, so we would encourage that it is considered for inclusion in national development management policies and consider that there should also be sufficient flexibility to allow for local circumstances to be accounted for.
38	Do you agree that this is the right approach making sure that the food production value of high value farmland is adequately weighted in the planning process, in addition to current references in the Framework on best most versatile agricultural land?	<p>The wrong footnote referenced in (summary document), which mentions footnote 58. This is actually footnote 67 which appears to have had an addition made to it. The new addition however only refers to food production and not, as within the summary document the various other associated, or separate values for say flood alleviation. It is understood this is focused on increasing the protection for a specific purpose and this is appreciated in Arun due to the District being an area where this is particularly relevant.</p> <p>The overall issue with respect soils remains that even though work is done by various bodies, national level information recognised by Inspectors and national policy, has not been updated for over a decade. The last Soil Study was published in 2009 and referred to improvements being delivered by 2030. The Agricultural Land Classification, which is recognised as representing BMV, still dates from 1988 and there has been significant alteration of land area and soil value since including risks and changes arising from climate change. Either by directing or allowing BMV to be measured on the basis of more localised information, this may help without any updating of the ALC or importantly, associated mapping to reflect the changes over the past 35 years. Direction suggesting what other sources or documents would be accepted for these purposes, may help to address this e.g. in a national policy, before any updating occurs may begin to address this.</p>
39	What method or measure could provide a	Fabric first being integrated in national DM policy, plus raising the basic standards in the Building Regulations (particularly Parts G and L). These would then reflect both those targets in the majority of

	proportionate and effective means of undertaking a carbon impact assessment that would incorporate all measurable carbon demand created from plan-making and planning decisions?	company Water Resource Management Plans (WRMP) and the needed move towards reducing consumption and impacts to the environment to deliver net zero by, if not before, the challenging target set.
40	Do you have any views on how planning policy could support climate change adaptation further, specifically through the use of nature-based solutions that provide multi-functional benefits?	Yes. Flood alleviation, nature-based projects and Green Infrastructure may go hand in hand with the need to store water in the face of drought or indeed flooding, taking a longer-term perspective of climate change oscillations. National policy could include references to Local Plans and communities exploring long term and innovative solutions including scope for pumped water storage etc and other energy sources such as hydro and wave as well as wind. There needs to be an acceptance that when sensitively designed, potential larger scale projects such as these, may be acceptable in protected areas e.g. National Parks which may have the topography and land resource to create enhanced and new features that complement reasons for designation.
41	Do you agree with the changes proposed to Paragraph 155 of the existing National Planning Policy Framework?	No comment
42	Do you agree with the changes proposed to Paragraph 158 of the existing National Planning Policy Framework?	No comment

43	Do you agree with the changes proposed to footnote 54 of the existing National Planning Policy Framework? Do you have any views on specific wording for new footnote 62?	No comment
44	Do you agree with our proposed Paragraph 161 in the National Planning Policy Framework to give significant weight to proposals which allow the adaptation of existing buildings to improve their energy performance?	<p>Yes</p> <p>The proposed new paragraph only seems to focus on larger non-domestic buildings and importantly seems to miss that simple alterations can be made to non-heritage assets to improve energy efficiency, although these should not be to the detriment of the character of an area. It must be remembered that it is far too easy to negatively alter the exterior of a building when making adaptations, and therefore negatively impact an area's overall character. Heritage assets both designated and non-designated outside conservation areas should not be forgotten and special attention should be paid to any reasons for designation to prevent damage to these features.</p> <p>It is recommended that further joint work should be undertaken between the department (DLUHC) and Historic England so that a clear agreed approach is made with regards to energy efficiency improvements and the historic environment – this information could then become part of the NPPF and/or PPG in the form of suggested DM policies or standards, as opposed to Historic England advice notes, which importantly do not currently form part of government policy, and therefore have reduced weight. This will provide greater certainty as to the type of improvements that will be considered acceptable and reduce the need for LPAs to produce their own guidance interpreting various documents from Historic England.</p>
45	Do you agree with the proposed timeline for finalising local plans, minerals and waste plans	Yes, the timeline seems reasonable given the long lead time in working up signalled changes. Progress should not be delayed further order for authorities to make informed decisions about resourcing plan making.

	and spatial development strategies being prepared under the current system? If no, what alternative timeline would you propose?	
46	Do you agree with the proposed transitional arrangements for plans under the future system? If no, what alternative arrangements would you propose?	Yes, as above.
47	Do you agree with the proposed timeline for preparing neighbourhood plans under the future system? If no, what alternative timeline would you propose?	Yes, we agree with the proposed timeline, this will of course require the sufficient resources to allow these timescales to be delivered.
48	Do you agree with the proposed transitional arrangements for supplementary planning documents? If no, what alternative arrangements would you propose?	<p>No. Whilst the need for an end date to be given to SPD's and their use as part of the local plan is understood, the deadline proposed would be restrictive, especially for those authorities with limited resources. What would happen to the information and approaches contained within the documents if the authorities do not have resources to 'convert' them into Supplementary Plans, and they expire?</p> <p>In section 13 an example is provided – this is relevant to this LPA, as it relates to authorities whose plan is more than 5 years old when the new system comes into force (late 2024). The text helpfully states that the planning authority would be required to begin new-style plan-making straight away. It also states that their SPD's will also expire on the date at which they are required to adopt a new-style plan i.e. 30</p>

		<p>months after they commence plan preparation. This would mean that if the LPA wishes to maintain the former SPD's, it will also need to prepare supplementary plans at the same time as preparing a new local plan. At the present time, the LPA has a suite of SPD which are used in the determination of planning applications related to Open Space provision and car parking standards etc. This requirement, or deadline, would have serious resource implications on the LPA. It is not clear how most LPA's, including this one will have enough resources to prepare both the new Local Plan and any relevant Supplementary Plans at the same time.</p> <p>It is suggested that the end date for the SPD should be 30 months after the adoption of the new Local Plan, not at the same time.</p>
49	Do you agree with the suggested scope and principles for guiding National Development Management Policies?	Yes
50	What other principles, if any, do you believe should inform the scope of National Development Management Policies?	None
51	Do you agree that selective additions should be considered for proposals to complement existing national policies for guiding decisions?	Yes
52	Are there other issues which apply across all or	In the enforcement section, spell out clearly that enf investigations should at all times follow the steps set out in LPA published enf strategies. One of the examples in the table at 15 is allotments. It would

	most of England that you think should be considered as possible options for National Development Management Policies?	not seem to meet the final part of 12.3 Selective new additions to close 'gaps' where existing national policy is silent on planning considerations <i>that regularly affect</i> decision-making across the country (or significant parts of it). It is not felt that the subject regularly effects decision-making. A change to the NPPF wording would appear better than a NDMP.
53	What, if any, planning policies do you think could be included in a new framework to help achieve the 12 levelling up missions in the Levelling Up White Paper?	The NPPF and the planning system have the potential to deliver the built forms of development required to achieve some of the missions of the Levelling up Bill – which are positive and optimistic. It is considered that the framework largely covers the levelling up missions, especially in terms of job creation through the provision of new employment land and facilities, a requirement for more homes etc. The policies in general could be more detailed to specifically note which levelling up mission it seeks to deliver.
54	How do you think that the framework could better support development that will drive economic growth and productivity in every part of the country, in support of the Levelling Up agenda?	<p>Every part of the country is different and has its own special characteristics and features; there is no one size fits all approach that will work. The approach for each area should be tailored so that it is specific to it. By allowing LPAs to tailor the approach to attract, maintain and grow investments in their specific area, there is a greater chance of success. This would have to be evidence based and specific to that particular area; it has to be remembered that not every district or borough will be able to attract technology companies, life sciences and all those involved in Research and Development. However, they should be able to encourage a more diverse mix of uses and provide more employment land/space that is technically required based on the amount of residential development proposed (if there is a clear justification).</p> <p>The framework could also better support economic growth by ensuring that development takes place in the right locations. For example, by increasing urban density it will encourage growth within areas such as local high streets which in turn can result in an increased demand for shops/businesses/services etc.</p> <p>There should also a stronger requirement for Local Plans to tie up with economic strategies and wider regeneration plans for a district or urban area. This could be a requirement of the revised NPPF.</p>

55	Do you think that the government could go further in national policy, to increase development on brownfield land within city and town centres, with a view to facilitating gentle densification of our urban cores?	National policy could provide more emphasis/targets to deliver the sites recorded in the brownfield land registers. This would help bring forward development in the places that it is needed to facilitate gentle densification in the urban cores.
56	Do you think that the government should bring forward proposals to update the framework as part of next year's wider review to place more emphasis on making sure that women, girls and other vulnerable groups in society feel safe in our public spaces, including for example policies on lighting/street lighting?	'Secured By Design' addresses some of these issues already but it is imperative that it is included in the framework so that it becomes part of planning policy.
57	Are there any specific approaches or examples of best practice which you think we should consider to improve the way that national planning policy is presented and accessed?	It would be useful if the digital document is interactive instead of just having to use the search function. It might also be useful in some cases to have some illustrations to explain some of the principles being required.

58	We continue to keep the impacts of these proposals under review and would be grateful for your comments on any potential impacts that might arise under the Public Sector Equality Duty as a result of the proposals in this document.	We don't envisage significant impacts that may arise under the Public Sector Equality Duty because of the proposed amendments. However, improvements could be made to include policies which promote housing for all groups of people and a requirement to provide or allocate such housing. Clarity is also required on provision of Gypsy and Travelling accommodation and sites requirements and also housing for other groups with protected characteristics. There is a push for Planning to be more accessible and certainly some policy on consultation methods to be more inclusive including policy on digital discrimination.
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Public Document Pack Agenda Item 14

Subject to approval at the next Policy and Finance Committee meeting

453

POLICY AND FINANCE COMMITTEE

9 February 2023 at 6.00 pm

Present: Councillors Gunner (Chair), Mrs Cooper (Substitute for Roberts), Cooper, Chace (Substitute for Pendleton), Dixon, Goodheart, Oppler, Stanley and Walsh.

Councillors Bicknell, Coster, Thurston and Wallsgrove were also in attendance for all or part of the meeting.

Note: Councillor Mrs Cooper was absent from the meeting during consideration of the items in the following minutes – Minute 453 to 455 (Part).

670. WELCOME

The Chair welcomed Members and Officers to the meeting.

671. APOLOGIES FOR ABSENCE

Apologies for Absence had been received from Councillors Pendleton and Roberts.

672. DECLARATIONS OF INTEREST

Councillors Dixon and Goodheart both declared Personal Interests in Agenda Item 13 [The Regeneration of the Regis Centre, Bognor Regis] as set out below:

- Councillor Dixon in his capacity as a member of the Bognor Regis Civic Society.
- Councillor Goodheart as a Member of Bognor Regis Town Council and as a resident of Bognor Regis

673. MINUTES

The minutes from the meeting of the Committee held on 13 December 2022 were approved as a correct record and were signed by the Chair at the conclusion of the meeting.

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

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

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675. PUBLIC QUESTION TIME

The Chair confirmed that one question had been submitted for this meeting from Mr Cosgrove which has been very briefly summarised below:

- Question 1 – regarding the organisation of a private briefing for Members on the regeneration of the Regis Centre, Bognor Regis.

The Chair then drew Public Question Time to a close confirming that the Public Question Time Schedule would be uploaded to the Committee's web pages within ten working days following the meeting.

676. PALMER ROAD PROJECT

The Principal Landscape and Project Officer presented her report setting out the case for the provision of new sports facilities at Palmer Road in Angmering. It was highlighted that there was a lot of background information provided within the report to assist Members with their understanding of this project and that the basis for a sports hub on this site had stemmed from The Playing Pitch Strategy and Action Plan which had formed part of the evidence for the Local Plan. The hub would help to meet an identified shortfall in sporting facilities within the district. The Local Football Facilities Plan had identified Palmer Road as a high priority and was therefore likely to attract external funding. Whilst a great deal of work had already been undertaken to produce a feasibility study, it was confirmed that the project was still at an early stage.

The recommendations set out in the report would enable the Council to move to the next stage of the project establishing what could be included at the hub. This was a very exciting but complex project as the Section 106 funding had an expenditure deadline with the Council being reliant upon external funding and it was not known if the Football Foundation application would cover everything specified whilst also fully delivering the project. The Council was also reliant upon a planning application to the north of Palmer Road to release land for the football pitches. Moving forward, the steps were to engage with The Football Foundation and to appoint consultants to help develop designs.

The Chair then invited questions. The Committee welcomed this important recreational facility but also aired some concerns. One was the labelling of Palmer Road with one Member of the Committee suggesting that it made it sound like a facility for Angmering when it was intended to be a much wider facility for the eastern side of the district. A suggestion was made as to whether an alternative name should be given which would promote the site's selling to the public and the suggestion of "the Angmering Sports Project" was made. Another concern was about public accessibility as there was no public transport within reasonable distance of the site along with concerns over access along that stretch of road near to the A27. As there were no proposals for any improvement in public transport, a request was made that this be written into any decisions being made as the project progressed and in terms of ongoing negotiations with the Parish Council and bus operators.

It was suggested that such negotiations commence to ensure good public access which would only enhance what was a much needed facility and would then attract visitors from other areas of the district.

In response to these observations, Councillor Cooper provided reassurance that the Parish Council was working on a public bus service as it would remiss not to do that with the significant amount of housing that the Parish had had to absorb. That housing had resulted in this project coming to fruition. These discussions were being progressed though decisions had not yet been made. The proposals set out in the report were very much welcomed with the Committee being reminded that this scheme had been years in the asking with the Parish Council being delighted that this was now hopefully going to be progressed. Members were reminded that this project would be a huge asset, the pavilion there now, which was not fit for purpose, would be replaced with a new multi-purpose pavilion with enhanced pitch facilities.

Further discussion involved a request for the officer team to continue discussions with the contacts that they had in the industry to push for other similar projects in the district. The Group Head of Environment and Climate Change outlined that there were proposals through new development in Bersted for 3D pitch provision and a sports hub in the future. This was one initiative being discussed with the Football Foundation. The Football Facilities Plan, referred to in the presentation of the report, was looking at various other schemes in the district where there were possible funding proposals that could be followed up. With the expansion of women's football, was there more funding available for the provision of women's football and committing to facilities such as separate changing rooms and did this form part of this scheme? It was confirmed that the Football Foundation had several boxes that it needed to tick with women's football being one of those along with many other initiatives and so this would form part of the proposals. Although there were not any layouts at this stage, this would form part of the early design stages to be taken forward.

Another issue raised was the shortfall in funding which was around £3m and given that it was unlikely that there would be any further large scale planning applications in the Angmering parish. Where did Officers envisage this funding coming from, would this be through borrowing or other sources of funding? The Group Head of Environment and Climate Change confirmed that the Council would need to look at other potential sources of funding and that borrowing might have to be an outcome. The plan would be to phase the development of the project until funding became assured and as it was not clear at this stage as to what funding would be secured from the Football Foundation.

Two non-Committee Members were permitted to speak. One Member applauded the project stating that it was long overdue, and he thanked the Officer team for their work in progressing the scheme forward. He also commented upon the distance from the site to the train station at Angmering stating that he did not see this as an issue when comparing the accessibility of other leisure sites in the district. A further issue of concern raised was in relation to the fact that the Football Foundation would require that a legal first charge be taken over the freehold or leasehold to secure its

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grant funding. It was felt that this sounded more like a mortgage or loan rather than a grant and the Committee was asked if it felt this was advisable.

Following further debate and having had the recommendations proposed by Councillor Cooper and seconded by Councillor Chace, the Committee

RESOLVED – That

- (1) The Project Proposal including the deliverables and the programme as set out in Appendix 1 be approved;
- (2) Approval be given for the council to utilise the established Football Foundation AGP Framework, by signing a Joining Agreement, with the terms and conditions of the agreement to be agreed with Legal Services in consultation with the Monitoring Officer and to be executed in accordance with Contract Standing Orders;
- (3) Approval be given to the procurement of professional services, to support the delivery of a new community sports hub at Palmer Road, within the professional fee allocation of £486,229 subject to the approval of Recommendation 4; and
- (4) Approve the drawdown and expenditure of S106 developer funding contributions from the planning applications allocated to the Palmer Road project, and any CIL funding awarded.

677. ANTI-SLAVERY PLEDGE

In the absence of the Safeguarding Officer, the Communities and Wellbeing Manager presented a report confirming that the Modern Slavery Policy had been adopted by the Council on 9 December 2021. Included within this work was the need to sign and publish an Anti-Slavery Pledge. This report sought the Committee's approval to endorse, sign and approve the Council's pledge demonstrating the Council's commitment to making the district free from slavery.

Members' attention was drawn to Appendix 1 of the report outlining the key principles and aims. In endorsing this approach, the Committee was being requested to recommend to Full Council that it formally adopts the pledge allowing it to be signed and published on the Council's web site. Following a query received regarding the title of the pledge, it was agreed that this should be adjusted slightly and confirmed to be referred to as the Anti-Modern Slavery Pledge.

Councillor Cooper then proposed the recommendation in the report which was duly seconded by Councillor Mrs Cooper.

-

The Committee in endorsing the Anti-Modern Slavery Pledge

RECOMMEND TO FULL COUNCIL

That the Anti Modern Slavery Pledge be adopted.

678. BUDGET MONITORING REPORT TO 31 DECEMBER 2022

The Interim Group Head of Finance and Section 151 Officer presented the Budget Monitoring Report outlining progress against budget covering the Quarter 3 period up to 31 December 2022. The Committee was being asked to note the Budget Monitoring report with the detail being set out in Appendix 1 of the report.

Members' attention was drawn to the General Fund table at paragraph 2.3 of the appendix showing a General Fund underspend of £268k against projected to the end of December 2022. This was a favourable variance. The report also detailed cost pressures with the main ones being identified as homelessness and inflation which were being contained within budget and from the £500k earmarked reserve for inflationary pressures, which had been set up at the end of last year and was now exhausted. Other favourable variations identified were planning income at £337k and £296k in corporate underspends, the detail of which had been set out in the tables at sections 2.7.2 and 2.7.3 of the appendix. The main source of funding for the corporate underspends had been from additional interest on investments (£700k) as interest rates had increased.

The estimated outturn was an additional £161k to be taken from balances as detailed in table 7.2. The Housing Revenue Account (HRA) showed the revised budget as approved by Full Council on 18 January 2023. Table 9.2 showed the estimated outturn which had been approved by Full Council on 18 January 2023. The Council had also approved that the recommended minimum balance level be £2m. Turning to Capital Receipts, there was significant slippage in the capital programme with the main component of these being the Levelling-Up Fund (LUF) schemes which were not due to expend a significant proportion of their expenditure until next year.

Questions presented related to ongoing concerns about HRA overspend. The original budget for the year had been a balance at the end of this year of £3.5m and Members were now being told that the HRA should have a minimum of £2m when in fact the Housing & Wellbeing Committee had been happy to see this being reduced to £600k. This was rapid movement for just one year and so assurance was requested that this situation would not worsen again edging the Council nearer to an illegal situation. The Director of Environment and Communities responded confirming that the situation with the HRA for all authorities at this time was very difficult. The HRA Business Plan had been presented to the Housing & Wellbeing Committee and all Members of the Council via an all Member Briefing in January 2023 where all the points raised had been explored in great detail.

In response, a major component was the continuing use of large numbers of agency staff to cover increasing staff vacancies over the last 2 years. The Committee asked what progress was being made and how reassured could Members be that the current overspend was not going to continue into the forthcoming year. It was explained that the staffing situation was not unique to Arun, this was a national problem with many other authorities struggling to recruit specialised staff. This was also being experienced in other areas of the council such as legal and planning and reflected a problem across the country. In response, the Council had started a programme of recruiting some of the posts. There had been some successes but where this had not been possible, the use of agency staff continued as it was essential to provide a continued service to customers who had the greatest needs. Other factors had been the increase in the cost of repairs due to cost of materials and fuel. There had been a raft of issues that had impacted the Business Plan all of which had been brought to Members' attention along with the measures in place to resolve such issues. The Committee was reassured that the Council had a good Business Plan in place and that the budget would require close monitoring and a lot of work. Officers had therefore committed to provide a further update to the Housing & Wellbeing Committee six months' time. The assurance that could be provided now was that all the right controls were in place and the right work was being undertaken. But it could not be argued that the Council was in a difficult position.

The Chief Executive confirmed that the Council's Corporate Management Team had instigated monthly performance boards which would closely monitor the HRA budget. The assumptions were in place and part of the process would be to ensure that the recommendations within the HRA Business Plan would be overseen and monitored allowing the Council to take remedial action more quickly.

The content of the report was noted by the Committee.

679. COMMITTEE REVENUE AND CAPITAL BUDGET 2023/2024

The Chair invited the Interim Group Head of Finance and Section 151 Officer to present this report. It was confirmed that this was the second year of preparing the budget under the committee style governance system. This committee had two budget reports. The committee specific one which was the subject of this report plus any growth bids which would be considered as part of the overall budget report which was the next item on the agenda. Once this committee has considered the overall budget it would be recommended onto a Special Meeting of the Council on 1 March 2023 for approval. Members were also reminded of the Budget Briefing scheduled for 22 February 2023.

The Committee was reminded that it needed to be noted that the budget had been prepared against a backdrop of a significant budget gap for 2023/24. Only essential growth bids for 2023/24 had been put forward for the committees to approve.

This committee had one growth bid for £100k for the continuation of the Carbon Reduction Programme. The main year on year changes had been highlighted at Section (3.8) which was the fall out of the growth bid for 2022/23 in the sum of £155k for carbon reduction initiatives and Members were reminded that they would be receiving a full update at the next meeting of the Committee on 7 March 2023.

The Committees had a capital programme totalling £3.750m for 2023/24 the detail of which had been set out in Appendix C with this being for the Alexandra Theatre Levelling-Up Fund. It should be noted that this would effectively be offset by £1m worth of capital receipts for the site, with this having already been approved by Full Council.

The Chair invited questions. In relation to the carbon reduction scheme questions were asked around the funding in terms of growth bids for 2023/24 and the reduction in expenditure of £155k . This was explained. Other questions asked related to the capital programme for 2023/24 in relation to the Levelling-Up Fund for the Alexandra Theatre, what did the costs mean in respect of corporate management and transport and supplier and services.

Following further questions and having had the recommendations proposed by Councillor Cooper and seconded by Councillor Mrs Cooper,

The Committee

RESOLVED - That

- (1) Agree on the 2023/24 Revenue Budget as illustrated in Appendix A of this report;
- (2) Agree on the list of uncommitted growth items as illustrated in Appendix B of this report;
- (3) Agree the capital programme as illustrated in Appendix C of this report; and
- (4) Agree to recommend that the Revenue Budget for this Committee be included in the overall General Fund Budget when considering the overall budgets later on in this agenda; and
- (5) Agree to recommend that the Revenue budget list of growth items and Capital Programme for this Committee be included in the overall General Fund Budget when considering the overall budget to recommend to Full Council.

-

680. COUNCIL REVENUE AND CAPITAL BUDGETS 2023/2024

The Chair confirmed that before inviting the Interim Group Head of Finance and Section 151 Officer to present the budget report, he proposed to start with the recommendations that had been submitted for this Committee to consider from each of the service committees. Each of the recommendations had been set out in the supplement pack circulated to the meeting and uploaded to the web and emailed to Councillors on 8 February 2023. The Chair confirmed that he proposed to take these recommendations on block. The recommendations were as set out below and from the:

- Corporate Support Committee – 19 January 2023 – Minute 593 – Committee Budget Report – Service Specific Budget 2023/2024 [Page 1 of the supplement pack].
- Housing & Wellbeing Committee – 25 January 2023 – Minute 607 – Committee General Fund revenue and Capital budget and Housing Revenue Account budgets 2023/24 [Page 3 of the supplement pack]
- Planning Policy Committee – 26 January 2023 – Minute 624 – Committee Revenue and Capital Budgets 2023/24 [Page 4 of the supplement pack]
- Environment Committee – 31 January 2023 – Minute 638 – committee revenue and Capital Budgets 2023/24 [Page 6 of the supplement pack]
- Economy Committee – 2 February 2023 – Minute 655 – Committee revenue and Capital budgets 2023/24 [Page 8 of the supplement pack].

Having had these recommendations proposed by Councillor Chace and seconded by Councillor Dixon, the Committee

RESOLVED – That

- (1) The Revenue budget for this Committee [the Corporate Support Committee] be included in the overall General Fund budget when considering the overall budgets on 9 February 2023;
- (2) The General Fund revenue budget, list of growth items, General Fund Programme, HRA revenue budget and HRA Capital Programme [for the Housing & Wellbeing Committee] be included in the overall General Fund budget when considering the overall budgets on 9 February 2023;
- (3) The Revenue budget for this Committee [the Planning Policy Committee] be included in the overall General Fund budget when considering the overall budgets on 9 February 2023;
- (4) The Revenue Budget for this Committee [the Environment Committee] be included in the overall General Fund budget when the Policy & Finance Committee considers the overall budget at its meeting on 9 February 2023;

- (5) The Revenue Budget, list of growth items and capital programme for this Committee [the Economy Committee] be included in the overall General Fund Budget when the Policy & Finance Committee considers the overall budgets at its meeting on 9 February 2023.

The Chair confirmed that he would now focus on the whole budget for 2023/24 and he invited the Interim Group Head of Finance and Section 151 Officer to present her report. This confirmed that the final Local Government Finance Settlement had been published on 6 February 2023. There were some minor revisions which resulted in an increase in the Services Grant which had unfortunately been matched by an equal reduction in the 3% Funding Guarantee. The settlement was better than forecast in the Medium Term Financial Prospects brought to the last meeting of the Committee as a result of the 3% Funding Guarantee. This was a one year settlement preceded by a Policy note which had provided some indication of what might happen for 2024/25. An update had been received on the New Homes Bonus earlier on in the day confirming that there would be a publication from the Government within the next couple of months in response to the consultation undertaken in 2021 providing, hopefully, more certainty as to what might be happening with that grant funding.

It was important for Members to be aware that the budget for 2023/24 had been balanced by a £4.9m contribution from reserves. This included a £1.1m contribution for planned specific purposes included in service expenditure and a further £3.8 million from the funding resilience reserve. It was also highlighted that the growth bids were in the contingency budget which contained a £2m savings target and a £3m transformation expenditure which would be required to achieve the savings targets. Finally, the Environment Committee had approved an increase in car parking fees and charges meaning that £500k savings target in the contingency budget would be met.

The Chair then invited questions. Varying points were raised by Members. Looking at the overall state of the budget, the growth items being presented appeared to have little or direct benefit to the residents in the district, apart from the support to Freedom Leisure which was understood due to the current energy crisis. The small grants fund of £100k was supported but the other growth items were seen as internal reorganisation items employing extra staff representing a very small increase in revenue expenditure on customer facing services. The continuing cut in Government funding was a concern with this increasing substantially due to austerity leading to many service cuts from committees as well as increases in council tax. This was a direct impact for lower income households due to the progressive nature of council tax. With all of this taken on board, under this administration, it was the view of some Councillors that the council was being presented with an unbalanced deficit budget with an overspend of £4m on a budget of £12m. This could not be seen as responsible or the right way forward. It was felt that the reserves were being raided to a sum of around £5m to balance the budget. Also, hidden away in the report, it was stated that this would be balanced later in the year by unspecified cuts in budgets across the Council to repay the reserves. This was therefore a budget that could not be supported at this stage. Concerns were also expressed over recommendations to increase council house rents by 7% placing a burden onto some of the lowest paid residents in the district. In addition to funding a capital programme, it was proposed to borrow an extra £9.3m, a

further burden and cost for council tax payers whilst at the same time increasing council tax by 3% which would be an unwanted gift to the residents of Arun. There were other Members of the Committee who agreed with the points made stating that this was a risky budget which was raiding the council's reserves to balance the budget.

The Chair asked if the Members who had expressed concern over the budget could provide alternative suggestions. They confirmed that they would reserve that debate for the Special Meeting of the Council on 1 March 2023.

Other points raised related to the minutes from the meeting of the Economy Committee held on 2 February 2023 relating to that Committee's budget for 2023/24 in terms of regeneration and the need to create a regeneration masterplan, was the cost of this included in the budget? It was confirmed that this had been allocated in the 2022/23 budget, with the funding being carried over so that this work could now commence. Councillors also asked what the consequences were if a budget was not approved on 1 March 2023. It was confirmed that the Council would need to continue to meet until a budget was confirmed. Some Councillors also asked if following the Elections in May 2023, any new administration would be able to revisit the budget.

The Chief Executive confirmed that the Council had a legal requirement to set a budget which had to be balanced. If this could not be agreed on 1 March 2023, the Council would have to adjourn and continue to meet until a budget was set which included confirming its position on council tax. Any new administration could set a new and revised budget to confirm new priorities, apart from changing council tax levels.

Further questions asked and points made were:

- It was essential for a budget to be set or for a viable alternative to be agreed
- Was this budget assuming that the local plan would be restarted. It was confirmed that this was the case.
- Support was confirmed for Freedom Leisure. Was there any possibility that the council might be able to claim funding back through any form of grant? It was confirmed that Officers were investigating all opportunities
- Could consideration be given to setting budget briefings for Members differently next year, with these taking place ahead of this meeting? Could specific briefings be organised for each of the political groups?
- There was need for the Council to look at ways of earning more income
- Should the LUF projects be stalled, and other options examined? Could expenditure information be provided for the Sunken Gardens project?

Having heard the views of the Committee, the Chair confirmed that he wished to propose an amendment which was an addition to the service requests labelled as growth items at Paragraph 4.13 of the report to be paid for out of contingency reserves. This was to provide £40k to the Arundel Festival to ensure its survival and in recognition of its contribution to tourism in Arundel and the rest of the district. This amendment was seconded by Councillor Cooper.

The Chair then invited debate on this amendment. Although most of the Committee felt sympathetic towards this suggestion, it was with concern as there were no supporting papers that could evidence the need for this amount, a business case was required so that Councillors could see what the return on such an investment would be. The Chair confirmed that no funding would be released to the Arundel Festival without having received a business case and without that business case being approved.

On putting this amendment to the vote, it was declared CARRIED.

The Chair then returned to the substantive recommendations and having had these recommendations proposed by Councillor Cooper and seconded by Councillor Chace,

The Committee

RESOLVED - That

- (a) It notes that the Interim Group Head of Finance, in consultation with the Leader of the Council, has approved a Council Tax base of 64,159 for 2023/24;
- (b) It notes the budget report in Appendices A, 1, 2 and 3, as amended

The Committee also

RECOMMEND TO THE SPECIAL MEETING OF THE COUNCIL ON 1 MARCH 2023 – That

- c) The General Fund Revenue budget as set out in Appendix 1 is approved;
- d) Arun's Band D Council Tax for 2023/24 is set at £202.34, an increase of 2.99% over 2022/23;
- e) Arun's Council Tax Requirement for 2023/24, based on a Band D Council Tax of £202.34 is set at £12,982m, plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements;

Policy and Finance Committee - 9.02.23

- f) The Council's General Fund Balance minimum balance continues to be set at £5m;
- g) The HRA budget as set out in Appendix 2 is approved;
- h) HRA rents be increased by 7% in accordance with the provisions of the rent standard;
- i) HRA garage rents are increased by 7% to give an average rent of £14.50 per week (excluding VAT), and heating and water/sewerage charges increased on a scheme by scheme basis, with a view to balancing costs with income;
- j) The HRA Balance to remain below the minimum level of £2.0m for the period 2023/24 to 2026/27 to enable the realisation of savings in Repairs and Supervision & Management Expenditure to deliver a sustainable HRA; and
- k) Agree the balance of the capital budget as set out in Appendix 3 of this report.

Before moving onto the next agenda item, the Chair confirmed that he wished to formally thank Carolin Martlew, Interim Group Head of Finance and Section 151 Officer, for her hard work and commitment and this would be her last Committee meeting before leaving the Council at the end of February 2023.

681. WORK PROGRAMME

The Committee received and noted its Work Programme for the remainder of the Municipal Year.

682. EXEMPT INFORMATION

Having been proposed by Councillor Chace and seconded by Councillor Cooper,

The Committee

RESOLVED

That under Section 100a (4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

683. THE REGENERATION OF THE REGIS CENTRE, BOGNOR REGIS - UPDATE REPORT (EXEMPT - PARAGRAPH 3 - INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE AUTHORITY HOLDING THAT INFORMATION))

The Chair invited the Council's Regeneration Consultant to provide to the Committee his update in terms of how the regeneration of the Regis Centre was progressing.

The Committee was advised that there were four main areas to update the Committee on. These were:

- The land deal with Whitbread – Heads of Terms at Exchange of Contracts
- The procurement programme
- The outline programme for the project from route to budget to construction
- A breakdown of the budget

This presentation was followed by a detailed question and answer session. From this, the Regeneration Consultant confirmed that he would provide information to the Committee outside of the meeting in relation to:

- Would Councillors be able to see the contract? It was confirmed that a response would follow from the Group Head of Law & Governance and Monitoring Officer
- Bricks from the Fire Station – could date stamped bricks be retained?
- That if there was an opportunity for a presentation/briefing for Members with regard to the design and build [prior to a planning application being submitted] that the appropriate guidance be provided to Members of the Planning Committee to avoid Members being compromised

Points discussed were:

- The land deal with Whitbread
- Parking
- Support to Arun Arts

(The meeting concluded at 8.26 pm)

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Arun District Council

REPORT TO:	Policy and Finance Committee – 9 February 2023
SUBJECT:	Anti-Slavery Pledge
LEAD OFFICER:	Cathryn French – Safeguarding Officer
LEAD MEMBER:	Councillor Shaun Gunner
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: The anti-slavery pledge directly contributes to the council’s vision of improving the wellbeing of its residents, by ensuring that potential exploitation does not exist within the council’s operations or within its supply chain.	
DIRECTORATE POLICY CONTEXT: Arun District Council as part of Local Government and as an employer, recognises that it has a responsibility to take a robust approach to slavery and human trafficking. This is a corporate pledge that Arun District Council commits to do everything in its to make our district free of modern slavery.	
FINANCIAL SUMMARY: There are no direct financial implications in signing the Anti-Slavery pledge for Arun District Council.	

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to request that the Policy and Finance Committee endorse and approve the Arun District Council’s Anti-Slavery Pledge.

2. RECOMMENDATIONS

- 1.2. It is recommended that the Committee endorses the Anti-Slavery Pledge and recommends it onto Full Council so that the Pledge can be adopted.

2. EXECUTIVE SUMMARY

- 2.1. The Modern Slavery Policy was adopted by the Council on 9 December 2021. The Council is requested to sign and publish an Anti-Slavery Pledge demonstrating its public commitment to taking action, within the organisations powers and responsibilities to make the district free of modern slavery.

3. DETAIL

- 3.1. The Committee is asked to endorse and approve the Anti-Slavery Pledge, this has been attached as an Appendix to the report.
- 3.2. If approved, the Pledge will be published on the Council’s website.

3.3. The Pledge is in addition to the Council's Procurement Strategy which ensures supply chain transparency, to mitigate Modern Slavery in supply chains when purchasing goods and services.

4. CONSULTATION

4.1. For the purpose of this report consultation has been undertaken with Human Resources, Legal Services and the Finance Department.

5. OPTIONS / ALTERNATIVES CONSIDERED

5.1. Consideration of options/ alternatives are not required for this report.

6. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

6.1. There are no direct financial implications in signing the Anti-Slavery pledge for Arun District Council.

7. RISK ASSESSMENT CONSIDERATIONS

7.1. There are none.

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

8.1. This report has been shared with the Council's Legal Services team who have provided guidance for this report in that the Policy and Finance Committee are to refer the Pledge for Full Council consideration.

9. HUMAN RESOURCES IMPACT

9.1. As a local authority the council is encouraged to publish a supply chain transparency statement under Section 54 of the Modern Slavery Act 2015 which, whilst not currently a legal Duty, is expected to become one in the near future. Human Resources are in support of the recommendations.

10. HEALTH & SAFETY IMPACT

10.1. There is no direct impact.

11. PROPERTY & ESTATES IMPACT

11.1. There is no direct impact.

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. There is no direct impact- this Pledge is seeking to ensure the equality and diversity of all citizens.

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. There is no direct impact.

14. CRIME AND DISORDER REDUCTION IMPACT

14.1. This report has been shared with the Wellbeing and Communities team. The Council works in partnership with partner agencies such as West Sussex County Council and Sussex Police to work to reduce harms caused by Modern Slavery and Human Trafficking. The Pledge demonstrates the Council's commitment to this.

15. HUMAN RIGHTS IMPACT

15.1. There is no direct impact- this Pledge is seeking to enhance the human rights of all.

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. There is no direct impact.

CONTACT OFFICER:

Name: Cathryn French
Job Title: Safeguarding Officer
Contact Number: 01903 737 828

BACKGROUND DOCUMENTS:

[9 December 2021: Arun District Council Corporate Policy and Performance Committee: Modern Slavery Policy Statement](#)

Appendix 1- Anti Slavery Pledge

Pledge to become a Slavery Free Community

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Arun District Council anti-modern slavery pledge

Pledge to become a slavery-free community

As leaders in Arun we, the undersigned, commit to doing everything in our power to make out district free of modern slavery. We will work proactively with national and local government, law enforcement agencies, business, the community and voluntary sector, faith bodies and our local communities to:

- demonstrate strong leadership for anti-slavery initiatives
- raise awareness amongst our staff, associates, and the people we service on a daily basis
- train our staff to recognise and respond appropriately to potential signs of slavery
- share intelligence and information to help detect slavery and ensure it cannot take root
- support victims and survivors in our communities
- ensure potential exploitation does not exist within the council’s operations or within its supply chain
- contribute to building a prosperous and slavery-free economy

In this way Arun District Council stands in support of the United Nations Global Sustainable Goal 8.7 to take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour by 2030.

This has been agreed and signed by the following:

Chief Executive Officer	Signature
Leader of the Council	Signature
	Date

For more information on modern slavery, spotting the signs and how to report these, please see: <https://www.arun.gov.uk/modern-slavery>



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REPORT TO:	Standards Committee 23.02.23
SUBJECT:	Review Of Local Assessment Procedure and Assessment Panel Procedure
LEAD OFFICER:	Daniel Bainbridge – Monitoring Officer
LEAD MEMBER:	Councillor Paul English
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<p>The Localism Act 2011 requires local authorities to “...promote and maintain high standards of conduct by members and co-opted members of the authority.” [Chapter 7, para 27(1)].</p>	
DIRECTORATE POLICY CONTEXT:	
<p>The Local Assessment Procedure and Assessment Panel Procedure set out a clear framework for the Monitoring Officer, Standards Committee, Assessment Panel and the general public under which Code of Conduct complaints will be considered and determined.</p>	
FINANCIAL SUMMARY:	
<p>No financial implications have been identified.</p>	

1. PURPOSE OF REPORT

- 1.1 The Council’s Constitution (Part 3, Section 5.4) outlines the functions for which the Standards Committee is responsible, including the reviewing of any Code of Conduct complaints. The administration of such complaints is determined by the Local Assessment Procedure. The Committee has responsibility for monitoring the operation of the Local Assessment Procedure and recommending any revisions to the Full Council.
- 1.2 This report brings forward proposed amendments to both Procedures based upon the Monitoring Officer’s operation of the Local Assessment Procedure since taking up post, together with national best practice.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1. reviews the operation of the Local Assessment Procedure (Appendix A) and Hearings (Assessment Panel) Procedure (Appendix B), including the proposed amendments made by the Monitoring Officer; and
- 2.2. recommend to Full Council that the revised Local Assessment Procedure and Assessment Panel Procedure be adopted.

3. EXECUTIVE SUMMARY

- 3.1. This report brings forward revised Local Assessment Procedure and Assessment Panel Procedure documents for Councillors that take into account lessons learned over the 12-month period since the procedures were last reviewed in December 2021, and which builds in any areas of best practice and the Monitoring Officer's advice to the Committee.

4. DETAIL

- 4.1. The Local Assessment Procedure and the Assessment Panel Procedure were last reviewed at the Committee's meeting on 16 December 2021.
- 4.2. Since that date the Monitoring Officer (both current and past postholders) has received, processed and determined a number of complaints under the Code of Conduct, as well as having provided a full range of advice to Councillors in all contexts of the Council's business – both within and outside of Full Council and Committee meetings.
- 4.3. The proposed amendments to the procedures draw upon experience over the past twelve months, together with nationally-recognised best practice.
- 4.4. In particular, the Monitoring Officer is advising that the following amendments should be made to the Local Assessment Procedure:
 - a) Uniformity of references to the Assessment Panel to correctly mirror the references within the Responsibility for Functions within the Constitution;
 - b) The introduction of a stage following the initial filter that would enable the Monitoring Officer to refer complaints by one District Councillor against another District Councillor to the political Group Leader(s) for those Councillors for informal resolution. This has worked well in other local authorities and can provide an early resolution to complaints and thereby lessening the impact upon both Officer and Member time, whilst at the same time engaging Group Leaders with the conduct of their Members and seeking to reduce incidences of conduct between Councillors that can lead to complaints. (Paragraph 6)
 - c) Removal of the requirement for new evidence to have been presented "within the current administration". The current wording could have created a situation where a complainant with legitimate new evidence could find their complaint dismissed solely because they had brought forward new evidence following the 4-yearly local elections. (Paragraph 10(f))
 - d) Reduction of the period in which a complaint must be made following the date of the alleged conduct from six months to three months. In reality complainants do not wait six months in which to make complaints, and the passage of time can naturally affect the reliability of witness evidence. (Paragraph 10(h))

- e) Deletion of the reference at Paragraph 16 to sanctions imposed following a finding of breach of the Code. Sanctions can only be imposed by an Assessment Panel following a hearing, and not during the informal resolution stage of a complaint. (Paragraph 16)
- f) Explicit reference to an external investigator as opposed to 'outside body'. (Paragraph 19)
- g) Confirmation that the Independent Person should not retire with the Assessment Panel when it deliberates. This complies with national best practice (Paragraph 33). This is mirrored in Paragraph 10 of the Assessment Panel Procedure.

4.5 The Committee should consider the Monitoring Officer's proposals, together with any further updates that they wish to consider and recommend to Full Council.

5. CONSULTATION

5.1. Consultation with the Chair and Vice-Chair of the Standards Committee has taken place prior to the report and revised draft procedures having been finalised.

6. OPTIONS / ALTERNATIVES CONSIDERED

6.1. There is a need for both procedures to be reviewed regularly and so the alternative of not bringing forward a review report is not a realistic option.

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

7.1. No financial implications have been identified.

8. RISK ASSESSMENT CONSIDERATIONS

8.1. The adoption of up-to-date procedures that incorporate best practice and take account of lessons learned will ensure that all parties to a complaint have clarity regarding processes and procedures, and the documents themselves support consistency and robustness of decision-making.

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

9.1. The Monitoring Officer's comments are set out within the body of the report.

For items 10 – 17 below, there are no direct impacts arising from this report.

10. HUMAN RESOURCES IMPACT

- 11. HEALTH & SAFETY IMPACT
 - 12. PROPERTY & ESTATES IMPACT
 - 13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE
 - 14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE
 - 15. CRIME AND DISORDER REDUCTION IMPACT
 - 16. HUMAN RIGHTS IMPACT
 - 17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS
-

CONTACT OFFICER:

Name: Daniel Bainbridge
Job Title: Monitoring Officer
Contact Number: 01903 737607

BACKGROUND DOCUMENTS: None



Local Assessment Procedure 2021

Version 3 – [February 2023](#) (incorporating changes discussed by Standards Committee at their meeting on [23.02.23](#))

Version 3.0



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CASE HANDLING PROCEDURE

BACKGROUND

Under Section 28 of the Localism Act 2011, Arun District Council must have in place “arrangements” under which allegations that an elected or co-opted member of the authority or of a town or parish council within the authority’s area (herein-after referred to as the ‘subject member’) has failed to comply with the authority’s Code of Conduct can be considered and decisions made on such allegations.

These arrangements provide for the council to appoint at least one Independent Person whose views must be sought by the council before it takes a decision on an allegation that it has decided to investigate, and whose views can be sought by the council at any other stage, or by the subject member against whom an allegation has been made.

The council has adopted a Members’ Code of Conduct ~~for Councillors~~, which is published on the council’s website and is available for inspection on request from the council’s office (see below).

Each town and parish council is also required to adopt a Code of Conduct which should be available on their website.

Initial assessment

1. All allegations, including those against a town or parish councillor, must be made in writing to the Monitoring Officer of Arun District Council (MO)¹.
2. Anonymous complaints will not be accepted unless the MO concludes that there is a compelling public interest why a serious allegation made anonymously may be taken forward.
3. The MO may refer the matter to the standards committee to take the decision in his or her place and he or she may delegate the matter to his or her deputy (ies) or another officer if, for example he or she believes there is a conflict of interest. This power is at the discretion of the MO.
4. The MO will apply an initial filter to an allegation – for example, to check that the complaint is against a member, that they were in office at the time of the alleged incident and that the matter would be capable of being a breach of the Code. If the MO is of the view that the complaint does not fundamentally relate to a Code of Conduct matter, then he/she will decline to progress it further under this Procedure. It is generally considered that complaints relating to the consideration of planning and/or licensing applications will not

Commented [DB1]: Moved to paragraph 9 below

¹ As defined by the Local Government & Housing Act 1989, Part 1, Section 5

be dealt with under this procedure if there is an alternative legal remedy. - The Council has no authority to deal with complaints which relate solely to a ~~councillor's member's~~ private life or things they do which are not related to their role as a ~~councillor~~ member.

5. Complaints which identify criminal conduct or breach of other regulations by any person may be referred by the MO to Sussex Police for consideration, in accordance with an agreed protocol as set out in Appendix B, or any other regulatory agency. In such cases the MO may at his or her discretion pause the consideration of the complaint pending action by the other body or commence a parallel investigation into the alleged Code of Conduct breach.

~~5-6.~~ Complaints by a district councillor about another district councillor(s) will be referred by the MO to the relevant group leader(s) for resolution in the first place. If either the Subject Member or the complainant declines to engage with this informal process, or resolution is not possible, within 10 working days from the date of receipt of the complaint, the MO will progress from paragraph 7 below. (For the avoidance of doubt, group leaders do not take on the functions of the MO in this process, which is purely an informal process which has the aim of resolving 'councillor-against-councillor' complaints at the earliest opportunity and reducing the resolution time for complaints).

~~6-7.~~ If the MO decides the matter is within scope of this Procedure, he or she will invite an Independent Person (IP)² to give his or her views on what action should be taken at this stage. That IP will then remain the IP who will be consulted on that case throughout this process, except in exceptional circumstances.

~~7-8.~~ Where a complaint is accepted by the MO, ~~the~~ MO will ~~also~~ notify the subject member of the complaint unless there are compelling reasons not to and invite him/her to submit any relevant comments. The subject member will be given 10 working days to respond, from the date of the notification. In parish cases the MO may also notify the clerk and may ask for relevant factual information. However, the MO, in consultation with an IP, may withhold the complainant's identity if they can be satisfied that there are reasonable grounds for granting confidentiality, for example a belief that the complainant or any witness to the complaint may be at risk of physical harm or intimidation, or that their employment may be jeopardised if their identity is disclosed.

~~8-9.~~ At the end of the 10 working days (regardless of whether any comments have been received by the subject member), and no later than 20 working days from the date of receipt of the complaint, the MO will decide upon one of the following outcomes:

- a) to take no further action;

² The Independent Person is a person who has applied for the post and is appointed by Councillors of the Council. The definition of an Independent Person can be found in Section 28 of the Localism Act 2011.

- b) to seek to resolve the matter informally; or
- c) to refer the matter for investigation.

9-10. In deciding what action is necessary the MO will consider the following non-exclusive factors:

- a) ~~does whether~~ the complaint contains sufficient evidence to demonstrate a potential breach of the Code?;
- b) ~~whether there~~ are ~~there~~ alternative, more appropriate, remedies that should be explored first?;
- c) where the complaint is by one Councillor member against another, a greater allowance for robust political debate (but not personal abuse or “unparliamentary” language) may be given;
- d) ~~whether the complaint~~ is ~~the complaint~~ in the view of the MO malicious, politically motivated, or ‘tit for tat’?;
- e) whether an investigation would not be in the public interest or the matter, even if proven, would not warrant any sanction (see Appendix 2);
- f) whether a substantially similar complaint has previously been considered and no new material evidence has been submitted ~~within the current administration to support the new complaint~~;
- g) ~~Whether~~ a substantially similar complaint has been submitted and accepted;
- h) ~~does whether~~ the complaint relates to conduct in the distant past (over ~~six~~ ~~three~~ months ~~before prior to the date of submission of the complaint~~).? This would include ~~assessing~~ any reason why there had been a delay in making the complaint;
- i) ~~does whether~~ the complaint actually relates to dissatisfaction with a council (or parish council) decision rather than the specific conduct of an individual?; ~~and~~
- j) ~~is it whether the complaint relates to about~~ someone who is no longer a member of the council (or relevant parish council) or who is seriously ill; ~~and~~
- k) ~~Where~~ the matter complained of consists of alleged misconduct in the course of a formal council meeting, whether the matter had already been dealt with satisfactorily during the meeting.

10-11. All parties (and the clerk for parish cases) will be notified of the MO’s decision and there is no right of appeal against that decision.

11-12. A decision notice will not be published at this stage though the council may issue a public statement if details of the complaint are already in the public domain.

12-13. The MO will report to the standards committee periodically on cases in which there has been no further action taken.

Informal resolution

13.14. Where the MO has decided to seek to resolve the matter informally, he or she may do one or more of the following:

- a) ask the subject member to submit an apology in writing to the complainant;
- b) convene a meeting between the subject member and the complainant in order to try to resolve the issue informally;
- c) notify the subject member's group leader (where they are a member of a group) and suggest that they may wish to take some internal party action;
- d) suggest that the subject member undergo relevant training;
- e) other such action that the MO deems appropriate.

14.15. The MO will decide on a timeframe within which the informal resolution must be completed to an acceptable standard.

15.16. If either the subject member or complainant refuses to engage with the informal resolution proposed by the MO, or the MO deems the action taken by the member to be insufficient or the informal resolution does not take place in a timely way, the MO will decide, in consultation with an IP, whether the case should be closed, whether an investigation is necessary, or whether some other action should be taken. ~~The 2021 Members Code of Conduct states (Para 8.4 "Complying with the Code of Conduct") that a Member must "...comply with any sanction imposed upon me following a finding that I have breached the Code of Conduct".~~

Commented [DB2]: This relates to a finding after a hearing, so I am deleting this. The MO has no power to sanction a Member. In any event the provision is within the Code and any sanction must be complied with.

16.17. The MO will notify the complainant (and clerk in parish cases) of the outcome of the informal resolution.

17.18. The MO will report to the Standards Committee periodically on the outcome of any informal resolutions proposed and/or implemented.

Investigation

18.19. Where a matter is referred for investigation, the MO may carry out the investigation him/herself, delegate it to another officer or ~~contract it out to an outside body~~ appoint an external investigator.

19.20. The investigation must normally be completed within 3 months of the MO's decision to accept the complaint. If an extension of time is needed, the MO must agree that extension with the Chair of the Standards Committee and the IP and notify the subject member, complainant (and clerk in parish cases) of any extension.

20.21. The subject member is notified who the relevant IP is for the case and may seek his or her views at any stage during the investigation.

21.22. The complainant ~~is will~~ also be notified who the IP is and may make a request to the MO to seek the views of the IP. However, such a request will only be granted at the discretion of the IP in consultation with the MO.

22-23. At any time during the investigation the MO, the subject member or the complainant may ask for an informal resolution. The MO will consult with the relevant IP to agree this.

23-24. Before being finalised, a draft report will be produced and the complainant, subject member and IP will be invited to comment. In the case of multiple complaints, a separate investigation report will be produced for each complaint, relating only to that complaint, in order to observe potential data protection implications. Witnesses may also be asked to comment as appropriate on parts of the draft report relevant to them.

24-25. Where the investigation has not been personally conducted by the MO, the final decision as to outcome will nevertheless be made by the MO unless there is a conflict of interest, in which case the decision will be taken by the Deputy MO.

25-26. There may be exceptional circumstances when the MO decides that a case should be closed before a draft or final report has been produced due to a significant change in circumstances. This may include, for example that the subject member is seriously ill or is no longer a member or other action has led to the matter being resolved. In such cases the MO should consult the IP before deciding that the file be closed. A record of the complaint will be kept on file in the event that the subject member returns to office in the future and a subsequent complaint is lodged against them.

26-27. At the end of the investigation the MO may conclude:

- a) that there has been no breach of the Code;
- b) to seek to resolve the matter informally; or
- c) to refer the matter to the Standards Committee for determination.

27-28. In cases where the MO has concluded that there has been no breach of the Code all parties (and the clerk in parish cases) will be notified of the MO's decision and there is no right of appeal against that decision. The MO will report the finding to the standards committee and issue a public decision notice.

28-29. Where the MO decides to seek to resolve the matter informally, he or she shall seek the views of the IP and complainant before concluding whether such an outcome is appropriate. The possible actions are those outlined above at paragraph 14. If the subject member or complainant refuses to engage with the informal action directed by the MO, the MO deems the action taken by the Member insufficient or the informal action does not take place in a timely way the MO will decide, in consultation with the IP, whether the case should be closed or whether a hearing is necessary. The MO will notify the complainant (and clerk in parish cases) of the outcome of the informal action.

29.30. Where the matter is referred for determination, the [hearings assessment](#) panel of the standards committee will convene within 2 months. The MO will notify the complainant of the date of the hearing.

Hearings Assessment Panel

30.31. A matter referred for determination by the MO will be heard by a [hearings an assessment](#) panel, made up of members of the standards committee.

31.32. At the start of the hearing the MO will advise the [hearings assessment](#) panel whether the matter should be heard in public or in private, subject to the normal rules on exempt and confidential information and bearing in mind the public interest. The [hearings assessment](#) panel will always, however, retire in private to consider its findings and possible action.

32.33. The views of the IP will be sought by the [hearings assessment](#) panel ~~during its meeting and before the panel retires to consider its decision and made public before the Hearings Panel reaches its decision. The IP will not retire with the~~ [hearings assessment](#) panel during its private deliberations.

33.34. The [hearings assessment](#) panel may decide:

- a) that there has been no breach of the code;
- b) that there has been a breach but to take no further action; or
- c) that there has been a breach and a relevant sanction should be imposed or recommended.

34.35. If the [hearings assessment](#) panel decides that a relevant sanction should be imposed or recommended it may impose or recommend any one or more of the following:

- a) report its findings in respect of the subject member's conduct to council (or the relevant parish council);
- b) issue (or recommend to the parish council to issue) a formal censure;
- c) recommend to the subject member's group leader (or in the case of ungrouped members, recommend to council) that he/she be removed from any or all committees or sub-committees of the council (or recommend such action to the parish council);
- d) recommend to the leader of the council that the subject member be removed from positions of responsibility.
- e) instruct the MO to (or recommend that the parish council) arrange training for the subject member;
- f) recommend to council (or recommend to the parish council) that the subject member be removed from all outside appointments to which he/she has been appointed or nominated by the council (or by the parish council);
- g) recommend to council (or recommend to the parish council) that it withdraws facilities provided to the subject member by the council for a

specified period, such as a computer, website and/or email and internet access;

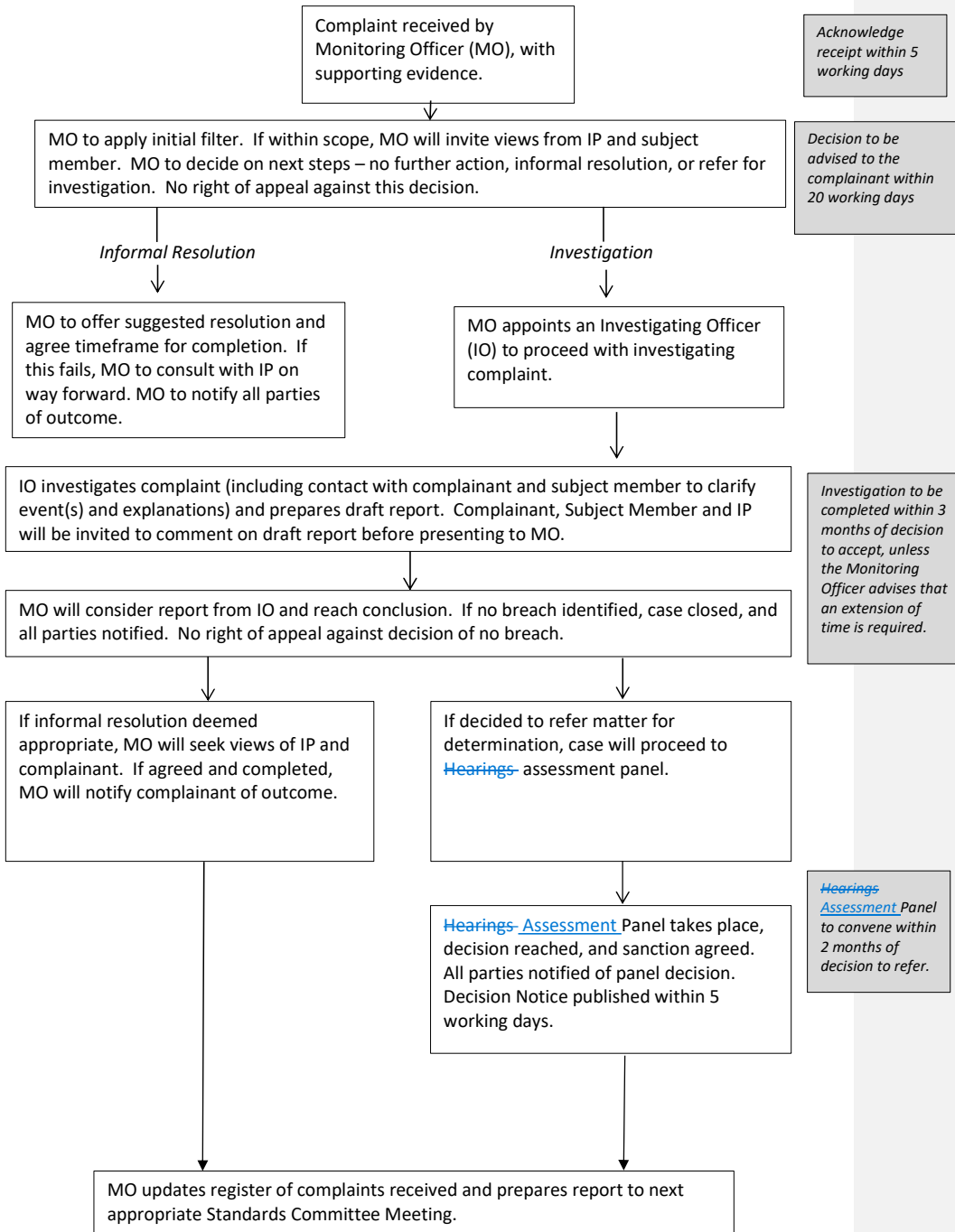
- h) recommend to council (or recommend that the parish council) that it excludes the subject member from the council's offices or other premises for a specified period, with the exception of meeting rooms as necessary for attending council, committee and sub-committee meetings and/or restricts contact with officers to named officers only;
- i) if relevant, recommend to the council that the subject member be removed from their role as leader of the council
- j) if relevant recommend to the secretary or appropriate official of the group that the member be removed as group leader or other position of responsibility.

35-36. All parties (and the clerk in parish cases) will be notified of the [hearing assessment](#) panel's decision and there is no right of appeal against that decision.

36-37. A decision notice will be published on the council website within 5 working days of the [Hearings](#) assessment panel's decision.

Ends....

APPENDIX A - PROCEDURE FLOWCHART



APPENDIX B – POLICE PROTOCOL

**PROTOCOL BETWEEN
ARUN DISTRICT COUNCIL’S MONITORING OFFICER
AND
SUSSEX POLICE**

This protocol is in place for the reporting of potential criminal offences arising under Section 34 of the Localism Act 2011 concerning the registration and/or disclosure of disclosable pecuniary interests as defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. The protocol will work on the following basis:

1. In the event that Arun’s Monitoring Officer receives a complaint regarding a potential disclosable pecuniary interest offence, they will make immediate contact with Sussex Police through the Chief Inspector, Arun and Chichester Commander. Current contacts are:

Name	Nick Bowman, Chief Inspector
Email	Nick.Bowman@sussex.police.uk
Tel	01273 404535 ext 580223

2. Similarly, if Sussex Police receives a complaint, they will inform the Monitoring Officer at Arun District Council, currently

Name	Daniel Bainbridge, Group Head of Law & Governance
Email	monitoring.officer@arun.gov.uk
Tel	01903 737607

3. Sussex Police will register the complaint and conduct an initial assessment but may approach Arun’s Monitoring Officer for background information on the complaint. Arun District Council’s Monitoring Officer may commence a parallel investigation into the alleged Code of Conduct breach or pause the consideration of the complaint pending action by Sussex Police.
4. If Sussex Police decide not to prosecute the matter, they will normally pass the relevant evidence to Arun’s Monitoring Officer so that consideration can be given to an investigation under the Members Code of Conduct Local Assessment Procedure. In the event that Arun District Council’s Standards Committee decides to pursue an investigation through the Local Assessment Procedure, they will inform Sussex Police of their decision.
5. Both Arun’s Monitoring Officer and Sussex Police will endeavour to keep complainants regularly updated as to the progress of their complaint.

REVISIONS LOG

Revision Log		
Version Number	Date	Revision
1.0	18.02.21	Procedure approved by Standards Committee
2.0	Jan 2022	Amendments approved by Standards Committee
2.1	07.03.22	Amended Police Protocol following appointment of new Chief Inspector.
2.2	27.06.22	Updated Police Protocol with new Monitoring Officer details
3.0	February 2023	Annual review of Procedure, amendments approved by Standards Committee at their meeting on 23.02.23

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Procedure for ~~Hearings~~ Assessment Panel of the Standards Committee

*Version 3.0 – incorporated changes discussed by Standards Committee
at their meeting on [23.02.23](#)*

Version 3.0

The procedure for hearings before a Hearings an Assessment Panel of the Standards Committee.

1. Formal hearings will be conducted by a panel of three councillors drawn from membership of the standards committee on the basis of availability, plus one of the independent persons who will not be a member of the panel but whose views the panel must have regard to. The chair and/or vice chair of standards committee will be invited to sit on the panel but not necessarily to chair the panel.
2. The hearings panel need not reflect the political proportionality of the council as a whole.
3. A member of the standards committee, against whom a Code of Conduct complaint has been made, shall not be selected as a member of a hearings an assessment panel until consideration of their complaint has been concluded.
4. The Monitoring Officer (MO) will advise the panel at the start of the meeting, whether in his or her opinion the panel should meet in public or private having regard to:
 - a. The rules on confidential and exempt information as defined by Schedule 12A, Local Government Act, 1972; and whether
 - b. In all the circumstances of the case, the public interest in maintaining any exemption outweighs the public interest in disclosing the information.
5. Before a hearing an assessment panel meets, the MO shall write to the subject member and to the complainant, asking each:
 - a) whether they accept the finding in the investigation report
 - b) whether they dispute any factual part of the report, identifying any areas of dispute
 - c) whether they wish to call any witnesses at the hearing (only witnesses identified to the Investigating Officer by the complainant or by the subject member may be called as witnesses. In law, witnesses do not have to attend a hearings an assessment panel).
 - d) whether the complainant wishes to be present at the hearing (the complainant shall be invited, but is not obliged, to attend the hearing. If the complainant is not present, the procedure below shall be adapted accordingly)
 - e) whether they wish to be accompanied at the hearing. The rule of natural justice will apply, and the subject member will be advised that they can choose to be accompanied by a friend or colleague. The friend or colleague may speak with the subject member but may not address the panel.

6. Where the investigation has not been carried out by the MO, the MO will also ask the investigator if they wish to call any witnesses in addition to any called by the subject member or complainant.
7. In advance of a meeting of a [hearing an assessment](#) panel, its members shall seek to agree who will chair the hearing. The chair may issue directions about the conduct of the hearing, including the number and suitability of suggested witnesses. A member of a [hearing an assessment](#) panel shall not act as chair unless they have received relevant training.
8. Subject to the discretion of the chair, the hearing shall be conducted as follows:
 - a. The investigating officer will be invited to present their report and to call witnesses. The complainant, the subject member and the panel (including the independent person), in that order, may ask questions or seek clarification both of the investigating officer and any witnesses.
 - b. The complainant will be invited to comment on the report and its findings and to call witnesses. The investigating officer, the subject member and the panel (including the independent person), in that order, may ask questions or seek clarification both of the complainant and any witnesses.
 - c. The subject member will be invited to comment on the report and its findings and to call any witnesses. The investigating officer, the complainant and the panel (including the independent person), in that order, may ask questions or seek clarification both of the subject member and any witnesses.
 - d. The investigating officer, the complainant and the subject member will be invited, in that order, to make brief concluding remarks.
 - e. The subject member will remain present throughout the hearing although any witnesses would only be present when being invited to present their evidence.
9. The chair and [hearings- assessment](#) panel, including the independent person, may ask for advice at any stage from the MO or another officer appointed to advise the committee.
10. Once the hearing has been concluded, the [hearings- assessment](#) panel and the MO, or other officer where the MO has a conflict of interest, will then retire to consider its decision. [The independent person will not retire with the panel.](#) The [hearings- assessment](#) panel is required to do the following:
 - (i) to make findings of the facts;
 - (ii) to decide on whether these facts constitute a breach of the Code of Conduct; and
 - (iii) where a breach is found, to decide on the appropriate sanction.
11. In deciding whether or not to uphold the complaint, the [hearings- assessment](#) panel must apply, as the standard of proof, the balance of probability.
12. The [hearings- assessment](#) panel will then return and announce its findings on whether there has been a breach of the Code and give reasons.

13. The [hearings-assessment](#) panel will announce what, if any, sanction it wishes to impose. Following the hearing, a decision notice will be issued within 5 working days, and a copy shall be sent to the complainant and subject member, and to the parish clerk where it is a parish council case. The [hearings-assessment](#) panel to determine how long the decision notice is to be published.
14. There is no right of appeal against a decision on a Code of Conduct complaint. If the complainant or the subject member considers that the complaint has not been considered properly by the [hearings-assessment](#) panel, they may be able to complain to the Local Government Ombudsman or seek permission for judicial review.
15. The decision will be published on the standards committee pages of the council's website. This includes decisions relating to members of town or parish councils.

A. Sanctions available to a [Hearings an Assessment Panel](#)

1. The [hearings-assessment](#) panel has powers to take action in respect of individual councillors as necessary to promote and maintain high standards of conduct.
2. The [hearings-assessment](#) panel may do one, or a combination, of the following:
 - a) report its findings in respect of the subject member's conduct to council (or the relevant parish council);
 - b) issue (or recommend to the parish council to issue) a formal censure;
 - c) recommend to the subject member's group leader (or in the case of ungrouped members, recommend to council) that he/she be removed from any or all committees or sub-committees of the council (or recommend such action to the parish council);
 - d) recommend to the leader of the council that the subject member be removed from positions of responsibility;
 - e) instruct the MO to (or recommend that the parish council) arrange training for the subject member;
 - f) recommend to council (or recommend to the parish council) that the subject member be removed from all outside appointments to which he/she has been appointed or nominated by the council (or by the parish council);
 - g) recommend to council (or recommend to the parish council) that it withdraws facilities provided to the subject member by the council for a specified period, such as a computer, website and/or email and internet access; or
 - h) recommend to council (or recommend that the parish council) that it excludes the subject member from the council's offices or other premises for a specified period, with the exception of meeting rooms as necessary

- for attending council, committee and sub-committee meetings and/or restricts contact with officers to named officers only;
- i) if relevant recommend to the council that the subject member be removed from their role as leader of the council;
 - j) if relevant recommend to the secretary or appropriate official of the group that the member be removed as group leader or other position of responsibility.

REVISIONS LOG

Revision Log		
Version Number	Date	Revision
1.0	18.02.21	Procedure adopted by Standards Committee
2.0	Jan 2022	Amendments approved by Standards Committee at their meeting 16.12.21
3.0	<u>February 2023</u>	<u>Amendments approved by Standards Committee at their meeting 23.02.23</u>

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Arun District Council

REPORT TO:	Standards Committee 23.02.23
SUBJECT:	Review of Social Media Guidance - February 2023
LEAD OFFICER:	Daniel Bainbridge – Monitoring Officer
LEAD MEMBER:	Councillor Paul English
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: This report seeks the views of the Standards Committee relating to the review of the Social Media Guidance document for Councillors.	
DIRECTORATE POLICY CONTEXT: None	
FINANCIAL SUMMARY: No financial implications as this is an information report.	

1. PURPOSE OF REPORT

The Social Media Guidance for Councillors, adopted in December 2020, requires reviewing to ensure that it remains relevant and up-to-date.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1. consider and comment upon the revised Social Media Guidance for Councillors; and,
- 2.2. recommend to Full Council that the revised Social Media Guidance be approved.

3. EXECUTIVE SUMMARY

- 3.1. The use of social media across the political spectrum has increased significantly since the 2019 local elections and its use can expose Councillors to criticism, putting them at risk of challenge and placing them in vulnerable positions where they feel they must provide a response. The Guidance ensures that Councillors have sufficient advice regarding the use of social media and helps to reduce the risk of making them the subject of a Code of Conduct complaint or other legal ramifications.

4. DETAIL

- 4.1. A review of Code of Conduct complaints received in recent years has identified an increase in complaints that relate to engagement with social media, either in the quality of comments/responses or the appropriateness of individual posts.
- 4.2. Whilst it is accepted that the public find social media to be a useful tool in communicating with their elected Members (and vice versa), and for finding out information relating to Council activity, it is important that any information shared is accurate and that Councillors are not drawn into situations where a breach of the Code of Conduct may be take place or be perceived.
- 4.3. It is therefore vital that Councillors have sufficient guidance and advice to steer them in the use of social media, and to be able to use social media to its best advantage.
- 4.4. Since the Social Media Guidance was adopted by the Council, the Local Government Association has updated its social media guidance for Councillors. The revised guidance document attached to this report at Appendix 1 draws on the Monitoring Officer's experience in dealing with Code of Conduct complaints and advice provided to Councillors, together with the LGA's updated guidance.
- 4.5. The Committee is asked to consider the proposed changes to the guidance.

5. CONSULTATION

- 5.1. This report forms a consultation tool with Committee Members.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. None.

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

- 7.1. As this is an information report, no financial implications are identified.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. As this is an information report, no risk assessment considerations are necessary.

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

- 9.1. The Monitoring Officer's comments are contained within the body of the report.

For items 10 – 17 below, there are no direct impacts arising from this report.

10. HUMAN RESOURCES IMPACT
 11. HEALTH & SAFETY IMPACT
 12. PROPERTY & ESTATES IMPACT
 13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE
 14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE
 15. CRIME AND DISORDER REDUCTION IMPACT
 16. HUMAN RIGHTS IMPACT
 17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS
-

CONTACT OFFICER:

Name: Daniel Bainbridge
Job Title: Monitoring Officer
Contact Number: 01903 737607

BACKGROUND DOCUMENTS:

Local Government Association – Social media guidance for councillors
[Social media guidance for councillors | Local Government Association](#)

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SOCIAL MEDIA GUIDANCE FOR COUNCILLORS

December 2020

Endorsed by [Cabinet Full Council](#)
Decision Ref – [C/040/14122020\[UPDATE\]](#)

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1. About this document

This guidance document is for **Councillors** of Arun District Council and has been created to provide information about the Council's social media policy requirements and 'best practice' advice in the use of social media accounts.

This document should be read alongside the authority's **Information Security Policy** and **Internet and Email Acceptable Usage Agreement**. There is a separate social media policy for staff.

Social Media is a fast-evolving environment and, as such, this guidance is a **live** document which will be updated as significant developments arise. It ~~will be~~ is available on the [Councillor's intranet](#) ~~Members' Area of SharePoint~~.

[The Local Government Association has produced a comprehensive set of social media guidance for Councillors that is available through the link below, and specific sections of the guidance are referred to within the Council's guidance.](#)

[Social media guidance for councillors | Local Government Association](#)

2. What is social media?

Social media may be defined as "a collective term used to describe easy ways to create and publish on the internet." Below we look at some of the different social media platforms and how they might be used effectively. In summary, social media has transformed the way that organisations do business and organisations and individuals interact.

It has allowed the creation and wide sharing of information, ideas and interests. It has provided a voice for those who weren't well heard before and has changed the way that councils and councillors interact with local people.

This guidance looks at how social media can be used effectively as a communications tool by Councillors as well as some of the pitfalls and dangers they need to avoid.

The important thing to remember about social media is that it's social - it's about communication and interaction. It has transformed the way that people communicate. People are less reliant on traditional print and broadcast media for their news but instead anyone can now publish and share their views and engage in instant conversations with others about those views. That is why it is important councillors know how to use social media effectively.

3. Social media accounts

There are four types of social media account:

- Corporate Accounts – managed by the Communications team

- Departmental Accounts – professional accounts managed by an officer on behalf of the Council
- Personal Accounts – managed by councillors for their personal use
- Councillor@arun.dc accounts – managed by councillors for their ADC councillor use only

As councillors do not have responsibilities for managing corporate or departmental accounts, this document applies solely to the use of 'Personal' social media accounts. It does, however, briefly explain the purpose of these corporate accounts as wider context.

It is the responsibility of individual councillors to manage their social media accounts.

To ensure the appropriate, safe and effective use of social media, councillors are advised to follow these guidelines.

4. Who to contact for help?

If you are unclear about any matter relating to social media for Arun District Council use, please contact our Communications Team for further advice or guidance.

Contact: public.relations@arun.gov.uk

Arun District Council IT department do not support personal social media accounts, therefore, please do not contact them as they are unable to provide advice or guidance.

5. Examples of social media

There are a wide range of social media platforms available, some of the most popular being:

- Twitter
- Facebook
- Instagram
- ~~WhatsApp~~
- YouTube
- LinkedIn
- Instagram WhatsApp
- Snapchat
- Nextdoor

It is important to consider which platforms are most likely to reach the target audience you would like to engage with and the means by which you would like to communicate with them (e.g. two-way conversation, passing on information, visuals etc). Twitter and Facebook are the most widely used social media platforms and therefore the most

relevant to councillors. This section of the guidance will focus on Twitter and Facebook for councillors, and will touch on other platforms too:

Twitter is ideal for ‘talking’ to your audience directly to give them timely information, and to express your opinions or comments on topical issues. While your tweets and replies remain available to view unless you delete them, they are likely to only appear on your follower’s Twitter feeds for a short time so it’s more appropriate to use Twitter to communicate things that are happening ‘now’ or express views on current issues.

Twitter is essentially giving out soundbites, providing links to articles which may be of interest or commenting on or replying to the views of others. People can choose to follow you, usually because you provide information or make comments on things that are relevant to them rather than because they necessarily know you personally, and unless you make your account private or you block individual accounts, essentially you have no control over who follows you or can view your tweets and replies. A tweet is nearly always open to the world to see.

Thus it is probably the most effective tool for quick, direct communication – it’s usually short (though the use of longer Twitter ‘threads’ is increasingly common) so easily absorbed and open to anyone – but it is also the most open to misinterpretation and misuse as it is difficult to do nuance in a short tweet, and proper and considered debate can be difficult. Also, its open nature and tendency for some to use anonymous accounts can leave you susceptible to abuse and ‘trolling’.

You can also click to ‘like’ someone else’s tweet, re-tweet it (with or without adding your own comment) or reply to it. If doing so, you should be aware that others can view the tweets that you have ‘liked’ and indeed these tweets may appear in the Twitter feeds of your followers with a note at the top saying that you’ve ‘liked’ the tweet even if your followers don’t follow the account that tweeted the original tweet. Therefore, you should be mindful about what you ‘like’ and recognise that most will assume that by ‘liking’ a tweet that you’re endorsing its content. Similarly, most will assume that by retweeting something you agree with it or endorse it, regardless of what you state in your profile. Therefore, you should consider adding a comment to provide clarity.

Conversations on the same theme on Twitter are called threads. You can search for tweets on a subject that you are interested in by typing your subject into the search box. Tweets on the same theme are drawn together using hashtags. People use the hashtag symbol (#) before a relevant keyword or phrase in their tweet to categorise those tweets and help them show more easily in a Twitter search. Clicking on a hash tagged word in any message shows you other Tweets that include that hashtag.

[The Local Government Association has produced a guide to using Twitter here: Guide to using Twitter | Local Government Association](#)

Facebook is ideal for posting information and related media such as pictures and videos which can be commented on and shared by ‘friends’ or ‘followers’.

If Twitter is about broadcasting short messages, Facebook can be used to open up lengthier discussions, share wider information and form and participate in online communities. Users can post onto their own timeline; comment on or share other

users' posts; set up, join and post in 'Groups'; create, follow or like 'Pages'; and create and respond to 'Events'. It allows posts as long, short, detailed or simple as you like, and people can easily comment and get a discussion going. It can be used for political messages or just communicating with friends.

Increasingly, public figures such as councillors are using 'Pages' on Facebook to communicate publicly and will have a separate personal account for communicating with family and friends. It is worth considering how you wish to use Facebook and ensure that you have the most appropriate type of account or accounts to suit your needs. You should also consider the privacy settings available and ensure that you have them set to the appropriate levels for your account(s). For standard, personal Facebook accounts you have to request to become 'friends' with others and can accept or decline 'friend' requests. Once a friendship is formed on Facebook, your posts will appear in each other's feeds/on each other's timelines unless you amend your settings. If you are a member of a 'Group' and post or comment within it, other members of the 'Group' will be able to see what you've said, even if you're not 'friends' with them. For example, many towns, villages, neighbourhoods and local communities have their own Facebook 'Groups' where local issues, concerns and events are posted and discussed. Often councillors will be members of these 'Groups' which enables you to keep abreast of issues and concerns, share information and publicise events with members of your local community beyond your personal 'friends'.

As Facebook 'Groups' and 'Pages' are generally open forums, you should be prepared to receive challenge and criticism. Not everyone will agree with your ideas or views, though you can set rules, moderate and edit other people's posts if their language or content is offensive or inappropriate.

[The Local Government Association has produced a guide to using Facebook here: **Guide to using Facebook | Local Government Association**](#)

WhatsApp is primarily a closed messaging service. As well as allowing the exchange of messages and media between individual users, 'Groups' can be created and 'chats' can take place between members of the 'Group'. Many political groups use it for the exchange of private messages between members. While messages exchanged on WhatsApp are not broadcast publicly, it is worth remembering that others have the ability to take screenshots of messages that you send and share with others.

[It is also important to keep in mind that if councillors are exchanging messages regarding council business, as opposed to party group matters, then those messages may fall within the scope of the Freedom of Information Act and/or Environmental Information Regulations and therefore the same approach and care should be taken regarding WhatsApp messages as is taken in respect of emails and other forms of communication.](#)

YouTube is an online video-sharing platform. YouTube allows users to upload, view, rate, share and comment on videos, and subscribe to other users' 'channels'. Videos are easy to record via a smartphone and YouTube is increasingly being used by councils to post information.

[The Local Government Association has produced a guide to using YouTube here:](#)

[Guide to using YouTube | Local Government Association](#)

LinkedIn is a way to connect with like-minded individuals or people with similar career paths. It allows you, in effect, to enter your CV, providing information about your career history and skills and you can accept or decline people who want to see your profile. Those people with whom you are “linked” can endorse you for particular skills. It is a handy site for finding expertise and keeping up-to-date with business developments in your ward or area.

Instagram is a photo and video sharing service which allows users to upload media and organise it with ‘tags’ and location information. Users can view photos and videos posted by accounts that they ‘follow’, or they can ‘follow’ particular ‘tags’ or search for images that have been ‘tagged’ with a particular word, phrase or location. Don’t forget to seek permission before taking photos to upload to, or copying images from, Instagram.

Snapchat is a messaging app for photo, video, drawing and text. One of the app’s principal features is that pictures and messages are usually only available for a short time before they become inaccessible to their recipients. Other features include the ability for users to post ‘Stories’ of 24 hours of chronological content and allows them to keep their photos in a password-protected space.

Nextdoor is a social networking service for neighbourhoods. It is typically used to report local news and events and members often ask each other for local service-provider recommendations.

[The Local Government Association has produced a guide to using Nextdoor here: Guide to using Nextdoor | Local Government Association](#)

6. Setting up a social media account

Managing a social media account can be very time consuming as it needs to be regularly updated if it is to be an effective communications tool. Before setting up an account, you should ask yourself the following questions:

Why do you think you need a social media account?

How will you manage the account? How much time will you be able to dedicate to it?

What information will you be communicating through the account?

Is it purely for my role as a councillor, purely for private matters or will it be for both purposes?

It is better not to have a social media account than to have one that cannot be properly managed.

Use of email addresses in setting up a personal social media account

Councillors must **not** use their @arun.gov.uk email address to set up personal social media accounts, for security reasons. Only personal email addresses can be used for this purpose and if a council email address has been used, the account may be closed requiring that a new one be set up.

It is important to note that the closing of a social media account due to the misuse of an email address in this way may result in significant loss to that account e.g. loss of followers. Arun District Council cannot take responsibility for any such loss.

Choosing your username

When choosing your username for a social media account, as this name will appear in the public domain, it is important that it is not misleading to your audience. A personal social media account should not give followers the impression that the account represents an organisation.

In particular, if you are setting up an account to support your role as a councillor, you should choose an account name that clearly distinguishes it from that of Arun District Council's social media accounts.

To this end, it is strongly suggested that you choose words that clearly show that the account is a personal one (e.g. for a Twitter account, you might choose @your name or @Councillorname but not @aruncouncil or @arunplanning).

Note that a maximum of 15 characters are allowed for Twitter usernames.

Using a disclaimer

When setting up a social media account that you intend to use in relation to your role as councillor, it is strongly advised that you must include the below disclaimer on the account so it is clearly accessible to your followers:

'The views posted represent my own and are not attributed to any other person or organisation.'

Use of email addresses in setting up a Councillor@arun.dc social media account

Councillors must not use an Arun email address to set up personal social media accounts. For security reasons, councillor email addresses can only be used for council business, with the social media account clearly identifying that they are an elected councillor for Arun District Council.

The council will control the password so that the site can be removed should the councillor leave the council or the site needs to be closed for another reason.

Choosing your username

When you are setting up an account to support your role as a councillor, you can only choose an account name that clearly identifies you as a part of Arun District Council's social media accounts e.g. CllrMrxy@arun.gov.uk

A standard council template will be used for these councillor social media sites so that the link between the councillor and the council itself is clearly identified.

7. The benefits of using social media

Social media is a communication tool which allows you to connect with a much wider range of people more regularly than traditional communications methods. It is free for all to use. Messages are received instantly to allow real-time feedback and are accessible to anyone who is online. Used effectively that is why it can be a very powerful tool for councillors.

8. Why does the council use it for corporate communication?

As mentioned above the Council has a number of corporate social media accounts. It is about being a modern communicator. Previously, if the public wanted information about service they would phone up the Council or go to the Council website and receive that information passively without being able to enter into discussions with third parties about the information or know how accurate or up-to-date any information might be.

Now people want to be told things instantly and, rather than looking for answers themselves, may simply ask questions on social media and see who responds. If the Council is not communicating it does not control the information that people receive and people may get contradictory answers or no reply at all but many people now feel it's easier to ask a question on Twitter or Facebook than click through various pages on a website to find the information they need. So, if the Council is not communicating with its residents, other people will be, but it may not be the accurate message the Council needs to get out and instead someone with less information or a different agenda may be communicating with residents instead.

Not engaging on social media therefore now represents a far greater risk to councils than engaging. Local people will still use these networks to talk about the council, whether they add their voice to the conversation or not, and local people will expect their council to engage with them on their terms, via their channels, and to be openly available online. It is becoming increasingly clear that if councils don't use these tools, then local people will do it for them, and bypass the council entirely.

9. Why do councillors use it?

Individual councillors increasingly use social media as their chosen communication tool for similar reasons. It helps you find out local peoples' concerns and opinions on

a range of matters. It enables you to connect with a different type of resident whom you may not have been able to reach before.

It boosts the number of people you can potentially reach with key messages, including the local, or even national press who will be monitoring councillors' social media postings. In effect each tweet, post or comment is a mini-press release which reaches its audience immediately.

Rather than traditional forms of communicating such as the occasional newsletter through the door which was in effect one-way communication, social media establishes two-way communication so you can get instant feedback on issues, and allows you to modify your proposals in line with local thinking. It also enables you to learn about breaking news in your area and what is concerning your residents and receive real-time updates about what is happening.

Social media can also raise your profile and wider awareness of the work you do in your ward which has often not been widely known.

It allows you to share your own opinions on important issues and show your personality, allowing you to appear more human and relatable. People often don't fully know or understand the role of councillors and may have negative perceptions. Social media allows you to show others what you do, your interests and what motivates you. This can help foster a better understanding of local government and counter some of the negativity that exists.

You can take part in conversations which are already happening in your neighbourhood. If you are not part of those conversations, you can't be influencing and shaping your community and hearing what the real concerns are. People increasingly expect their councillors to be contactable via social media and if you're not they may bypass you altogether.

Please also remember that the rules around what can and can't be said in pre-election periods would apply equally to social media.

10. Tips for effective use of social media

There are FOUR principles which should be applied to all social media activity. It should be:

- Polite
- Respectful of others' viewpoints
- Open
- Professional

Always ensure that content in your social media postings is:

- accurate
- up-to-date
- objective
- balanced
- interesting
- informative

Social media is about the 'now' so keep it up to date and fresh. Only post if you have something of interest and value to say – if you post too often and are too self-centred you risk turning people off and the message being lost when you do have something important or interesting to communicate.

You might find it helpful to set a specific time each day or each week to write new content or respond to questions and comments. Set notifications so that you'll be alerted when someone else mentions you, responds to something you've said or comments on a topic you're interested in.

Decide how you are going to use social media, this could be responding to others when they raise questions or issues, regular updates on what you've been doing as a councillor, regular updates on council policies and actions, signposting local events, seeking opinions on local issues or sharing wider points of interest such as national or international news and views.

Be mindful of your tone. Be polite and professional. Professional does not mean be pompous or use jargon – social media is an informal way of communicating – but it is about projecting an image to the world of how you want to be seen.

Be open. People should always be able to identify who is posting. While you may want to use a nickname as a 'handle' you are a public figure so don't pretend to be somebody you're not or hide behind anonymity even when you are posting about private matters as you will be under scrutiny and attract suspicion if you are not open. Be visible. Make it easy for people to find you online by sharing and publicising your social media account details. When posting, make sure you mention your location so this will be found by search engines and use hashtags.

Increase your followers by following other accounts. Also make sure you regularly retweet, share, comment and like posts from others.

Above all, it's about communication and interaction so be interactive but be respectful. Disagree with people but don't get personal. Politics can inevitably be passionate, but it damages your image and that of your fellow councillors in the eyes of the public if you are seen to be rude, abusive or unwilling to listen respectfully.

If you are using social media for anything other than council activities check your privacy settings and think about having separate accounts, especially for things like Facebook. It is good practice to ~~try and~~ separate your personal postings from those you are posting in your role as a councillor.

And be clear when you are posting about council matters that you are expressing personal or party views rather than speaking on behalf of the council. You should make this clear on your profile. If you have an official role within the council, for example as [Chair of the Council](#), ~~!Leader~~ or a ~~portfolio holder~~[committee chair](#), you should always check with the Communications Team and use official council channels wherever possible before commenting on behalf of the council.

If you do have privacy settings on personal accounts, make sure they are up-to-date and accurate and do not accept 'friend requests' from people you do not know.

11. Pitfalls and dangers of social media

Being on social media means that people can contact you at any time, day or night, which can be a strength if it's an urgent matter, but it may also lead to the expectation that you will be able to respond to all issues immediately. This expectation is not necessarily realistic and can lead to you feeling very pressurised. It may therefore be helpful to tell people when your account will be checked in your profile.

Social media can be 'no holds barred'. You will be aware that the tone of debate on social media can at times be very unpleasant. People can very quickly get very angry about things on social media and people, who may not even know each other, can either egg people on to be abusive or else get into ferocious rows. You should always avoid getting drawn into unpleasant debates or 'rising to the bait'.

Whilst one of the strengths of social media is its inclusivity – some are generally open to anyone in the community and you can find people with similar interest or viewpoints you may not have known - it also risks being exclusive, particularly when it comes to political debate, creating what is known as an 'echo chamber'. People generally choose to follow people or media that share their outlook on life and there is a danger that you constantly get a one-sided view. As a politician, there can be a danger you only follow people who reinforce your own world view. It is important also to follow people who can put forward alternative views to you so that you can get a more rounded view of issues and see things from different perspectives.

Social media can also be addictive. Many people use social media constantly even if they have nothing important to say. Communicate only when you have something important to get across as otherwise the value can be lost, and people will stop listening if they feel bombarded.

Remember also to consider everything you post as being a permanent record. Even if you decide to delete something, somebody else might have saved it so always think before you post – are you saying something you are happy to have on the record? If you had a social media account before you were elected as a councillor, you may wish to review your historical posts. You may have posted personal content or views that you no longer agree with. If you think that historical posts might cause embarrassment or reputational damage to you or the council, you may wish to delete them. It is important to note that although you posted your comments before you were a councillor, they are still being broadcast so they can be linked to you and shared by others.

12. Complaints

As well as the pitfalls of reputational damage through misuse of social media, there are also more formal issues to consider. Complaints may be made either to the council or to your political group about a posting or comment you may have made. So, you

will need to be aware of how complaints will be handled by the council (*see the Local Assessment Procedure on complaints handling or contact the Monitoring Officer for further details*).

The following sections look at some specific areas you need to be aware of.

13. The Code of Conduct

When you post on social media the Arun District Council [Members'](#) Code of Conduct may apply to your postings.

Please bear in mind that under the Localism Act 2011 the Code only applies to you when you are [acting](#) in your role as a councillor. ~~So~~ [Therefore](#) things you post which are purely private matters unrelated to your role as a councillor or council business will not be caught by the Code.

However, clearly if your social media account identifies you as Cllr X, for Arun District Council, then potentially you would bring yourself within the scope of the Code, even if your communication did not relate to council business. Conversely of course simply saying Mr or Ms X at the top may not get around the Code if you then start talking about council business.

As a broad rule of thumb if you can be identified as a councillor when you are using social media, either by account name or how you describe yourself or by what you comment upon and how you comment, the requirements of the Code are likely to apply. In any case even private comments which are considered disrespectful or abusive will cause reputational damage. People are still likely to view you as a public figure and council representative and you may also be subject to party discipline.

14. Pre-determination

As a councillor, you are aware that when you act in a quasi-judicial capacity, for example on a Planning Committee or Licensing Committee, you should not make up your mind about an issue that is to be formally decided upon, before you have heard all [of the relevant information. This includes the information presented to you within a report and orally at the committee meeting itself.](#)

You are allowed to be predisposed to a particular view but not to have gone so far as to have predetermined your position. It is important to remember therefore that anything relevant you might have said about particular issues on social media could be used as evidence of your having made up your mind in advance of hearing all of the relevant information. This could prevent you voting on the issue at a later date.

15. Criminal Offences

These generally apply to you already in your conduct as a councillor, but it is worth considering them as they apply to social media too.

Harassment – it is a criminal offence to repeatedly pursue a campaign against someone where this is likely to cause alarm, harassment, nuisance or distress

Data Protection and the General Data Protection Regulation – it is illegal to publish personal data about individuals unless they have given you their permission. As a councillor you are a data controller in your own right and therefore personally responsible for what you publish. Make sure you understand the requirements of the GDPR and the Data Protection Act.

Incitement – it is a criminal offence to incite any criminal act

Discrimination and Racially Aggravated Offences (or any other protected characteristic) – it is a criminal offence to make a discriminatory remark about anyone based on a 'Protected Characteristic' as defined in the Equality Act (such as their race, religion, sexual orientation etc).

Malicious & Obscene Communications – it is a criminal offence to send malicious or obscene communications

16. Civil Law

Defamation – It is against the law to make a false statement about someone which damages their personal or professional reputation. If you pass on information originally posted by others (e.g. retweet), you may still be held equally responsible as the original commentator. This can also apply to publishing images. If you are found liable to another person, you could be ordered to pay large sums of money as damages. [*A High Court example is Lord McAlpine v Sally Bercow \(2013\).*](#)

Copyright - The legal ownership of the contents of documents, photos, videos and music belong to the person who created them. You could be in breach of copyright if you reproduce such material without the owner's permission. Always ask permission before you use someone else's material. The cost of legal action may be very expensive.

17. Managing your social media account

We would advise that you maintain separate social media accounts if you intend to manage an account which relates to your work as a councillor and that you do not post personal or family related information on such sites. By keeping your accounts separate in this way, you are able to adjust the security settings for each to suit your appropriate audiences (for example, your 'Councillor' account may be open to all, whereas your 'personal' account may be restricted to family and friends).

18. Dealing with defamatory or abusive content

If you receive defamatory comments on your social media account, most social media sites have an option to report these. Depending on the seriousness of the matter, you may wish to take it up with the police.

Councillors who wish to report defamatory comments made by an ADC employee or councillor should also contact the Communications team in the first instance. This will then be reported internally through the appropriate channels.

Above all do not get drawn into defamatory or protracted debates.

19. Dealing with online abuse and trolling

Disagreement and challenge is a key feature of democratic debate and can be healthy and helpful. However, it can become abusive and this is particularly the case online. While it is no't possible to prevent online abuse, you are able to control how you react and respond to it. [Online abuse has increased significantly over recent years and it is important that Councillors understand how best to respond to such abuse, and where they can go for guidance when the subject of abuse.](#) Here are some tips:

- Be clear about what you expect from others when interacting with them on social media, for example you could state in your profile or blog that you will not tolerate abuse or harassment and that you will delete and report and inappropriate comments.
- Do no't put up with abuse or harassment. Do no't be afraid to 'block', 'mute' or 'report' abusive comments or users. However, do not block people simply because they disagree with you provided they are doing so respectfully.
- Consider whether it might be better to ignore abusive comments and users. 'Trolls' commonly have very few followers and may not even be located within your community. By responding you may fuel an argument and give the 'troll' the oxygen of publicity. While it may be difficult not to challenge unpleasant or inaccurate comments and could lead to suggestions that you are ignoring an issue, it may be more sensible and successful in the long run.
- Above all, while it may be difficult and feel unfair, it is important to remain calm and polite. Sometimes people can become frustrated, particularly if they are trying to resolve an issue with a council service, and this can result in angry and critical comments. If you respond politely and helpfully this may diffuse the situation and the user's tone may change and become less angry and more constructive. When dealing with challenging comments and users it may be helpful, when responding, to stick to facts and not offer views or opinions.

[The Local Government Association has produced a guide to tackling online abuse that can be found here:](#)

- [Guide to tackling online abuse | Local Government Association](#)

20. Security and social media

Security is a significant issue for social media accounts and the online community often use social media to deliver viruses. It is very important that you follow the below guidelines:

- do not use the same passwords for social media that you use to access corporate systems
- do not follow links on social media pages that are posted by individuals or organisations that you do not know
- do not download software posted or recommended by individuals or organisations that you do not know
- if you find content that looks suspicious in any way, close your browser and do not return to that page
- do not share your usernames or passwords with anyone
- do not disclose your username or password to anyone

What to do if you get hacked

If your account is hacked, log into the social networking site and change the password as soon as possible. Delete all the offensive or spam messages sent from the account (you may wish to print a record of these if you are considering taking the matter further). Report the incident to the respective social media organisation (e.g. Twitter, Facebook). Depending on the seriousness of the offence, you may consider reporting it to the police.

21. Training

The Communications team provide one-to-one or group training courses in social media skills, depending on your needs.

If you are interested in receiving training in social media, please contact the team at public.relations@arun.gov.uk or call Claire Pritchard on 01903 737613 or Amanda Harding 01903 767604 to discuss your needs further.

[If you have any questions regarding any aspect of your social media content and its relationship with the Members' Code of Conduct, please contact the Monitoring Officer at **Monitoring.Officer@arun.gov.uk** or call Daniel Bainbridge on 01903 737607.](#)

22. Summary of good practice

- Think about the content
- Be aware of your status – are you speaking as a politician or an individual?
- Express your personality but be aware how comments and views might be perceived or (deliberately) misinterpreted
- Tolerate different views but steer away from abusive and offensive posts
- Beware the irony

- Let things go - avoid arguments with provocative or vexatious people

The do's and don'ts for using social media

Follow the below suggestions for 'what to do' and 'what not to do' when using social media to effectively engage with your followers and to avoid potential problems.

DO:

Remember that as a councillor you are an ambassador for Arun District Council

- write as you would speak (I / We)
- use appropriate language
- use a positive and engaging tone
- ensure your post is informative
- check information is true or correct before you share
- use common sense
- ensure your post is timely
- make use of available pictures (see our *'Filming and Photographic Policy')
- ask permission before taking a picture you intend to use
- include useful and relevant links
- check any links within your post are working
- correct any errors as soon as you are aware an error has been made
- acknowledge and respond to direct messages within a reasonable specified timeframe
- use security settings to block unwanted language
- keep passwords safe and secure
- (*Please note that the Filming and Photographic Policy is currently under review)

DO NOT:

- use technical jargon
- post a picture of any person without obtaining their consent
- refer to other councillors or officers without their prior approval
- publish contact details of councillors or officers without their approval
- post when you are "tired or emotional"
- make discriminatory or offensive comments about people
- misquote, misrepresent or make personal criticisms of Councillors and Officers
- disclose confidential information
- discuss sensitive matters
- engage in arguments
- use abusive language
- make comments that could be inflammatory
- publish anything that might be interpreted as sexist, ageist, homophobic or anti-faith
- try to secure an improper benefit for yourself or disadvantage others improperly
- allow anyone else to access to your social media accounts

Remember the press may follow your social media accounts and anything you write **cannot** be deleted or removed from cyberspace.

If you are in any doubt about a post or comment you have received, made, or responded to, please contact the Communications team.

Arun District Council

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE – 28 February 2023
SUBJECT:	Treasury Management – Strategy Statement and Annual Investment Strategy 2023/24
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Clayden
WARDS:	All
DIRECTORATE POLICY CONTEXT:	
<p>This report is the Annual Treasury Management Strategy Statement (TMSS). Including the Annual Investment Strategy (AIS) and Minimum Revenue Provision Policy Statement (MRP).</p> <p>It is the first and most important report considered by Audit and Governance Committee for the new financial year (2023-24). It is forward looking and covers:</p> <ul style="list-style-type: none"> • the capital plans (including prudential indicators); • a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time); • the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and • an Annual Investment strategy (the parameters on how investments are to be managed). 	
FINANCIAL SUMMARY:	
The financial implications arising from Treasury Management are outlined throughout the report.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to present the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) 2023/2024 to 2025/2026 and to enable the Audit and Governance Committee to scrutinise the report prior to taking it to Full Council on 15 March 2023.

Arun District Council

2. RECOMMENDATIONS

Audit and Governance Committee is requested to recommend Full Council to:

- 2.1. Approve and adopt the Treasury Management Strategy Statement for 2023/24 to 2025/26.
- 2.2. Approve and adopt the Annual Investment Strategy for 2023/24 to 2025/26, including the addition of two new counterparties and removal of one;

Additions:

Australia & New Zealand Banking Group (ANZ)
National Bank of Canada

Removal:

Qatar National Bank

- 2.3. Approve the Prudential Indicators within the TMSS and AIS for 2023/24 to 2025/26 as contained in appendix 1 and the body of the report.

3. EXECUTIVE SUMMARY

- 3.1. This TMSS/AIS report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2021. CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021 and has stated that after a soft introduction of the Codes, Local Authorities are expected to fully implement the required reporting changes from 2023/ 24.

4. DETAIL (Summary – further detail in the body of the report)

- 4.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 4.2. The second main function of the treasury management service is the funding of the Councils capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.
- 4.3. The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The

Arun District Council

treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

- 4.4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 4.5. **Treasury management investments** represent the placement of cash in relation to the s12 Local Government Act 2003 Act investment powers, i.e., they are the residual cash left in an authority’s bank account resulting from the authority’s day to day activities. These are invested under the SLY principles (Security, Liquidity and then Yield).
- 4.6. The Council is required as part of its governance to consider certain reports on Treasury Management.

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

- 4.7. In addition to the three major reports detailed above. From 2023/24 quarterly reporting to the end of June is also required. However, additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee and will be received at the September meeting (the report, will comprise updated Treasury/Prudential Indicators).

5. CONSULTATION

- 5.1. Consultation has been undertaken with the Council’s Treasury Advisors – Link Group, Link Treasury Services Limited.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. The Treasury Management Strategy is a mandatory requirement under the Local Government act 2003 and therefore the only option available is to accept the recommendations.

Arun District Council

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

7.1. Determining and pursuing a suitable Strategy will ensure that the expected budget income from interest on investments for the year 2023/24 is achieved and the risk of losing the Council's capital invested is minimised.

8. RISK ASSESSMENT CONSIDERATIONS

8.1. The main risks in treasury management are financial ones. These are identified in the Council's Treasury Management Practices and the main risks in these activities are:

- liquidity;
- markets or investment;
- inflation;
- credit and counterparty;
- legal and regulatory

8.2. The consequences of ignoring these are poor practices implemented, diminished interest returns, loss of capital invested, poor liquidity (funds available when required). The Council's strategies guard against most of these risks.

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

9.1. Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority including securing effective arrangements for treasury management. There are no specific legal implications arising from this report.

10. HUMAN RESOURCES IMPACT

10.1. None direct

11. HEALTH & SAFETY IMPACT

11.1. None direct

12. PROPERTY & ESTATES IMPACT

12.1. None direct

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. None

Arun District Council

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

- 14.1. To support the Council's 2030 carbon neutral target there should be consideration to transitioning current (and future) investments into more sustainable investment options. Currently this makes up 2.32% of the Council's total emissions, resulting in roughly 628.96 tCO₂e being produced as per the carbon emissions audit 2021-2022.
- 14.2. Current Investments with CCLA (diversified fund and property fund and Standard Chartered (Sustainable deposits) have positive ESG factors.
- 14.3. Further options will be explored and considered.

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

CONTACT OFFICER:

Name: Sian Southerton

Job Title: Senior Accountant (Treasury)

Contact Number: 01903 737861

BACKGROUND DOCUMENTS:

- The Local Government Act 2003 ([The Local Government Act 2003](#)).
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Cipfa, December 2021) (*Link not available as copyright*).
- The Prudential Code for Capital Finance in Local Authorities (Cipfa, December 2021) (*Link not available as copyright*).
- MHCLG Guidance on Local Government Investments [Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#)
- Committee General Fund Revenue and Capital Budgets and Housing Revenue Account Budgets 2023/24.
- Link Asset Services Ltd TMSS Template 2023/24. (*Link not available as copyright*).

Arun District Council

Treasury Management Strategy Statement and Annual Investment Strategy 2023/24



1.1 Background

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

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

Arun District Council

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

Treasury management investments represent the placement of cash in relation to the s12 Local Government Act 2003 Act investment powers, i.e., they are the residual cash left in an authority’s bank account resulting from the authority’s day to day activities. These are invested under the SLY principles (Security, Liquidity and then Yield).

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

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

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

This Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under Security, Liquidity, Yield (SLY). This report will be considered at Policy and Finance committee on 7 March 2023 for approval by Full Council on 15 March 2023.

1.2.2 Treasury Management Reporting

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

- 1) **Prudential and treasury indicators and treasury strategy** (TMSS - this report) - The first and most important report is forward looking (2023-2024) and covers:
 - the capital plans (including prudential indicators)
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)

Arun District Council

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an Annual Investment Strategy (the parameters on how investments are to be managed)
 - it also reports on the current year progress to 31 December 2022
- 2) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. This reports on the period up to 30 September 2023.
- 3) **An annual treasury report** – This is a backward looking review document (2022-2023) providing details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit and Governance Committee and will be presented at the following meetings;

- 1) TMSS – February 2023 meeting
- 2) Mid-year – November 2023 meeting
- 3) The annual report for 2022-23 – July 2023 meeting

In addition to the three major reports detailed above, from 2023/24 quarterly reporting to the end of June is also required. However, additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee and will be received at the September meeting (the report, will comprise updated Treasury/Prudential Indicators).

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

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

Treasury management Issues

- the current treasury position
- treasury indicators which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

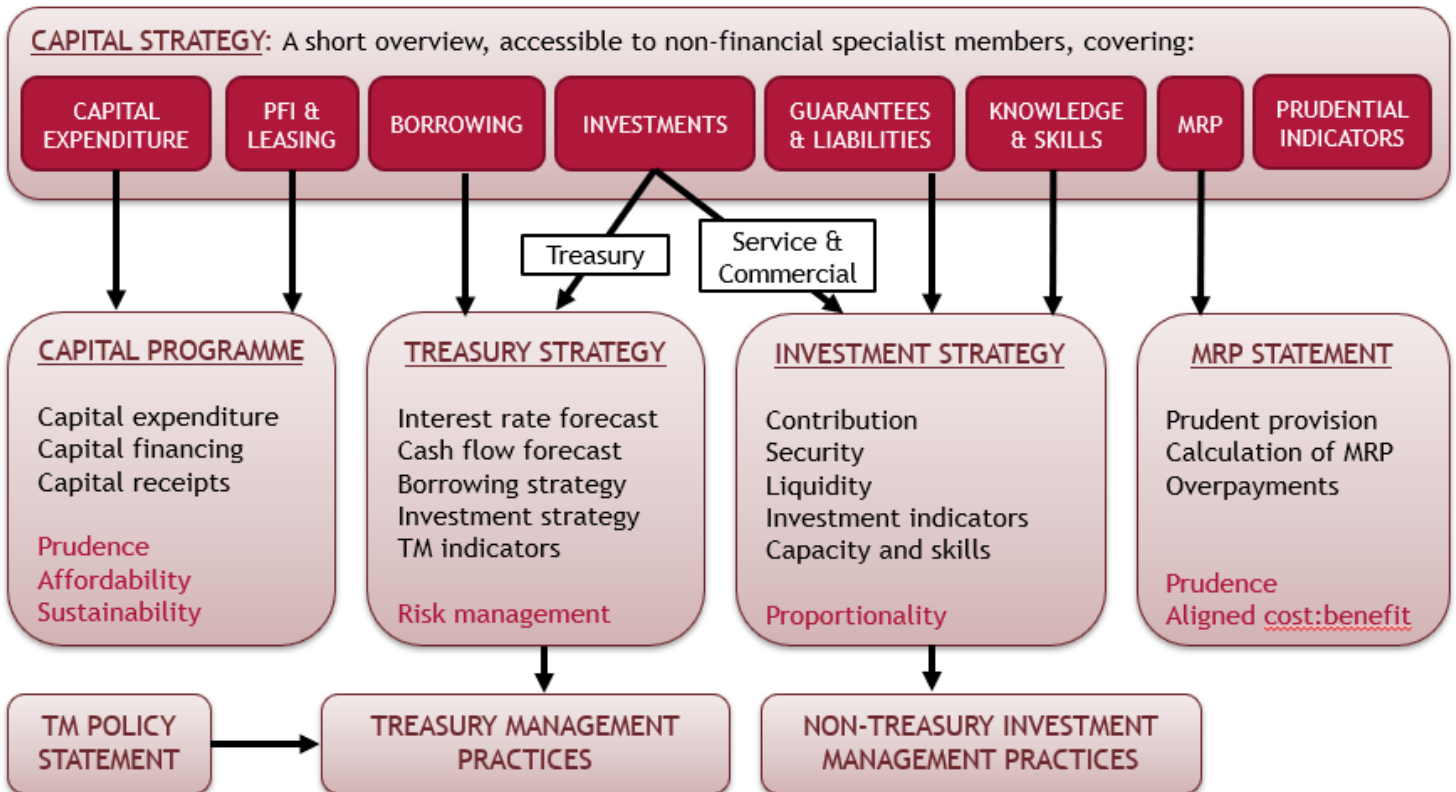
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- the investment strategy
- creditworthiness policy; and
- policy on use of external service providers

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

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

Strategy Reports: England



1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

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Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance, and decision making.

As a minimum, the following will be carried out to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning sessions for treasury management officers and council members.
- Request treasury management officers and council members to undertake self-assessment against the required competencies (as below)
- Have communication with officers and council members, encouraging them to highlight training needs.

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

All members were invited to attend a briefing session presented by Link Group (treasury advisors) explaining the roles and responsibilities of elected members and giving them an economic update. This briefing session was held on 3 October 2022 where 10 members attended. A longer more in depth training session is scheduled for the 22 June 2023.

The training needs of treasury management officers are periodically reviewed, and officers attend courses provided by appropriate trainers such as Link and CIPFA in addition to internal training relevant to finance.

A formal record of the training received by officers and members central to the Treasury function is maintained by the Senior Accountant responsible for the treasury function in compliance with the revised 2021 CIPFA Treasury Management Code.

1.5 Treasury management consultants

The Council uses Link Group, Treasury Services Limited as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions) and 1 commercial type investment (East Preston Depot).

Any further commercial type investments will require specialist advisers in relation to this activity.

2 The Capital Prudential Indicators 2023/24 to 2025/26 (Appendix 1)

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

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Council's capital expenditure is considered as part of the budget setting process and a report for approval is going to Full Council on 1 March 2023.

Currently Arun's only borrowing relates to the HRA self-financing settlement. However, the Council has a significant capital programme including sheltered accommodation, a decarbonisation programme, HRA acquisition/new garage sites, and a few smaller projects such as work to public conveniences and play areas.

Much of this programme will be funded from capital receipts and it is expected that additional borrowing will be required for both the GF and HRA, the timing of which is yet to be determined and will depend on the PWLB interest rates and internal resources available.

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

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

Arun District Council

Capital Expenditure	Actual 2021/22 £'000	Original Estimate 2022/23 £'000	Current Estimate outturn 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Non HRA	4,341	3,939	7,962	5,944	1,968	2,610
HRA	6,940	8,351	5,980	8,998	4,967	4,303
HRA settlement	-		-	-	-	-
Total	11,280	12,290	13,942	14,941	6,935	6,913
Financed by:						
Capital receipts (1-4-1)	1,396	1,500	1,249	1,285	285	285
Capital grants	3,174	1,400	5,102	1,400	1,400	1,400
Capital reserves	2,467	5,336	2,851	2,931	2,914	2,903
Revenue	1,059	567	1,944	0	0	0
	8,096	8,803	11,146	5,616	4,599	4,588
Net financing need for the year	3,184	3,487	2,796	9,325	2,336	2,325

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

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PPP lease provider and so the Council is not required to separately borrow for these schemes.

The Council does not have any PFI schemes within the CFR but does have finance leases. The Council is asked to approve the CFR projections in Appendix 1 also shown below:

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CFR at 31 March	Actual 2021/22 £,000	Current Estimate 2022/23 £,000	Estimate 2023/24 £,000	Estimate 2024/25 £,000	Estimate 2025/26 £,000
Capital Financing Requirement					
Non HRA	(4,442)	(3,771)	(314)	166	1,285
HRA	52,531	53,581	55,666	58,769	64,529
Total CFR	48,089	49,810	55,352	58,935	65,814
Movement in CFR	(661)	1,720	5,543	3,583	6,879

Movement in CFR represented by					
HRA unfinanced / Internally financed	3,184	2,500	3,539	5,080	8,038
GF unfinanced / Internally financed	0	871	3,544	568	1,210
Less MRP Leases	(301)	(285)	(175)	(181)	(186)
Less VRP	(3,544)	(1,365)	(1,365)	(1,884)	(2,182)
Movement in CFR	(661)	1,720	5,543	3,583	6,879

2.3 Liability Benchmark

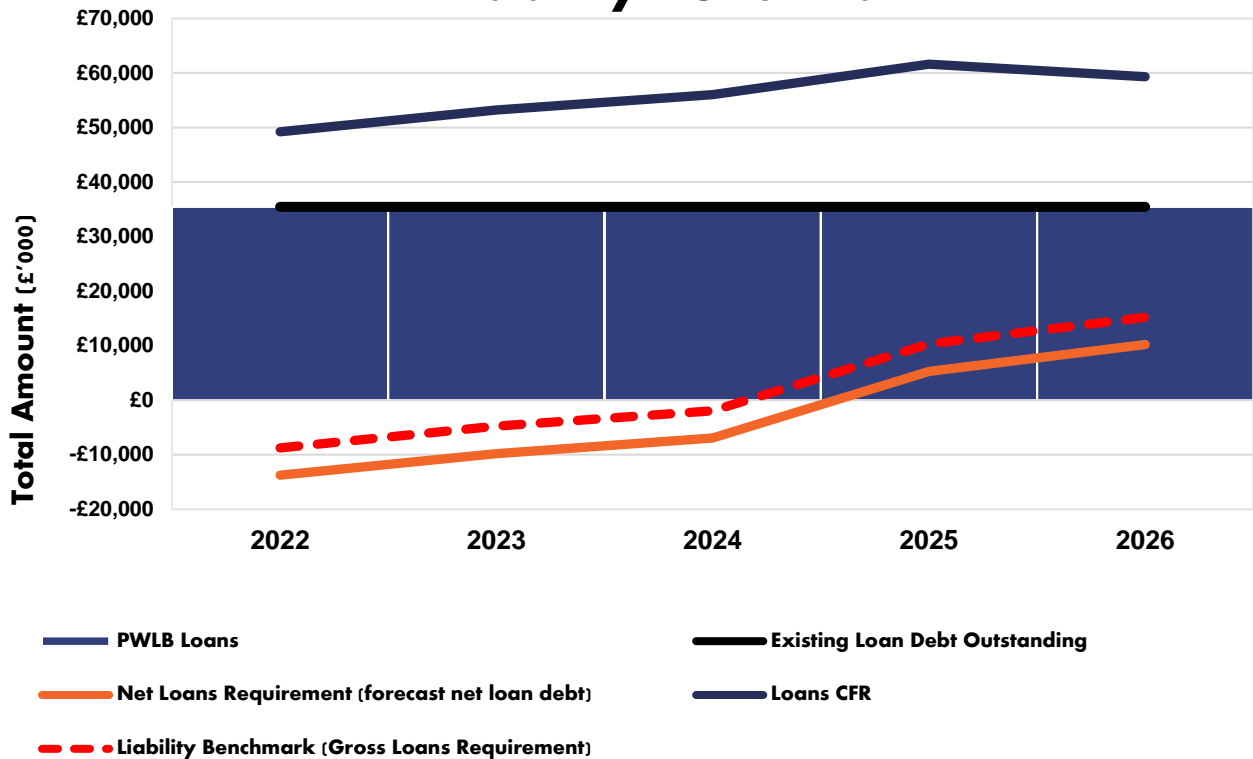
A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

Arun District Council

Liability Benchmark



The above chart shows the liability benchmark for the Council for the year ended 2022 through to the year ended March 2026. An explanation of what this is showing is highlighted below:

- The Blue line (at the top) represents the Loans CFR, (based on only approved prudential borrowing and planned MRP). The gap between this and the liability benchmark line represents in part the treasury management investments held by the Council which are required for management of liquidity and cashflow.
- The Black line represents the existing load debt outstanding and tracks the existing debt balance.
- Comparing the Red dashed line (liability benchmark) with the black line / blue bars (current borrowing portfolio) shows how the existing portfolio matches the current commitments of the Council.

A liability benchmark below the current maturity portfolio, indicates no additional borrowing need, and signifies surplus cash in excess of liquidity requirements as in the Councils current position.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources

Arun District Council

(asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Fund balance	11.80	10.47	8.20	9.19	10.73
Earmarked Reserves	27.50	19.70	19.25	18.81	18.37
Capital Receipts	2.00	1.91	0.45	0.57	0.68
Provisions	3.00	2.73	2.73	2.73	2.73
Total core funds	44.30	34.81	30.63	31.30	32.51
Other cashflow sums	26.05	14.75	13.92	12.31	10.19
Expected investments	70.35	49.56	44.55	43.61	42.70

2.5 Minimum revenue provision (MRP) policy statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Council can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires Full Council approval in advance of each financial year. For expenditure incurred after the 1 April 2008 the Council is recommended to approve the following MRP Statement (detailed policy in appendix 2):

- **Asset life method (straight line)** – MRP will be based on the estimated life of the assets.

The Council does not currently have any General Fund debt liability and therefore is not statutorily required to make Minimum Revenue Provision (MRP). All external debt is currently for the Housing Revenue Account (HRA) and while MRP is not required for the HRA, a provision is set aside to repay these loans when they become due – voluntary provision. There are plans however for further borrowing (both HRA and General Fund) and to externalise the current internal borrowing and therefore MRP will be required.

Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24, or in the year after the asset becomes operational.

Arun District Council

The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under Finance Leases will be charged at an amount equal to the principal element of the annual repayment.

MRP Overpayments

Under the MRP guidance, charges made in excess of the statutory MRP can be made. These are known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Up until the 31 March 2022 there were no VRP overpayments.

2.6 Affordability Prudential Indicators

This report covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator contained in Appendix 1.

Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

	Actual 2021/22 %	Estimate 2022/23 %	Estimate 2023/24 %	Estimate 2024/25 %	Estimate 2025/26 %
Non-HRA	(2.06)%	(1.97)%	*(6.51)%	(5.43)%	(4.30)%
HRA	31.35%	15.92%	18.19%	20.25%	21.56%

**The increase in 2023-24 is due to the Bank of England rate rise but is expected to reduce again in 2024-2026.*

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to

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meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.1 Current Portfolio Position

The Council's Treasury Investment and debt portfolio position at 31 March 2022 and 31 December 2022 are summarised below;

	actual 31.3.22 £000	actual 31.3.22 %	current 31.12.22 £000	current 31.12.22 %
Treasury investments:				
Diversified Funds	2,000	3%	2,000	3%
Property Funds	5,000	7%	5,000	8%
In-house:				
Banks	44,000	64%	47,000	72%
Building societies - unrated	0	0%	0	0%
Building societies - rated	4,000	6%	3,000	5%
Local authorities	0	0%	0	0%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	13,950	20%	7,860	12%
Total treasury investments	68,950	100%	64,860	100%
Treasury external borrowing:				
PWLB	-35,460	99%	-35,460	99%
Finance leases	-534	1%	-334	1%
Total external borrowing	-35,994	100%	-35,794	100%
Net treasury investments / (borrowing)	32,956		29,066	

The investments held at 31st December 2022 are shown in Appendix 3.

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

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£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt at 1 April	44.32	35.46	37.96	48.50	60.00
Expected change in Debt	0.00	2.5	10.54	11.50	8.04
Re-payments (HRA debt)	(8.86)	0	0.00	0.00	0.00
Other long-term liabilities (OLTL)	0.53	0.33	0.25	0.16	0.07
Actual gross debt at 31 March	35.99	38.29	48.75	60.16	68.11
Capital Financing requirement – HRA	52.53	53.58	55.67	58.77	64.53
Capital Financing requirement - GF	(4.42)	(3.77)	(0.32)	0.17	1.29
The Capital Financing Requirement	48.09	49.81	55.35	58.94	65.82
Under / (over) borrowing	12.10	11.52	6.6	(1.22)	(2.29)

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council's only external borrowing relates to the HRA Self-Financing settlement (initially £70.9m on 28/3/2012 now £35.46m. Prior to this borrowing being undertaken, the Council had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result, Arun's gross debt is not expected to exceed its CFR in 2023-24.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 The Operational Boundary.

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

The Council is requested to approve an operational boundary of £59M in Appendix 1 (2023/24).

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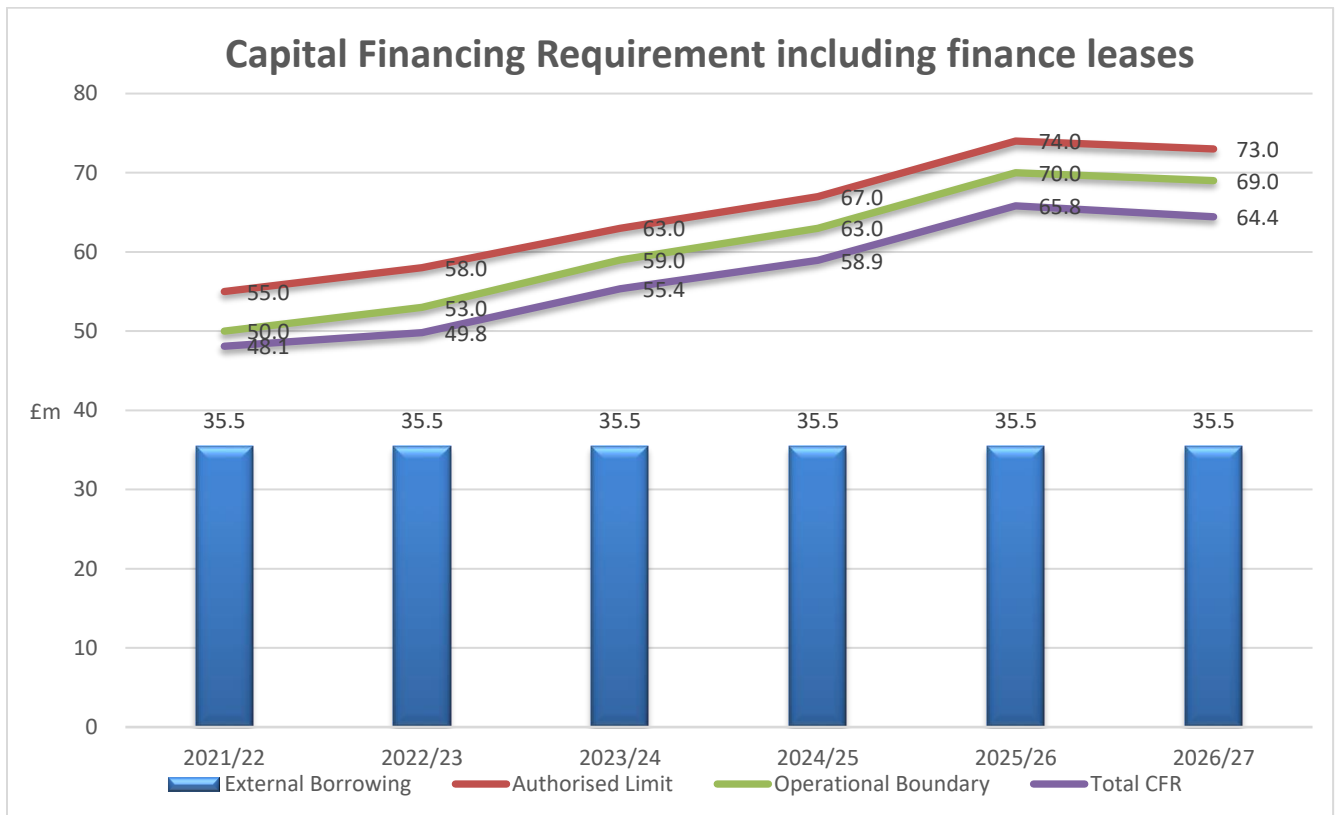
3.2.2 The Authorised Limit for external debt.

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

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

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- The Council is asked to approve an Authorised Limit of £63M appendix 1 (2023/24).

3.2.3 The chart below shows the Council's projection of CFR and borrowing.



The bars in the chart above show the actual external debt (£35M) and does not include any potential future borrowing. The Authorised Limit and Operational Boundary factor in new potential borrowing which allows for expenditure on sheltered accommodation, garage sites, decarbonisation programme and a few smaller projects.

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3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 07 February 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps, followed by their commentary.

Link Group Interest Rate View 07.02.23													
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

Link Group's central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's continued policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our best judgment is that there will be scope for an early Christmas present for households with a December rate cut priced in, ahead of further reductions in 2024 and 2025.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on significant excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

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PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.75%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the coming year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate later in the year or in 2024.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the

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curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

3.4 Borrowing Strategy

3.4.1 The Council has a significant capital programme in 2023-2024 but reducing over the 2 years 2025-2027. The 2023-24 programme consists of expenditure largely relating to sheltered accommodation, decarbonisation strategy, Alexandra Theatre, Housing IT system, and smaller schemes such as public conveniences and play areas.

The Council is currently maintaining an under borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Group Head of Finance will monitor interest rates in financial markets and information provided by the Council's Treasury advisors to adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

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

There are also plans to borrow for General Fund purposes and to externalise the current internal borrowing. The timing of any new borrowing has not been identified at the time of writing but all borrowing and its sources will be assessed for viability and sustainability before any action is taken.

Given the expected under borrowing position of the Council, the borrowing strategy will give consideration to the most appropriate source of funding from the following list:

- **Internal borrowing**, by running down cash balances and foregoing interest earned, as this is the cheapest form of borrowing:

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- Weighing the short term advantage of internal borrowing against potential long term borrowing costs:
- **PWLB loans** up to 50 years (Certainty Rate is available to the Council at 0.2% below the normal terms):
- **Local authorities** (primarily shorter dated maturities):
- **Other forms** of borrowing where appropriate e.g., Municipal Bonds Agency or Bonds (Green or Local climate) where these offer better value than the PWLB.

Any decisions will be reported to the Audit and Governance Committee at the next available opportunity.

There may be an occasional need to borrow for liquidity purposes especially as the Council no longer has an overdraft facility. The facility was removed as banking costs made it very expensive and rather than incurring any costs for the facility, the treasury team now maintain an approximate £200k balance in the account daily.

3.4.2 Maturity structure of borrowing

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

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

Maturity structure of fixed interest rate borrowing 2023/24			
	Actual at 31/12/22	Lower	Upper
Under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	25%	0%	60%
10 years and above	75%	0%	100%

The Council currently has no variable rate borrowing.

3.5 Policy of Borrowing in Advance of Need

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

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

3.6 Debt Rescheduling

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

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

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

3.7 New financial Institutions as a source of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may also still need to be given to sourcing funding from alternative sources at cheaper rates from the following:

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency who may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

- “Green Bonds” or “Local Climate Bonds”

Green Bond borrowing is usually only available for significant amounts and takes time to arrange due to a due diligence process to safeguard the Council. Local Climate Bonds may offer another alternative for funding carbon reduction projects.

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

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4 Annual Investment Policy and Strategy

4.1 Investment Policy – Management of risk

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

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return) (SLY). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs, but to also consider "laddering" investments for periods up to 5 years (but largely up to 24 months) with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 6 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments;** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Lending limits**, amounts and maturity, for each counterparty category will be set as shown in Appendix 6.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (Appendix 1).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (Appendix 8). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut, but this will be done with caution.
8. The Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
9. All investments will be denominated in **sterling**.
10. The Council may invest in investments that are termed "**alternative investments**". These include, but are not limited to, things such as renewable energy bonds (Solar farms). These are asset backed bonds, offering good returns, and will enable the Council to enter new markets, thus furthering the diversification of our investment portfolio with secured investments and enhancing yield. Any investments entered into of this type will be subject to a full due diligence review prior to investment. (Category 7, Appendix 6)
11. The Council may invest in **Open Ended Investment Companies (OEICs)** such as diversified funds (currently the CCLA property fund and diversified fund) subject to some form of due diligence. These funds diversify the risk and offer enhanced returns (Category 10 & 11, Appendix 6)
12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments (such as 10 and 11) which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Department of

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Levelling Up, Housing and Communities, (DLUHC) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. Consequently, any fluctuations in the value of the Councils' investments in the Property or diversified Fund will not be taken through the General Fund for the override period. In December 2022 as a result of further consultation it was decided to extend the override for a further 2 years until 31 March 2025.

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

The Council does not strictly adhere to the advisor's suggested lending list and durations, but does take account of the advice offered before making any investment decisions. The Council will take advantage of any attractive rates available from counterparties of high creditworthiness for longer periods while interest rates remain at these increased levels.

4.2 Investment Policy – Environmental, Social and Governance (ESG) plus Ethical

Environmental, Social and Governance (ESG) issues are increasingly significant for investors and investment managers. The Council will consider ESG factors when placing any investment with current or new counterparties. Where matters for concern are identified for any specific counterparty, alternative counterparties will be considered.

A process for ongoing monitoring is being explored and a methodology will be documented in the treasury management practices once established (TMP1).

To support the Council's 2030 carbon neutral target there should be consideration to transitioning current (and future) investments into more sustainable investment options. Currently this makes up 2.32% of the Council's total emissions, resulting in roughly 628.96 tCO₂e being produced.

In order to comply with treasury management guidance, the Council's investments will prioritise security, liquidity and yield in that order. The Ethical nature thereby becomes a fourth consideration in the decision making process.

4.3 Creditworthiness policy

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

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

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

Credit rating information (from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's) is supplied by Link Group, our treasury advisors, on all active counterparties. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.

The Group Head of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Full Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Authority may use, rather than defining what types of investment instruments are to be used.

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

Use of additional information other than credit ratings.

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the Council's rating criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

These credit ratings are therefore supplemented with:

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

Credit ratings and CDS spreads of the Council's approved counterparty list are monitored on a real time basis. Using Link's rating service, the Council is alerted to any changes to ratings of all three agencies electronically.

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- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

The Council's officers recognise that this external service and ratings should not be the sole determinant of the quality of an institution. In addition, it is important to continually assess and monitor the market data, market information and the economic and political environments in which they operate to help support its decision-making process.

The current list of approved counterparties is included in Appendix 7. Lloyds being the incumbent bank, has no limit however the Council will only invest up to the category limit that it falls in, for term deposits (currently category 2- £11M).

Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

4.4 Limits

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

- **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £36M (23/24) of the total treasury management investment portfolio.
- **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 7. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

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

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

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

Building Societies. The Council includes building societies with assets greater than £10 billion (category 4). It recognises that this may carry a lower credit rating than the Council's other counterparties, therefore the lending limits are set at £4m for each counterparty in this category. (Nationwide is the exception as it fits into category 3 with a limit of £8m.)

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

4.5 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023. The value to be obtained from longer term investments will be carefully assessed. For cashflow balances, the Council will seek to use Money Market Funds (MMF's), call accounts, notice accounts and short dated deposits to benefit from the compounding of interest.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24	4.30%
2024/25	3.20%
2025/26	2.60%
2026/27	2.50%
Later years	2.80%

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The average level of funds available for investment purposes is currently £63M (as at 31 December 2022). These funds are partially cash-flow derived and there is a core balance of approximately £45M which is available for investments over a year (maximum 5 years or 25 years for property funds). The core balance is comprised of funds that are available due to a number of factors including the setting aside of funds to repay the HRA loans for when they become repayable, the Earmarked Reserves, Capital Receipt, General Fund and HRA balances which were £27.5, £2m, £8m and £6.8m at 31 March 2022 respectively.

The Council's budgeted rate of return for 2023/24 is 3.20% based on a return of 4.32% for funds that are already invested; 3.9% for the property fund (£5M), 3.3% for the diversified fund (£2m), 3.32% for the remaining core balances; and 1.95% for short term cash flow derived balances. The total investment income budget for 2023/24 is £1.54m (compared to £370k in 2022/23) which highlights a considerable increase in the rates contributing to the enhanced returns.

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

MMFs are used for short term daily surpluses of cash as they provide instant liquidity with high quality counterparties. Current rates are around 3.7%.

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

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

The Council is asked to approve the treasury indicator and limits in appendix 1 (shown below):

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£36m	£32m	£28m
Current investments as at 31/12/22 in excess of 1 year	£8m	£7m	£7m

The Council has the following spanning the financial year and there are no forward commitments (deals) for the financial year 2023/24;

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- £5m invested in the CCLA property fund
- £2m invested in the CCLA diversified fund
- £1m invested with Goldman Sachs for 2 years (maturity – 6 January 2025).

Changes of investment strategy from previous year

- This report includes additions to the counterparty lending list (appendix 7) in the way of Australia & New Zealand Banking Group (ANZ) and the National Bank of Canada. They both adhere to the minimum credit criteria in category 1 and 2 respectively and have been added for diversification and to offer further options due to the withdrawal of Qatar National Bank.
- Further borrowing options have been added to ensure the best funding source can be selected should the Council require external borrowing (3.7).
- **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework.**

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. Therefore, the Council must have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

Following the revised Codes, the following adaptations have been made in this report:

1. Inclusion of a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement shown in 2.3.
2. Management of the knowledge and skills register for officers and members involved in the treasury management function as addressed in 1.4.
3. The inclusion of one additional report every financial year to ensure that quarterly reporting of prudential indicators is provided. This is not required to be taken to Full Council (1.2.2).
4. An amendment to the Treasury Management Practices to address Environmental, social and governance (ESG) and Ethical issues within the Council's treasury management risk framework (TMP1) as covered in 4.2 above.

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4.6 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of O/N SONIA (Sterling Overnight Index Average) compounded rate.

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

- These benchmarks are simple guides to minimal risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change.
- The Council has also subscribed to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios. Reports are received quarterly.

4.7 End of year investment report

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

4.8 External Fund Managers

The Council invests in externally managed pooled funds managed by CCLA (Churches, Charities and Local Authorities). £7m is currently invested split between: -

- £5m in a property fund and
- £2m in a diversified fund

The treasury officers receive regular reports and notifications of quarterly dividends payable on both funds.

A representative of CCLA gave a presentation on the current and forecasted performance of the funds at a meeting with officers in August 2022.

4.9 Scheme of delegation

Please see Appendix 9.

4.10 Role of the section 151 officer

Please see Appendix 10.

Arun District Council

Prudential and treasury indicators

APPENDIX 1

1. PRUDENTIAL INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
Extract from budget and rent setting report	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non – HRA	4,341	7,962	5,944	1,968	2,610
HRA	6,940	5,980	8,998	4,967	4,303
TOTAL	11,280	13,942	14,941	6,935	6,913
Ratio of financing costs to net revenue stream					
Non – HRA	(2.06)%	(1.97)%	(6.51)%	(5.43)%	(4.30)%
HRA	31.35%	15.92%	18.19%	20.25%	21.56%
Capital Financing Requirement as at 31 March					
Non – HRA	(4,442)	(3,771)	(314)	166	1,285
HRA	52,531	53,581	55,666	58,769	64,529
TOTAL	48,089	49,810	55,352	58,935	65,814
Annual change in Cap. Financing Requirement					
Non – HRA	(219)	671	3,457	479	1,120
HRA	(442)	1,049	2,085	3,104	5,760
TOTAL	(661)	1,720	5,543	3583	6,879

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2. TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	54,000	57,000	59,000	63,000	70,000
Other long term liabilities	1,000	**1,000	4,000	4,000	4,000
TOTAL	55,000	58,000	63,000	67,000	74,000
Operational Boundary for external debt					
Borrowing	49,000	52,000	55,000	59,000	66,000
other long term liabilities	1,000	**1,000	4,000	4,000	4,000
TOTAL	50,000	53,000	59,000	63,000	70,000
Actual external debt	*35,460	35,460	35,460	35,460	35,460
Upper limit for total principal sums invested for over 365 days (£m)	18,000	30,000	36,000	32,000	28,000

*Debt for most of the year was £44.32m - £8.86m repaid on 28 March 2022

** Originally £4m for leases but this has been deferred

The operational Boundary and Authorised Limit for external debt have been increase over the next 3 years due to expected expenditure on the following:

- Sheltered accommodation
- Housing new build programme
- General Fund programme (smaller projects)
- Decarbonisation programme
- Garage Sites programme

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

Minimum Revenue Provision Policy

1. Introduction

- 1.1 DLUHC Guidance on Minimum Revenue Provision (fourth edition -issued in 2018) is currently out for consultation. It places a duty on local authorities to make a prudent provision for debt redemption. Where the Council finances capital expenditure by debt it must set aside resources to repay that debt in later years. The amount charged to revenue for the repayment of this debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council taxpayers.
- 1.2 From 2007/08 onwards there has been no statutory minimum and the requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance gives local authorities more freedom to determine what would be a prudent level of MRP.
- 1.3 The DLUHC guidance requires the authority to approve an annual MRP statement and recommends 4 options for calculating a prudent amount of MRP, for approval by Full Council in advance of the year to which it applies. Any subsequent revisions to that policy should also be approved by Full Council.

2. Details of DLUHC Guidance on MRP

- 2.1 The statutory guidance issued by DLUHC sets out the broad aims of a prudent MRP Policy as being "to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." It then identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.
- 2.2 The four MRP options available are:
 - **Option 1:** Regulatory Method - is the previous statutory method, which is calculated as 4% of the Council's General Fund Capital Financing Requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.
 - **Option 2:** CFR Method - Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DLUHC to provide a simpler calculation for those councils for whom it would have a minimal impact, but the draft guidance does not expect it to be used by councils for whom it would significantly increase MRP.

Arun District Council

- **Option 3:** Asset Life Method – MRP is charged over the expected useful life of the asset either in equal instalments or using an annuity method whereby the MRP increases in later years.
- **Option 4:** Depreciation Method - MRP is charged over the expected life of the asset in accordance with depreciation accounting. This would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year.

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

- 2.3 Under the statutory guidance, it is recommended that local authorities use Options 3 or 4 for all prudential borrowing and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.
- 2.4. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also mentions that Option 3 could be used for this type of debt.
- 2.5 The guidance also allows authorities to take an MRP Holiday where assets do not become operational for perhaps 2 or 3 years or longer. It proposes that MRP would not be charged until the year following the one in which the asset became operational.
- 3. Details of Statute** - Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- 3.1 In deciding on the appropriate level of MRP to charge and the most appropriate method of financing the capital programme, the Council needs to have regard to the wider legislation regarding the use of capital receipts.
- 3.2 Statute gives local authorities the option to apply capital receipts to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.
- 3.3 Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years.

4. MRP Policy

It is recommended the Council adopt the following MRP policy:

Arun District Council

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

Arun District Council

Appendix 3

INVESTMENTS at 31 December 2022

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
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	839	First Abu Dhabi Bank	07/07/2022	05/01/2023	£1,000,000.00	2.140
Fixed Term Deposit	838	Qatar National Bank	06/07/2022	06/01/2023	£1,000,000.00	2.325
Fixed Term Deposit	843	Nationwide Building Society	28/07/2022	06/02/2023	£1,000,000.00	2.000
Fixed Term Deposit	844	National Westminster Bank	28/07/2022	06/02/2023	£1,000,000.00	2.200
Fixed Term Deposit	845	Qatar National Bank	11/08/2011	13/02/2023	£1,000,000.00	2.715
Fixed Term Deposit	834	Goldman Sachs International	23/05/2022	23/02/2023	£6,000,000.00	1.9800
Fixed Term Deposit	849	Santander UK Plc	25/08/2022	24/02/2023	£1,000,000.00	2.790
Fixed Term Deposit	832	Standard Chartered Bank - Sustainable Deposits	15/05/2022	06/03/2023	£2,000,000.00	1.7900
Fixed Term Deposit	821	Close Brothers Limited	21/03/2022	21/03/2023	£4,000,000.00	1.5000
Fixed Term Deposit	825	Standard Chartered Bank - Sustainable Deposits	31/03/2022	31/03/2023	£1,000,000.00	1.9400
Fixed Term Deposit	853	Qatar National Bank	28/09/2022	05/04/2023	£4,000,000.00	4.685
Fixed Term Deposit	859	Development Bank of Singapore (DBS)	01/12/2022	05/04/2023	£1,000,000.00	3.750
Fixed Term Deposit	828	Standard Chartered Bank - Sustainable Deposits	06/04/2022	06/04/2023	£2,000,000.00	1.94
Fixed Term Deposit	829	Standard Chartered Bank - Sustainable Deposits	14/04/2022	14/04/2023	£1,000,000.00	1.88
Fixed Term Deposit	857	Santander UK Plc	10/11/2011	14/04/2023	£1,000,000.00	3.640
Fixed Term Deposit	830	Standard Chartered Bank - Sustainable Deposits	21/04/2022	21/04/2023	£1,000,000.00	1.9500
Fixed Term Deposit	855	Yorkshire Building Society	20/10/2022	05/05/2023	£2,000,000.00	3.940
Fixed Term Deposit	856	NatWest Bank	04/11/2022	05/05/2023	£2,000,000.00	3.800
Fixed Term Deposit	846	National Westminster Bank	11/08/2022	11/05/2023	£1,000,000.00	2.500
Fixed Term Deposit	836	National Westminster Bank	22/06/2022	22/06/2023	£1,000,000.00	2.550
Fixed Term Deposit	842	First Abu Dhabi Bank	21/07/2022	21/07/2023	£1,000,000.00	3.010
Fixed Term Deposit	840	Close Brothers Limited	10/08/2022	10/08/2023	£1,000,000.00	2.800
Fixed Term Deposit	848	Santander UK Plc	25/08/2022	25/08/2023	£2,000,000.00	3.470
Fixed Term Deposit	850	Standard Chartered Bank - Sustainable Deposits	26/09/2022	26/09/2023	£1,000,000.00	4.420
Fixed Term Deposit	851	Standard Chartered Bank - Sustainable Deposits	28/09/2022	28/09/2023	£2,000,000.00	5.250
Fixed Term Deposit	852	Goldman Sachs International	28/09/2022	28/09/2023	£1,000,000.00	5.450
Fixed Term Deposit	854	Santander UK Plc	28/09/2022	28/09/2023	£2,000,000.00	5.250
Fixed Term Deposit	858	NatWest Bank	23/11/2022	23/11/2023	£1,000,000.00	4.350
Fixed Term Deposit	860	Development Bank of Singapore (DBS)	15/12/2022	15/12/2023	£1,000,000.00	4.500
Fixed Term Deposit	861	Development Bank of Singapore (DBS)	22/12/2022	22/12/2023	£1,000,000.00	4.450
Money Market Fund	110000	Federated			£10,000.00	*3.244
Money Market Fund	99999	Fidelity			£10,000.00	*3.235
Money Market Fund	120000	Aberdeen Standard			£2,630,000.00	*3.279
Money Market Fund	130000	Deutsche Bank			£4,000,000.00	*3.433
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£1,210,000.00	*3.313
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*3.9900
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*2.9300
					£64,860,000.00	

Arun District Council

Interest Rate Forecast 2022- 2025

APPENDIX 4

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 19th November 2012.

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave eamings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave eamings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.0%	2.5%	4.5%-4.75%
GDP	-0.3%q/q Q3 (1.9%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.9% Q4 Annualised
Inflation	10.5%/y/y (Dec)	8.5%/y/y (Jan)	6.5%/y/y (Dec)
Unemployment Rate	3.7% (Nov)	6.6% (Dec)	3.4% (Jan)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will face some further upward pressures before dropping back slowly through 2023 to finish the year in the range of 4% - 5%.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

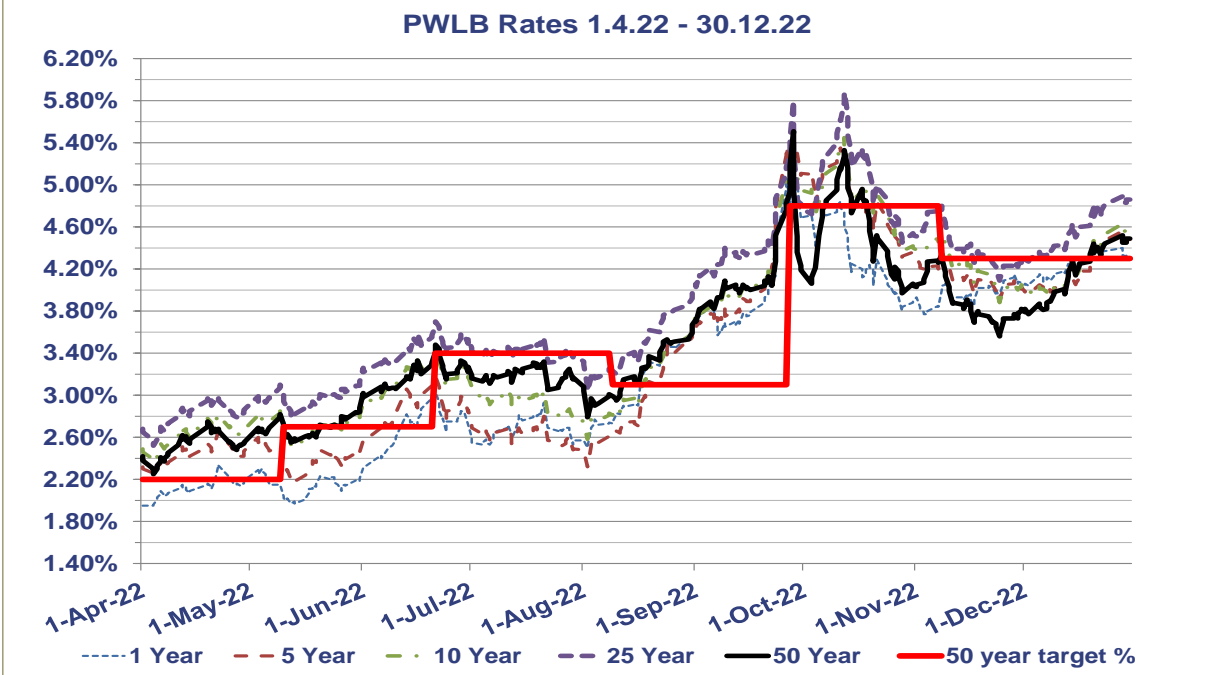
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Since then, rates rose to 3.5% in December and 4% in February and the market currently expects Bank Rate to hit 4.5% by June 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction in 2023. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank. Indeed, their February Monetary Policy Report suggests five quarters of negative growth, albeit a shallow recession with GDP expected to shrink 0.5% in 2023 and 0.25% in 2024.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.22. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first nine months of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to December 2022 below, has been followed by the whole curve shifting lower.

PWLB rates at the front end of the curve are generally over 1.25% lower now whilst the 50 years is also over 1% lower.

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.12.22

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.26%	3.41%	3.57%	3.85%	3.51%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

The S&P 500 and FTSE 100 have climbed in the early weeks of 2023, albeit the former finished 19% down in 2022 whilst the latter finished up 1%.

CENTRAL BANK CONCERNS – DECEMBER 2022 & FEBRUARY 2023

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

At the start of February, US rates have further increased by 0.25% to a range of 4.5% - 4.75%, whilst UK Bank Rate increased 0.5% to 4%.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.25% - 4.5%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data and labour market have proven stronger than expected.

In addition, the Bank’s central message that GDP will fall for five quarters starting with Q1 2023 may prove to be a little pessimistic. Will the excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Specified and Non-Specified Investments

APPENDIX 6

	specified	non-specified	Minimum Credit Criteria Fitch (and equivalent) / Minimum Criteria	Maximum Investment per Institution	Max. maturity period
Term deposits – Local Authorities (category 1)	✓	✓	--	£12M	5 years
Term deposits – banks and building societies (category 1)	✓	✓	Short-term F1+ Long-term AA-	£12M	5 years
Term deposits – banks and building societies (category 2)	✓	✓	Short-term F1 Long-term A+	£11M	3 years
Term deposits – banks and building societies (category 3)	✓	✓	Short-term F1 Long-term A-	£8M	2 years
Term deposits – building societies (Category 4)	✓	✓	Assets in Excess of £10 billion	£4M	1 year
Council's bank (for term deposits use appropriate category 1 to 3) (category 5)	✓	✓	n/a	No limit <i>Although category limit for term deposits</i>	As category 1 to 3
Callable deposits	✓	✓	As category 1,2,3,4, and 5	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5
Forward deposits	✓	✓	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5
Debt Management Agency Deposit Facility (DMADF) – UK Government (category 8)	✓	✓	--	No limit	Liquid (max is set by DMO -

					Debt Management Office of HM Treasury)
Bonds Issued by multilateral development banks (category 9)		✓	Long term AAA	£4M	5 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV, LVNAV & VNAV) Government Liquidity Fund (Category 6)	✓	✓	AAA	£4M	liquid
Alternative Investments • Ultra-Short dated Bond Funds (Category 7)	✓ ✓	✓	--	£4M	liquid
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority (FCA), such as the Local Authorities' Property Fund (Category 10)		✓	--	£6M	These funds do not have a defined maturity date
Multi-Asset Funds – such as the Local Authorities' Diversified Fund (Category 11)		✓	--	£6M	These funds do not have a defined maturity date

Part nationalised bank - Previously category 6 was for part nationalised banks but there is no longer a requirement to have this separate category as all counterparties adhere to categories 1-5.

APPENDIX 7

LIST OF AUTHORISED COUNTERPARTIES

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	AA- Aa3 AA-	F1+ P-1 A-1+
All Local Authorities			
Australia & New Zealand banking Group Ltd (ANZ - AUS)			
Bank of Nova Scotia (CAN)			
Development Bank of Singapore Ltd (DBS-SING)			
National Australia Bank (AUS)			
Oversea-Chinese Banking Corp Ltd (OCBC-SING)			
JP Morgan Chase (USA)			
United Overseas Bank Ltd (UOB - SING)			
First Abu Dhabi Bank (U.A.E)			

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A+ A1 A+	F1 P-2 A-1
Barclays Bank plc (RFB & NRFB) (UK)			
Bank of Scotland PLC (RFB) (Lloyds Banking Group-UK)			
Goldman Sachs International Bank (UK)			
HSBC Bank plc (RFB & NRFB) (UK)			
National Bank of Canada (CAN)			
National Westminster Bank PLC (RFB) (UK)			
Santander (UK)			
Standard Chartered Bank (UK)			
The Royal Bank of Scotland PLC (RFB) (UK)			

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A- A3 A-	F1 P-2 A-1
Nationwide Building Society (UK)			
Close Brothers (UK)			

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

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

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB) (Cat 2 for Term deposit limit)

Lloyds Bank Corporate Markets Plc (NRFB) (Cat 2 for Term deposit limit)

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

Category 6 - Money Market Funds (MMF's)

(CNAV, LVNAV, VNAV & Enhanced MMF's)

Limit of £4million for each institution

	<u>Fitch</u>	<u>NAV</u>
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 7 - Alternative Investments - No defined maturity date

Maximum investment £4 million

Ultra-Short dated Bond Funds

Category 8 - Debt Management Agency Deposit Facility (DMADF)

NO LIMIT (UK Govt)

Debt management Office (DMO)

Category 9 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

AAA

Category 10 – Property Funds - No defined maturity date

Maximum investment £6 million

CCLA - Property Fund

Category 11 - Multi-Asset Funds - No defined maturity date

Maximum investment £6 million

CCLA - Diversified Income Fund

Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest of 2 or more rating agencies) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on a majority rule of available ratings.

AAA

- Australia
- Canada (Fitch AA+)
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A. (S&P AA+)

AA+

- Finland

AA

- First Abu Dhabi (UAE)
- France

AA-

- Belgium (S&P AA)
- **U.K.** (S&P AA)

Consideration will be given to other factors, including Ethical, Environmental, Social and Governance standards when considering investments in Non-Uk destination.

As such, countries with an appropriate sovereign rating will not be used where matters identified do not align with the respective Council's values.

As detailed in 4.1 (7) it has been determined that the UK will remain an approved country for investments regardless of its sovereign rating if after careful consideration, it is deemed appropriate to do so.

Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual Treasury Management Strategy Statement and Annual Investment Strategy;
- approval of MRP Statement.

(ii) Policy and Finance Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee (responsibility for scrutiny)

Receiving and reviewing the following and making recommendations to Full Council (the responsible body).

- the Treasury Management Strategy Statement (TMSS) and regular monitoring reports on compliance with the Treasury Management Strategy, practices and procedures.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Arun District Council

REPORT TO:	Policy and Finance Committee – 7 March 2023
SUBJECT:	Capital Strategy 2023/24 to 2026/27
LEAD OFFICER:	Antony Baden - Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Shaun Gunner
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The Council's Capital Strategy promotes all of the Council's Corporate Priorities.	
DIRECTORATE POLICY CONTEXT:	
The Capital Strategy has an effect on all Directorates of the Council.	
FINANCIAL SUMMARY:	
The Capital Strategy, spending and funding projections are shown in the appendix.	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to allow the Policy and Finance Committee to consider and recommend the draft Capital Strategy 2023/24 to 2027/28 to Full Council for approval.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Policy and Finance Committee recommend to Full Council that the Capital Strategy 2023/24 to 2027/28 be approved.

3. EXECUTIVE SUMMARY

- 3.1. The report allows the Policy and Finance Committee to consider and comment on the Council's Capital Strategy 2023/24 to 2027/28 before adoption by Full Council on 15 March 2023.

4. DETAIL

- 4.1. This strategy forms the framework for capital investment decisions over the next three years and will inform the detailed annual capital budgets over this period. It is closely linked to the Treasury Management Strategy, the Investment Strategy and the Borrowing Strategy.
- 4.2. The strategy aims to balance capital expenditure needs and expectations (for example, replacement of business critical IT systems) with the scarcity of available resources.

- 4.3. The Treasury Management Code allows authorities to delegate the detailed management of Treasury Management, including the Capital Strategy, to a committee and this responsibility is delegated to the Policy and Finance Committee. This delegation will facilitate more active discussion of the Capital Strategy and its implementation though overall responsibility will at all times remain with the full Council.
- 4.4. The Capital Strategy 2023/24 to 2027/28 for consideration is included in Appendix 1.

5. CONSULTATION

- 5.1. No consultation has taken place with outside bodies.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. The only available option is to recommend the Capital Strategy be recommended for approval by Full Council.

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

- 7.1. The annual adoption of the capital strategy by Full Council is a requirement of the Chartered Institute of Public Finance and Accountancy Prudential Code and must be approved before 1 April of the year preceding the adoption of the strategy. The Capital Strategy provides the framework within capital expenditure decisions are made.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. All capital projects are susceptible to overspend and over-run. Adequate monitoring is required to reduce the risk.
- 8.2. External factors can cause issues with such projects. Availability of contractors, materials and adverse weather can cause delay in delivery of projects.
- 8.3. Capital expenditure results in revenue expenditure being incurred. It is important that this is recognised when considering capital projects and the revenue implications of capital spending are noted.

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

- 9.1. The CIPFA codes support the provisions of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 and support strategic planning for capital investment at a local level. Compliance with both codes is a statutory requirement for local authorities.

10.HUMAN RESOURCES IMPACT

10.1. There are no direct implications.

11.HEALTH & SAFETY IMPACT

11.1. There are no direct implications.

PROPERTY & ESTATES IMPACT

11.2. There are no direct implications.

12.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. There are no direct implications.

13.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. There are no direct implications.

14.CRIME AND DISORDER REDUCTION IMPACT

14.1. There are no direct implications.

15.HUMAN RIGHTS IMPACT

15.1. There are no direct implications.

16.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. There are no direct implications.

CONTACT OFFICER:

Name: Angela Curry

Job Title: Capital Accountant

Contact Number: 01903 737560

BACKGROUND DOCUMENTS:

CIPFA Prudential Code;

Committee Budget Reports 2023/24

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ARUN DISTRICT COUNCIL

CAPITAL STRATEGY 2023/24 TO 2027/28

1. Introduction

Overview

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

Objectives

- 1.2. The purpose of the strategy as per the Code is that it is "intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability."
- 1.3. The Council must demonstrate that it takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability giving due consideration to both risk and reward and the impact on outcomes.
- 1.4. The strategy aims to balance capital expenditure needs and expectations (e.g. replacement of business critical IT systems) with the scarcity of available resources to enable the identification and optimisation of all sources of capital funding and also be flexible enough in order to respond to emergencies and changes in priorities:
- 1.5. It is a collective document involving various departments within the organisation. It is not purely a finance function. All the relevant officers should review this document from time to time and it be updated

2. Capital Strategy Framework

How do existing strategies feed into the Capital Strategy

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



Strategic Direction of the Council

2.2. The Council has implemented its strategic direction for the next four years “Our vision: a better future 2022 to 2026”. This is based around four key themes which will set our priorities and guide our decision making for the next four years, building on the good things that we already do and improving where they could be better.

- Improving the wellbeing of Arun
- Delivering the right homes in the right place
- Supporting our environment to support us
- Fulfilling Arun’s economic potential

3. Capital Strategy

Scope

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

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

The Capital Strategy sets out the Council's approach to:

- **working with partners**
- **asset management planning**
- **risk appetite**
- **governance and decision making**
- **capital financing & affordability**
- **managing borrowing**
- **monitoring & project evaluation**
- **capital investment in 2023/24 to 2027/28**

Working with Partners

- 3.3. Given the financial challenges faced by the Council it is particularly important that it works closely with regional and local authority partners to deliver investment across the district which otherwise would neither be deliverable nor affordable. Whether this is through central government grants and town council contributions or through delivering schemes in partnership with West Sussex County Council.

Asset Management Planning

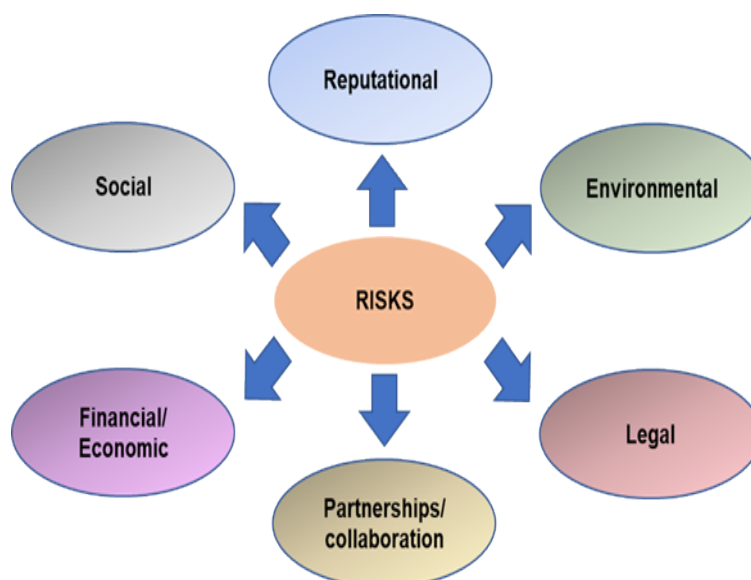
- 3.4. The Council has responsibility for a range of assets. The asset management strategy establishes the priorities for asset management planning. It is essential to understand the need, utilisation, condition, income generating potential and the investment and operating cost requirements of assets, whether owned or leased.
- 3.5. The core asset management programme which deals with General Fund assets is now supplemented with additional budget as a result of a review in 2019 of the condition of the Council's General Fund assets. This revealed that after years of under investment that significant funding would be required to ensure that they are maintained at an acceptable standard to allow the Council to continue to deliver its services.
- 3.6. The Housing Revenue Account (HRA) business plan looks at the expenditure requirements over the next 30 years.

Property Investment Strategy

- 3.7. This strategy sets out the policies relating to the Property Investment Fund which aims to generate a return for the Council through property acquisitions. These are funded by earmarking a proportion of the Council's capital receipts from land and property disposals. Acquisitions can only be made once a full business case has been completed and the risks fully understood and evaluated. Further details are set out in the Arun District Council Property Investment Strategy 2017–2022 as amended by Cabinet 13 January 2020.
- 3.8. The strategy will be reviewed and updated during 2023/24 as it has expired but is likely to be replaced by an Income and Commercialisation Strategy.

Risk Appetite

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



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

Governance and Decision Making

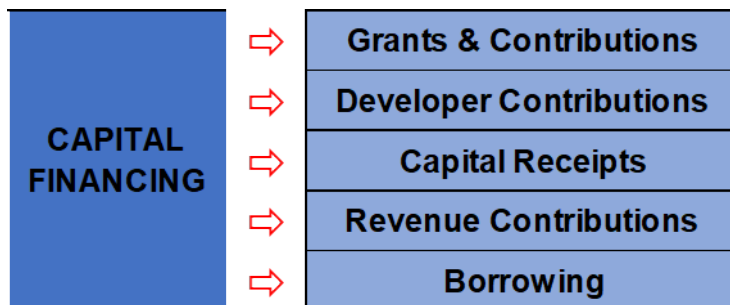
- 3.11. It is important that those charged with governance understand the long-term context in which investment decisions are made and the financial risks to which the Council is exposed. The strategy should therefore contain sufficient detail to allow members to understand how stewardship, value for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

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

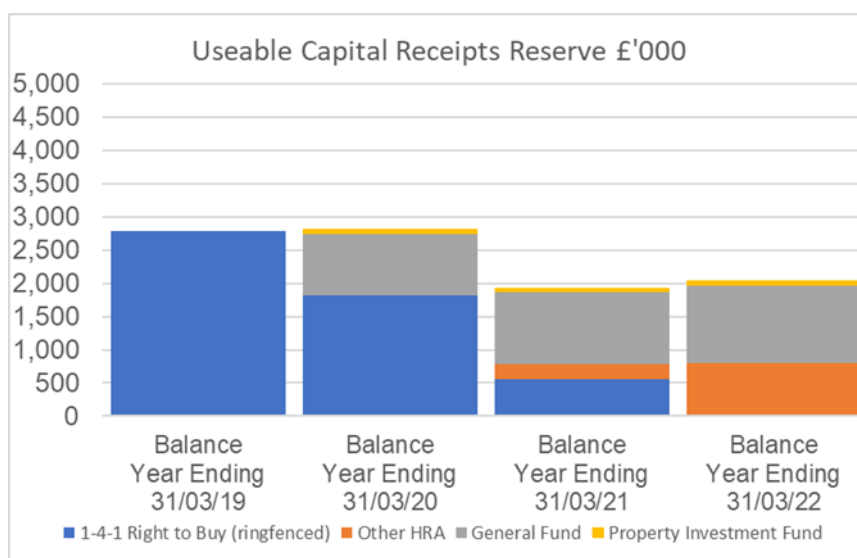
Priority	Type of Projects
Highest Priority	Unavoidable capital expenditure due to an emergency such as one affecting service continuity or business critical infrastructure
	Projects that deliver strategic outcomes as per the Council's vision
	Projects necessary to deliver statutory, mandatory and legal/contractual obligations
	Projects that give rise to revenue savings or income generation. These can be developed as invest to save projects
	Projects attracting additional external funding
	Projects which improve and repair Council assets and reduce the need for revenue maintenance
Lowest Priority	Projects that are not for statutory or mandatory purposes, attract low external support, have little or no payback or result in increases in revenue costs

Capital Financing and Affordability

- 3.13. The Council will need to assess the overall affordability of any new scheme, having regard to the availability of resources, existing financial commitments and the projected level of balances forecast in the medium-term financial strategy.
- 3.14. The prudential code requires “the local authority shall ensure that all of its capital and investment plans and borrowing are prudent and sustainable.”
- 3.15. Capital expenditure can be funded in a variety of ways:



- 3.16. Grants and developer contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant or contribution. There is little, if any, latitude in the way grant funding can be applied.
- 3.17. Capital receipts are derived from the sale of the Council’s assets, including council houses sold under the Right to Buy. It is the Council’s policy to use these receipts (with the exception of “1 for 1” Right to Buy receipts which can only be used for the provision of new social housing) to support the General Fund capital programme. A specified proportion of General Fund receipts are earmarked for the Property Investment Fund.
- 3.18. It should be noted that other than right to buy receipts there are very little opportunities for capital receipts. Asset disposals are infrequent and although there are a few assets which have been identified as possible disposals the process can take years.
- 3.19. The graph below shows how the levels of useable capital receipts have reduced over the last few years as a result of being applied to fund capital expenditure.



- 3.20. The Council has identified a significant budget gap for 2023/24 which is balanced through the use of reserves. Revenue contributions have in the past been used as a flexible source of funding. This practice will no longer continue as this places an immediate strain on the General Fund balance and HRA balance.
- 3.21. The Council has made the decision to borrow for General Fund capital expenditure as well as HRA capital expenditure in future once other sources of capital financing like capital receipts have been applied. Borrowing spreads the cost over a number of years. Loan servicing costs and the overall level of debt exposure both need to be considered and clearly flagged in a business case.

Managing Borrowing

- 3.22. With the exception of the PWLB loan taken out on the inception of self-financing of the HRA at the end of the previous subsidy system, the Council currently has no external debt. The expenditure on HRA stock development not funded from 1-4-1 receipts will require external borrowing. The Council has reviewed its borrowing policy and will allow borrowing for all HRA and GF capital expenditure.

Invest to Save

- 3.23. Invest to save is the investment now to transform and reshape services to reduce running costs/generate efficiency savings or earn income to payback the initial outlay. Priority should be given to these projects providing they are supported by a sound business case and financial appraisal.
- 3.24. A good example would be investment in new beach huts, as there is a demand for beach huts (supported by a waiting list). The initial outlay to build new huts would be recovered over a period of years through the rental these would generate.

Leasing

- 3.25. Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning such asset itself.
- 3.26. From 1 April 2024 the accounting standard which sets out the guidelines for recognising and disclosure requirements for accounting for leases changes from IAS 17 (International Accounting Standard) to IFRS 16 (International Financial Reporting Standard). This means from this date the way the Council accounts for assets it leases will change. The Council may adopt the standard before this date if it so wishes.
- 3.27. The definition of a lease has been adapted for the public sector as being 'a contract, or part of a contract, that conveys the right to use an asset for a period of time.'
- 3.28. The Council currently leases such things as land, buildings, vehicles and photocopiers.
- 3.29. Under these changes these right of use assets will be shown on the balance sheet except for leases of 12 months or less or if the asset is of low value. The accounting standard does not include intangible assets (e.g. computer software licences) or where a contract contains use of an asset but the supplier has the ability to substitute alternative assets throughout the period (e.g. hygiene bins).

- 3.30. When the asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the Council makes a lease payment rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset useful life is lower.
- 3.31. Separate provision for leases at peppercorn, nominal or nil consideration is based on donated asset accounting.
- 3.32. In preparation a data gathering exercise has already been undertaken to record all the leases the Council has, including those at peppercorn/nil consideration (where the Council pays little or no rental payments at any point during the duration of the lease). The Council has had to evidence to its external auditors that it is prepared for these changes. The Council's accounting policies will be amended to reflect the move to IFRS 16 and the threshold for low value will be determined when the standard is implemented.
- 3.33. Finance should be consulted on all new leases and contracts which include the use of an asset (whether this is directly by the Council or by the contractor to deliver obligations under the contract so that it can be assessed to see if the contract contains an embedded lease.

Treasury Management

- 3.34. Treasury Management is the management of the Council's borrowing, investments and cashflows and is essential in particular when accessing the affordability of a capital project, the Treasury Management Strategy includes:
- The incremental impact of capital investment on council tax and housing rent values
 - The borrowing strategy
 - The authorised limits for external debt
- 3.35. Where capital expenditure has been incurred without a resource to pay for it, this will increase the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget. This is known as minimum revenue provision (MRP). CFR is calculated below:

Opening CFR
+
Capital expenditure for the year
-
Grants, contributions, reserves, capital receipts
-
Minimum Revenue Provision and Voluntary Provision
=
Closing CFR

Monitoring and Project Evaluation

- 3.36. It is the responsibility of the relevant budget holder and their team to manage costs and to provide explanations for any variations from the approved budget. Budget monitoring statements are presented to Corporate Management Team and Policy and Finance Committee quarterly.
- 3.37. Major capital projects will have a designated project board who will have regular meetings throughout the project. The board will have representation from across the Council including Finance. These are to discuss project progress, including cost projections.
- 3.38. A post project evaluation is required to be undertaken to measure delivery against required project outcomes, not just time and cost. It is again the responsibility of the budget holder to undertake this review. This will help Council for the future as lessons learned can be transferred to new projects and help with such things as benchmarking.
- 3.39. All major projects are reported to the Corporate Management Team Project Board which meets monthly to ensure that risk is managed effectively.

4. Capital Investment 2023/24 to 2027/28

HRA and General Fund Capital Programmes

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

Housing Revenue Account (HRA) Programme

Stock Development

- 4.2. The HRA capital programme for 2023/24 to 2027/28 which is driven by the updated HRA Business Plan (presented to Housing and Wellbeing Committee on 25 January 2023), will be approved by Full Council on 1 March 2023. One of the key priorities of this plan is the provision of 250 new dwellings over a 10 year period, the acquisition/building of these dwellings funded from a mix of “1 for 1” Right to Buy receipts and borrowing. Right to buy receipts are retained by agreement with the Government subject to them being used for the provision of new social housing within five years of receipt. These can be used to fund up to 40% of the cost of acquisition/new build schemes, whilst the Council has to fund the remaining 60%.
- 4.3. A number of acquisition/new build schemes have already been delivered with new schemes currently progressing.

Housing Repairs and Improvements

- 4.4. The updated HRA Business Plan reflects a substantial increase in the levels of investment required in the existing housing stock including statutory compliance which is heavily regulated.
- 4.5. This expenditure is a combination of revenue and capital. The capital includes boiler, kitchen and bathroom replacement programmes as well as reroofing and rewiring.

Other Expenditure

- 4.6. There are plans to redevelop the sheltered housing stock and therefore additional capital expenditure has been included in the budget from 2023/24 for three years. This is subject to a full feasibility having been undertaken.

Affordability, borrowing and the abolition of the HRA debt cap

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

General Fund Programme

Core and Enhanced Programme

- 4.7. The Council has a core annual programme comprising of Disabled Facilities Grants (DFGs) – these grants pay for essential adaptations to help people with disabilities stay in their own homes. The DFG programme is entirely funded by a Better Care Fund Government Grant.
- 4.8. In addition, the Council also has an enhanced programme of expenditure which is based on the additional requirements for the year, expenditure will likely be more of a capital nature. The expenditure includes:
- Asset management – a programme of larger one-off projects, which will be capital expenditure; for instance a schedule of public convenience refurbishments.
 - Play areas – a programme of play area replacements. Most expenditure is capital and is funded from a combination of external funding, capital receipts, developers' contributions and revenue.
 - ICT – the replacement of business-critical systems over a period of 5 years which is normally the useful life of software
 - Other one offs – for instance replacement of life expired vehicles, plant and equipment, regeneration projects.
- 4.9. The key issue with the enhanced programme is the uncertainty with regard to future funding levels. The Council's Medium-Term Financial Strategy (MTFS) recognises that capital investment needs to be carefully prioritised due to the limited amount of Council resources.

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