



Public Document Pack

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

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[Arun District Council](#)

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

e-mail: committees@arun.gov.uk

30 October 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 8 November 2023** at **6.00 pm** in the **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** to transact the business set out below:




Karl Roberts and Philippa Dart
Interim Joint Chief Executives

AGENDA

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 **Wednesday, 1 November 2023** in line with current Council Meeting Procedure Rules.

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

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

Members and Officers should make their declaration by stating:

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

3. PUBLIC QUESTION TIME

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

4. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

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

5. PETITIONS

To consider any petitions received from the public.

6. MINUTES (Pages 1 - 16)

To approve as a correct record the Minutes of the Meeting of the Council held on 19 July 2023, which are *attached*.

7. CHAIR'S ANNOUNCEMENTS

To receive such announcements as the Chair 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. YAPTON NEIGHBOURHOOD PLAN (Pages 17 - 20)

The Yapton Neighbourhood Development Plan 2011-2031 passed Examination in May 2023. The Examiner's report concluded that subject to making the modifications recommended by the Examiner, the Plan meets the basic conditions set out in the legislation and should proceed to a Neighbourhood Planning Referendum.

A successful Neighbourhood Planning Referendum on the Yapton Neighbourhood Development Plan 2011-2031 was held on the 12 September 2023 where 91.15% of voters, casted a Yes vote. If more than 50% of those voting on the day, vote 'yes', then the local planning authority under section 61E (4) of the 1990 Act, need to 'make'(adopt) the Plan. The 'making' of the plan by Full Council will give it legal force and it will form part of the statutory Development Plan for Arun Local Planning Authority area. Consequently, decisions on planning applications in the neighbourhood area will need to be made in accordance with the Neighbourhood Development Plan, unless materials considerations indicate otherwise.

10. USE OF URGENT POWERS BY THE JOINT INTERIM CHIEF EXECUTIVE AND DIRECTOR OF ENVIRONMENT AND COMMUNITIES - LOCAL AUTHORITY HOUSING FUND GRANT (Pages 21 - 24)

This report details the use of urgent powers by the Interim Joint Chief Executive and Director of Environment and Communities on 14 August 2023 to sign a Memorandum of Understanding, which would enable the Council to receive funding of £1,092,000 from The Department of Levelling Up, Housing and Communities (DLUHC) from the Local Accommodation Housing Fund (LAHF).

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

11. AUDIT & GOVERNANCE COMMITTEE - 25 JULY 2023 (Pages 25 - 60)

The Chair of the Audit & Governance Committee, Councillor Walsh, will present recommendations from the meeting of the Audit & Governance Committee held on 25 July 2023.

The recommendations for the Council to consider are set out below:

- Minute 186 [Treasury Management Annual Report 2022/23] – the Minutes of the meeting and the Officer's report with appendices are attached.

12. PLANNING POLICY COMMITTEE - 21 SEPTEMBER 2023 (Pages 61 - 72)

The Chair of the Planning Policy Committee, Councillor Lury, will present recommendations from the meeting of the Planning Policy Committee held on 21 September 2023.

The recommendations for Council to consider are set out below:

- Minute 261 [Local Development Scheme] – the minutes and the Officer's report are attached.

13. AUDIT & GOVERNANCE COMMITTEE - 28 SEPTEMBER 2023 (Pages 73 - 92)

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

The recommendations for the Council to consider are set out below:

- Minute 273 [Treasury Management – Quarter 1 Report 2023/24] – the minutes and the Officer's report are attached.

14. POLICY & FINANCE COMMITTEE - 26 OCTOBER 2023

The Chair of the Policy & Finance Committee will present recommendations from the meeting of the Policy & Finance Committee held on 26 October 2023.

The minutes from this meeting confirming recommendations for Council to consider will be circulated separately to this agenda.

15. MOTIONS

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

MOTION 1

Proposer: Councillor McAuliffe
Seconder: Councillor Wallsgrove

Summary

It is requested that Council supports a motion to examine the concept and feasibility of establishing a mechanism of advocacy and improved protection for the River Arun.

Context

Our rivers and streams are under severe pressure from a range of human activities. Sewage discharges, agricultural runoff, chemicals from road drainage, industrial effluent and non-native invasive species all have adverse impacts on water quality, riparian biodiversity and river health. These activities are not prevented in law. Indeed, in many cases they are designed into our infrastructure, our business models and are allowed to persist despite the known harm. This has direct impacts for wildlife and humans through deterioration of aquatic habitats, lower water quality which leads to increases in water treatment costs, losses of recreational availability and ultimately, downstream impacts spreading to the coastal waters which support our local economy and wildlife.

It is evident that existing legal systems have failed to adequately protect our rivers and coastal waters. In England, 90 per cent of rivers are classified as being in 'unfavourable' condition. Those tasked with safeguarding these environments are under-resourced and lack the legal sanctions they would like. Adopting this Motion is an opportunity for the Council, as Civic Leaders, to support our partner organisations and bolster the health and future of the River Arun and our coastal communities.

Rights of Rivers is a global movement that aims to rebalance our relationship with rivers. The aim is to reverse the current societal position that rivers serve a utilitarian function and exist for the use and exploitation of humanity. Rights of Rivers establishes an intrinsic right for rivers to exist as entities in their own right and as vital components of the natural world rather than merely serving the needs of humanity.

The Rights of Rivers global movement has framed The Universal Declaration of River Rights which says that all rivers shall possess the following fundamental rights: (1) the right to flow (2) the right to perform essential functions within the river's ecosystem (3) the right to be free from pollution (4) the right to feed, and be fed, by sustainable aquifers (5) the right to native biodiversity (6) the right to regeneration and restoration.

This approach is supported by the Sussex Wildlife Trust, the Ouse and Adur Rivers Trust, Lewes District Council '*Rights of the River Ouse*' Motion and Adur District Council's '*Declaration on the Rights of the River Adur*'. Angling clubs, boating interests, tourism bodies, wild swimming clubs and conservation organisations have all expressed support for establishing Rights of Rivers. Our residents have also robustly demonstrated their opposition to the way rivers and streams are exploited by water companies for the disposal of human waste – as has this Council.

This Motion is our opportunity to explore methods of establishing a legacy of protection and enhancement for the River Arun. We can examine how, through mechanism that promote advocacy enshrined in our policies, strategic vision and Local Plan, we can set a goal of reversing the historic over exploitation of the Arun – the river that defines our landscape and gives this District its name.

Motion

- (1) This Council acknowledges the work of multiple bodies in addressing the health and wellbeing of the River Arun and believe that there is a case to be made for adopting the 'Rights of Rivers' approach; and
- (2) This Council will explore, with local communities and relevant stakeholder, the feasibility of implementing Rights for the River Arun and will, within two years return to Full Council with its findings for further debate and possible adoption.

Supporting ADC Policies

C SP1
ENV SP1
ENV DM3
H SP2
QE SP1
T SP2
TOU SP1
W SP1
W DM1
W DM2
WDM4

16. **QUESTIONS FROM MEMBERS**

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

17. **COMMITTEE MEMBERSHIPS**

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

18. **REPRESENTATION ON OUTSIDE BODIES**

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

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

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

Public Document Pack Agenda Item 6

Subject to approval at the next Full Council meeting

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**MINUTES
OF A
MEETING OF THE ARUN DISTRICT COUNCIL
HELD IN THE ARUN CIVIC CENTRE
ON 19 JULY 2023 AT 6.00 PM**

Present: Councillors Mrs Cooper (Chair), Walsh (Vice-Chair), Ayling, Batley, Bicknell, Birch, Blanchard-Cooper, Mrs Bower, Bower, Brooks, Butcher, Mrs Cooper (Chair), Cooper, Edwards, Elkins, J English, Goodheart, Greenway, Gunner, Hamilton, Harty, Haywood, Huntley, Jones, Kelly, Lawrence, Lloyd, Long, Lury, May, McDougall, Nash, Needs, Northeast, O'Neill, Oppler, Partridge, Patel, Pendleton, Penycate, Purser, Stanley, Tandy, Turner, Wallsgrove, Dr Walsh (Vice-Chair), Warr, Wiltshire, Woodman, Worne, Worne and Yeates.

The following Members were absent from the meeting during consideration of the matters referred to in the Minutes indicated:- Councillor Bence, Councillor Madeley and Councillor McAuliffe161 (Part)].

150. WELCOME

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

151. MEMBER OF STAFF JULIE HOGGATT

The Chair stated that it was with great sorrow that she had to commence the meeting by announcing some very sad news which was the sudden death of Julie Hoggatt who had passed away on 20 June 2023.

Julie had first joined the Council on 27 November 2017 and had held numerous roles during her time at Arun, starting as TFN Development Worker, then becoming an Economic Regeneration Officer before becoming the Council's Cost of Living Programme Manager.

The Council's condolences were extended to Julie's family, friends and colleagues.

Having received tributes from Councillors Gunner and Stanley, the Council then undertook a minute's silence to her memory.

152. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Bence, Madeley and McAuliffe and from Honorary Alderman Norman Dingemans.

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153. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

154. PUBLIC QUESTION TIME

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

155. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

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

156. PETITIONS

The Chair confirmed that no petitions had been received.

157. MINUTES

The minutes from The Annual Meeting of the Council held on 31 May 2023 were approved by the Council as a correct record and would be signed by the Chair at the end of the meeting.

158. CHAIR'S ANNOUNCEMENTS

The Chair confirmed that Members had been circulated a list of engagements attended since 31 May 2023.

The Chair commended the Armed Forces Day events that had been held in both Bognor Regis and Littlehampton which she confirmed had been very moving.

The Chair also referred to her Civic Reception that had been held on 14 June 2023 to launch her civic year and to announce her chosen charity. This was AJ's legacy and was in memory of Alex Bryant for the Antony Nolan Trust. The Chair confirmed that Gemma, Alex's widow, had some very exciting events planned which the Chair would be supporting with the first being a Sports Day taking place on 22 July 2023 at the White Meadows Primary School with the Chair opening the event and spending time supporting the event. Plans were also in place organising a joint function for later in the year.

159. URGENT MATTERS

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

160. EXTENSION OF APPOINTMENT OF INDEPENDENT PERSON

The Group Head of Law and Governance and Monitoring Officer presented this report outlining that the Council had three Independent Persons appointed to support the Standards Committee, this was a statutory requirement under the Localism Act 2011.

Usually, such appointments were approved by Full Council having been previously reported to the Standards Committee to approve the appointments and associated processes.

It was confirmed that John Thompson's appointment as an Independent Person had expired on 18 July 2023. The remaining two Independent Persons' appointments would expire in July 2024. As there was not a meeting of the Standards Committee scheduled prior to this meeting, it had been necessary to bring this report straight to Full Council without it first previously being reported to the Standards Committee so that Mr Thompson's appointment could be extended now to allow the Council to undertake a full recruitment process for all three Independent Persons during 2023/2024 covering the next four year term.

Full consultation had been undertaken with the Chair of the Standards Committee, Councillor Huntley and all three Independent Persons.

The recommendation was then proposed by Councillor Huntley and seconded by Councillor Pendleton.

The Council

RESOLVED

That agreement be given to extend the appointment of John Thompson as an Independent Person up to and including 14 July 2024.

161. PLANNING POLICY COMMITTEE - 8 JUNE 2023

The Chair of the Planning Policy Committee, Councillor Lury, presented recommendations from the meeting of the Planning Policy Committee held on 8 June 2023.

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Councillor Lury alerted Members to the first set of recommendations at Minute 40 [First Homes Local Allocations Policy] which he formally proposed. The recommendations were then seconded by Councillor Yeates.

The Council

RESOLVED – That

- (1) The 'Interim Affordable Housing Policy' statement (to accommodate First Homes Policy) be adopted to include the local connections criteria, as set out under Paragraph 4.7;
- (2) Should the criteria be further update by the Housing and Wellbeing Committee on 20 June that delegated authority be given to Officers to amend the criteria in accordance with Paragraph 4.8; and
- (3) The amended Policy be uploaded to the Council's website and reviewed annually.

Councillor Lury then turned to the next recommendation at Minute 41 [Middleton-on-Sea Application for Designation of a Neighbourhood Area] which he formally proposed. The recommendation was then seconded by Councillor Yeates.

The Council

RESOLVED

That the specified area is designated without modification, as the Middleton-on-Sea Neighbourhood Area, for the reasons set out in the application and in light of the results of the public consultation which did not receive any representations.

Councillor Lury then alerted Members to the final set of recommendations at Minute 43 [Arun Local Plan Update] where he formally proposed all nine recommendations. The recommendations were then seconded by Councillor Yeates.

The first Councillor to speak was Councillor Stanley who confirmed that he wished to propose an amendment to Recommendation 9 to read as set out below [deletions have been shown using ~~strike through~~ with additions shown in **bold**]:

“The **Chair of the Planning Policy Group Leaders** write a joint letter to government about the current situation in Arun and the issues it was experiencing due to current planning policy **to be co-signed by Group Leaders**”.

This amendment was seconded by Councillor Wallsgrove.

The Chair invited debate on the amendment.

This saw many mixed views being expressed. Those speaking against the amendment had concern that a letter from the Chair of the Committee would not deliver a consistent cross-party message in terms of the difficulties being experienced. It was felt that a letter containing co-signatures would undermine the original philosophy put forward by the Committee and that a clear cross-party message was needed. It was felt that a letter from all Group Leaders would set out a more powerful message to Government and would hopefully be more effective. Disappointment was expressed that Group Leaders had not been consulted on the amendment prior to the meeting.

Those speaking in support of the amendment could not agree with the concerns being expressed by those opposing the amendment. This was because all Group Leaders would still be signing the letter confirming their support to the concerns being raised with the content of the letter being sent to all Group Leaders to approve. There would be thorough consultation on the content of the letter providing each Group Leader with the opportunity to add content or suggest amendments. The important factor was that all wanted a positive outcome from this hoping that the Government would react to the issues being faced in the district.

Councillor Wallsgrove as seconder to the amendment confirmed that the cross-party working that had been expressed by so many speaking on the amendment would still be in place. It was hoped that the strong message that the letter would convey would result in positive action. The residents of the district were continually concerned about planning permission being granted by appeal; that housing numbers would continue to rise and without adequate infrastructure. She urged Councillors to support the amendment and work together so that concerns of residents could be confirmed with the Government hopefully accepting that the housing numbers did not work for the district.

Councillor Stanley, as the proposer of the amendment, confirmed that the amendment was suggesting that the chair of the relevant committee, which was the person that the council had nominated to chair the Planning Policy Committee, would compose the letter which would then be co-signed by Group Leaders who would all have the opportunity to provide feedback on the content of the letter.

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Voting on the amendment then took place and it was declared CARRIED.

The Chair then returned to the substantive recommendations and invited debate.

Many Members firstly spoke against the recommendations, these were Members who had voted against the recommendations at the Planning Policy Committee. This was because there were many other Councils who had suspended progressing their local plans because Central Government was changing the process as specified in the National Planning Policy Framework (NPPF) with the outcome of these changes not being expected until September 2023. It was therefore their view that voting for the recommendations now was premature, as the Council needed to know what the commitment would be under the new processes in place to produce a Local Plans.

The problems encountered in producing the existing Local Plan were highlighted and concern raised that similar problems in having to repeat consultation on housing numbers could happen again if the decision was made now to commence a review of the Local Plan. Another area of concern was the 6,500 unimplemented strategic planning permissions in the district. This meant that the required infrastructure to support such development had not been delivered and this issue remained to be solved.

It was stated that if Members chose to vote for the recommendations, they would be voting for up to 11,250 extra houses. In addition to this, it would also mean a nibbling away of the district's strategic gaps, the strategic gaps between settlements would be eroded. The vision objectives here had failed to get through the previous council and were now becoming back with almost no debate and there were concerns that needed to be addressed. Examples provided were the commitment to 15 minute cities and 20 minute neighbourhoods which many residents were worried about. Similarly, there were references about towns and the rural economy but no mention of rural villages; no mention of sewage dispersion or protecting greenfield areas.

Those speaking support of the recommendations referred to the fact that the council had failed to demonstrate a 5 year land supply since 2019 meaning that developers were securing permissions through appeals. Councillors also needed to listen to the expert advice provided by Officers who were recommending that a review of the Local Plan was required. Councillors therefore had the choice to continue to delay a review or do the responsible thing and take control through the local plan process. The work undertaken by villages in securing neighbourhood plans also needed to be taken into consideration. As the review of the local plan had been suspended, this meant that development was being approved on appeal and without the critical

infrastructure being provided. A way to resolve this was to review the local plan so that it would work hand in hand with neighbourhood plans.

Councillor Yeates, as seconder to the recommendations, outlined that the vision and objectives were high level aims containing green initiatives that were welcomed and since the Council had declared a climate emergency, this was now urgent.

Councillor Lury, as proposer of the recommendations, reminded Members that the voting on the recommendations at the Planning Policy Committee had been cross-party with the Committee voting to approve that the local plan be reviewed. He also reminded Members of the need for the Council to review the Local Plan as it did not have a housing land supply, making the Council extremely vulnerable if the decision was taken again not to proceed in reviewing the local plan. The existing Local Plan was over 5 years old and was no longer functioning. Clear Officer advice had been provided presenting the risks for the council if it chose not to review its local plan and so Councillor Lury urged Members to support the recommendations.

A recorded vote had been requested for all nine recommendations. Those voting for these recommendations were Councillors Ayling, Batley, Birch, Blanchard-Cooper, Brooks, Butcher, Goodheart, Hamilton, Harty, Haywood, Huntley, Jones, Lawrence, Long, Lury, May, McDougall, Nash, Needs, Northeast, O'Neill, Oppler, Penycate, Stanley, Tandy, Wallsgrove, Walsh, Warr, Wiltshire, Woodman, Mrs Worne, Miss Worne, and Yeates (33). Those voting against were Councillors Bicknell, Mrs Bower, Bower, Cooper, Elkins, English, Greenway, Gunner, Kelly, Lloyd, Partridge, Patel, Pendleton, Purser, and Turner (15). Councillors Mrs Cooper and Edwards abstained from voting (2).

The Council therefore

RESOLVED – That

- (1) The Council recommence the preparation of a Local Plan Update;
- (2) The Vision and Objectives (Appendix 1 and 2) be agreed in principle, subject to stakeholder engagement and public consultation as part of a 'Direction of Travel' document to be reported to this Committee in September, prior to commencing Regulation 18 Issues & Options in the spring 2024;
- (3) The Schedule of internal (Schedule A) and external (Schedule B) commissioned Projects (Appendix 3) be progressed to prepare the Local Plan update;

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- (4) The costs of £234,347 for the current financial year 2023/24, as identified in this report, be absorbed within the existing revenue budget and any overspend be reported to Members as part of the budget monitoring reports;
- (5) The Statement of Works Contract be approved as a departure from Standing Orders;
- (6) The plan period for the update be 2023 to 2041 but subject to updated land supply data, the start date (and potentially end date) may be rolled forward as necessary;
- (7) The 'Arun Housing Need Review' study be material evidence for the Local Plan Update;
- (8) Officers update the Local Development Scheme at the next Planning Policy Committee meeting for subsequent adoption by Full Council; and
- (9) The Chair of Planning Policy writes a letter to government about the current situation in Arun and the issues it is experiencing due to current planning policy to be co-signed by Group Leaders.

162. POLICY & FINANCE COMMITTEE - 11 JULY 2023

The Chair of the Policy and Finance Committee, Councillor Stanley, presented recommendations from the meeting of the Policy and Finance Committee held on 11 July 2023.

Councillor Stanley alerted Members to the first set of recommendations at Minute 132 [Economy Committee – 13 June 2023 – Minute 59 [Bognor Regis Arcade Floor Refurbishment] which he formally proposed. The recommendations were then seconded by Councillor Nash.

In debating the recommendations concern was expressed over the £8m project costs with some Members confirming that they could not support what they saw as being an unviable financial commitment for the Council representing a £25k a year loss. Concerns were also expressed over the quality and standard of housing that would be provided under this scheme.

Those speaking in support of the recommendations reminded Members what the Arcade represented which was an integral part of Bognor Regis' heritage and so it was vitally important to local residents that the council was seen to be supporting and investing in this site. Members were also reminded of the income received for the whole site. A fully redeveloped arcade would command higher rentals and would present a wider profit. Alternative options were not viable which was to sell at a loss. The Council needed sustainable alternatives to prevent the continuing drain on council finances and these proposals presented these.

Members were reminded that the proposals presented the council with -another chance to improve Bognor Regis working alongside other projects that had been successfully completed such as The Place St Maur and the LUF project moving forward for the Regis Centre.

The council's Regeneration Consultant explained what the other options outlined in the report meant for the council.

Councillor Nash, as seconder of the recommendations, confirmed that he had been delighted to receive the report. This was because the Bognor Regis Arcade was an iconic building in Bognor Regis loved by its residents. The council had taken the decision to purchase it in 2017 and now had the responsibility of maintaining it ensuring that residents received a good return on the investment made.

Councillor Stanley, as the proposer of the recommendations, reassured Members that the recommendations did present sound financial management ensuring that very thorough checks and balances had been undertaken throughout the whole process. The Council's external auditors, Ernst & Young had also confirmed that they were very happy with financial situation of the council. The proposals for the arcade represented the need to think about the wider impacts. This was a landmark site that would add to the economic prosperity of the town whilst also providing much needed housing [35 houses] to those that needed them most and on a brownfield site. This also formed part of the Council's vision which Members had supported.

A recorded vote on the recommendations had been requested. Those voting for were Councillors Ayling, Batley, Birch, Blanchard-Cooper, Brooks, Butcher, Goodheart, Hamilton, Harty, Haywood, Huntley, Jones, Lawrence, Long, Lury, May, McDougall, Nash, Needs, Northeast, O'Neill, Oppler, Penycate, Stanley, Tandy, Wallsgrove, Walsh, Warr, Wiltshire, Woodman, Mrs Worne, Miss Worne and Yeates (33). Those voting against were Councillors Bower, Cooper, Mrs Cooper, Edwards, Elkins, English, Greenway, Gunner, Kelly, Lloyd, Partridge, Patel, Pendleton, Purser and Turner (15). Councillors Bicknell and Mrs Bower abstained from voting (2).

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The Council, therefore

RESOLVED – That

- (1) The project cost of £7,991.069 (including the Brownfield Land Release Fund grant (BLRF) be added to the capital programme;
- (2) The Council accept the BLRF fund grant if it is offered; and
- (3) Delegated authority is given to the Chief Executive in consultation with the Section 151 Officer and the Chair of the Economy Committee, to deliver the project including selection of the appropriate delivery vehicle, subject to regular updates being presented to the Economy Committee.

Councillor Stanley then drew Members' attention to the final recommendation at Minute 132 [Economy Committee – 13 June 2023 – Minute 66 – Waterloo Square] which he formally proposed. The recommendations were then seconded by Councillor Nash.

Following short debate, the seconder to the recommendations, Councillor Nash, confirmed that this was a prime site in Bognor Regis that had remained derelict for 7-8 years. There was now the opportunity to develop the site and so he urged Councillors to support the recommendation so that the project could be pushed forward.

The Council

RESOLVED

To approve borrowing of £1million from the Public Loans Work board to fund the purchase of the leases and this to be added to the capital programme.

163. MOTIONS

The Chair confirmed that in line with requirements of the Constitution a motion had been submitted in accordance with Council Procedures 15.1 and 15.2.

The Chair invited Councillor Greenway to present and propose his motion.

Councillor Greenway confirmed that Rustington had 13 defibrillators registered with 'The Circuit' and that Bognor Regis had 27 also registered with 'The Circuit'. Although this sounded like a lot of defibrillators, in the event of an emergency the ambulance service would only direct the public to a registered defibrillator if it was just a few minutes away. This was why it was necessary to register as many defibrillators as possible to increase coverage across the district. Businesses, community groups and other councils were taking action and so this motion sought to register all defibrillators on their premises. For example, the Arun Leisure Centre and the Littlehampton Wave did not have registered defibrillators. Councillor Greenway confirmed that his Motion acknowledged the welcome provision from central government to fund schools with these lifesaving units, meaning that more children would have quicker access in a time of need.

Councillor Greenway asked the Leader of the Council to work with the community to help find suitable places for defibrillators and to look out for funding to help increase the coverage in public places. Councillor Greenway confirmed that he had submitted this motion also to West Sussex County Council where it had received unanimous support. Finally, Councillor Greenway outlined that he had been touched by stories heard in the local and national media in terms of how heart problems had impacted those closer to home. He therefore felt it vital for the council to do all it could to help residents and so he urged Members to support the motion.

The Motion was then seconded by Councillor Lloyd.

Debate then took place with the Council fully supporting what they saw as a well-meaning Motion.

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Councillor Stanley explained that he had received an email recently from William Quince, MP regarding this subject. The Council had already emailed out to all Town and Parish Council Clerks correspondence regarding this subject and encouraging them to look at defibrillators in their local community by registering them. It was highlighted that as many Councillors in undertaking their duties also supported local community groups and businesses, they needed to urge them to register defibrillators with 'The Circuit', and the National Defibrillator Network. Councillor Stanley stated that was also reaching out to Members who sat on the Arun Times Editorial Board to consider the content of this motion at its next meeting to assist in pushing it forward. Looking ahead, 16 October 2023 was "We start heart day" and so it was hoped that by working with the Council's Communications Team this could be promoted using social media to gain some awareness.

Councillor Stanley confirmed that he wished to make an amendment to Recommendation (3) to read as follows [any deletions have been shown using ~~striketrough~~ with any additions shown using **bold**:

- (1) Promote via the Council's publications (including on social media) the benefits of having a defibrillator in the community and **signposting how they can be used with the British Heart Foundation Guidance** explaining how they can be used in an emergency situation.

This amendment was seconded by Councillor Brooks.

Councillors Greenway and Lloyd, as the proposer and seconder of the motion, confirmed that they would be happy to accept Councillor Stanley's amendment.

In continuing to debate the Motion, Councillors expressed full support for it. They asked if further work could be undertaken to promote the location of defibrillators at the Civic Centre and the Town Hall and to provide confirmation that training on how to use them had been provided to appropriate staff. A request was also made for further work to be undertaken to providing them at sporting venues.

Finally, Councillor Greenway, as proposer of the motion, thanked Members for their contribution and positive debate. He stated that he agreed with the comments that had been made about training to staff and that this linked positively with what Councillor Stanley had confirmed in that all Town and Parish Clerks had been contacted.

The Council

RESOLVED – That

The Leader of the Council:

- (1) Commits to working with the local community to find suitable places to place defibrillators, acknowledging that they are most effective within three minutes of a person collapsing, and to support finding funding for defibrillators in public places and community spaces;
- (2) Seeks to register defibrillators held within District Council facilities with 'The Circuit', The National Defibrillator Network, supported by the British Heart Foundation; and
- (3) Promotes via the Council's publications (including on social media) the benefits of having a defibrillator in the community and signposting how they can be used with British Heart Foundation Guidance explaining how they can be used in an emergency situation.

164. QUESTIONS FROM MEMBERS

The Chair referred Councillors to the Questions from Members that had been submitted in line with Council Procedure Rule 14.3 and the schedule of questions that had been circulated to the meeting. This confirmed that three questions had been received.

The Chair invited questioners to read out their questions which would be responded to by the appropriate Committee Chair. It was explained that the schedule of questions would be updated to include the responses provided and would be uploaded to the Council's web page within ten working days of the meeting, in line with the Council's Constitution.

Three questions had been submitted as bullet pointed below:

- (1) From Councillor Greenway to the Chair of the Environment Committee, Councillor Wallsgrove regarding graffiti problems.
- (2) From Councillor Gunner to the Chair of the Policy & Finance Committee, Councillor Stanley regarding Council expenditure since 1 June 2023; and
- (3) From Councillor Gunner to the Chair of the Policy & Finance Committee regarding Liberal Democrat election pledges.

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165. COMMITTEE MEMBERSHIPS

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

- (1) Councillor Batley would replace Councillor Jones on the Standards Committee;
- (2) Councillor Walsh would replace Councillor Batley on the Housing & Wellbeing Committee;
- (3) Councillor Long would replace Councillor Needs on the Housing & Wellbeing Committee; and
- (4) Councillor Blanchard-Cooper would replace Councillor Long on the Planning Committee

166. REPRESENTATION ON OUTSIDE BODIES

The Leader of the Council, Councillor Stanley, formally proposed the following changes to representation on Outside Bodies:

- (1) Councillor Walsh to replace Councillor Haywood on the Police and Crime Panel;
- (2) Councillor Long to replace Councillor Needs on the West Sussex and Adult Social Care Committee
- (3) Councillor Lury to replace Councillor Nash on the Coastal West Sussex Planning Board
- (4) Councillor Nash is appointed to the new Littlehampton Town Centre Action Group as Chair of the Economy Committee, with Councillor O'Neill also being appointed as a Member representing the appropriate Ward being the River Ward.

Councillor Nash then seconded these changes.

In inviting debate, Councillor Northeast, as Leader of the Labour Group, confirmed that Councillor Wiltshire would be the River Ward representative for the Littlehampton Town Centre Action Group.

The Council then

RESOLVED – That

The following changes be made to representation on Outside Bodies:

- (1) Councillor Walsh to replace Councillor Haywood on the Police and Crime Panel;

- (2) Councillor Long to replace Councillor Needs on the West Sussex and Adult Social Care Committee;
- (3) Councillor Lury to replace Councillor Nash on the Coastal West Sussex Planning Board; and
- (4) Councillor Nash is appointed to the new Littlehampton Town Centre Action Group as Chair of the Economy Committee, with Councillor Wiltshire being appointed as a Member of the appropriate Ward being the River Ward.

(The meeting concluded at 7.37 pm)

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REPORT TO:	Full Council - 8 November 2023
SUBJECT:	To Make The Yapton Neighbourhood Development Plan 2011-2031
LEAD OFFICER:	Amber Willard - Senior Planning Officer (Policy and Conservation)
LEAD MEMBER:	Cllr Martin Lury
WARDS:	Yapton
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<p>The recommendations support: -</p> <ul style="list-style-type: none"> • Improving the wellbeing of Arun; • Delivering the right homes in the right places. 	
DIRECTORATE POLICY CONTEXT:	
<p>Under section 61E (4) of the 1990 Act, Arun District Council as the Local Planning Authority must make a Neighbourhood Development Plan if it meets the statutory requirements.</p>	
FINANCIAL SUMMARY:	
<p>There are no financial implications arising from the recommendations of this report.</p>	

1. PURPOSE OF REPORT

- 1.1. A successful Neighbourhood Planning Referendum on the Yapton Neighbourhood Development Plan 2011-2031 was held on 12 September 2023 where 91.15% of voters casted a Yes vote. If more than 50% voting on the day, vote 'yes' then the local planning authority under section 61E (4) of the 1990 Act, needs to 'make' (adopt) the Plan so the purpose of this report is to 'make' the Yapton NDP 2011-2031 which is a legislative requirement.

2. RECOMMENDATION

Recommend that Full Council 'makes' the Yapton Neighbourhood Development Plan 2011-2031 and it becomes part of the Development Plan for Arun District Council.

3. EXECUTIVE SUMMARY

- 3.1. The Yapton Neighbourhood Development Plan 2011-2031 passed Examination in May 2023. The Examiner's report concluded that subject to making the modifications recommended by the Examiner, the Plan meets the basic conditions set out in the legislation and should proceed to a Neighbourhood Planning Referendum. A successful Neighbourhood Planning Referendum on the Yapton Neighbourhood Development Plan 2011-2031 was held on the 12 September 2023 where 91.15% of voters, casted a Yes vote. If more than 50%

of those voting on the day, vote 'yes', then the local planning authority under section 61E (4) of the 1990 Act, need to 'make'(adopt) the Plan. The 'making' of the plan by Full Council will give it legal force and it will form part of the statutory Development Plan for Arun Local Planning Authority area. Consequently, decisions on planning applications in the neighbourhood area will need to be made in accordance with the Neighbourhood Development Plan, unless materials considerations indicate otherwise.

4. DETAIL

- 4.1. The Localism Act introduced new rights and powers to allow local communities to shape new development by coming together to prepare Neighbourhood Plans and Orders. Neighbourhood forums and Parish Councils can use new Neighbourhood Planning powers to establish general planning policies for the development and use of land in a neighbourhood. These are described legally as 'Neighbourhood Development Plans'. They have to meet a number of conditions before they can be put to a community referendum and legally come into force. These conditions are to ensure plans are legally compliant and take account of wider policy considerations.
- 4.2. The Yapton Neighbourhood Development Plan relates to the area that was designated by Arun District Council as a neighbourhood area on 10 December 2012. The area is coterminous with the Yapton Parish Council boundary that lies within the Local Planning Authority area.
- 4.3. Mr Andrew Ashcroft was appointed by Arun District Council with the consent of the Parish Council, to undertake the examination of the Yapton NDP and to prepare a report of the independent examination.
- 4.4. On 14 June 2023, the Decision Statement, which is a report that outlines all the Examiner's modifications and confirms acceptable by all parties, was signed by the Group Head of Planning, and published on the Arun District Council website.
- 4.5. The Examiner's report concluded that subject to modifications recommended by Examiner, the NDP meets the basic conditions set out in the legislation and should proceed to a Neighbourhood Planning Referendum.
- 4.6. If a plan passes the referendum, i.e., more than 50% of those voting on the day, vote 'yes', then the Local Planning Authority under section 61E (4) of the 1990 Act, needs to make (adopt) the NDP. This 'making' of the NDP by Full Council will give it legal force and it will form part of the statutory Development Plan for that area. Consequently, decisions on planning applications in the neighbourhood area will need to be made in accordance with the NDP, unless material considerations indicate otherwise.
- 4.7. On 12 September 2023, Yapton Neighbourhood Development Plan successfully passed referendum with 91.15% of the votes agreeing that the Plan be used in Development Management decision making.

	Votes recorded	Percentage
Number cast in favour of a 'Yes'	484	91.15%
Number cast in favour of a 'No'	46	8.66%
Turnout		12.35%

5. CONSULTATION

- 5.1. Various rounds of statutory consultation with the parishes, the community, statutory bodies, and relevant stakeholders as per the regulations, have been undertaken as part of the Neighbourhood Plan process.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. The options are:

1. To make the 'Yapton Neighbourhood Plan 2011-2031 to become part of the Development Plan for Arun District Council **OR**
2. To not 'make' the Yapton Neighbourhood Plan 2011-2031 which would not become part of the Development Plan for Arun District Council.

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

- 7.1. There are no financial considerations arising from this report.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. Once 'made' the Yapton NDP will become part of the Development Plan for the District and will be used by the council when determining planning applications for this area.

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

- 9.1. There are no governance or legal implications.

10. HUMAN RESOURCES IMPACT

- 10.1. There are no human resource implications.

11. HEALTH & SAFETY IMPACT

- 11.1. The proposals may help to improve housing delivery through evidenced plan making, having a positive impact on health and wellbeing.

12. PROPERTY & ESTATES IMPACT

12.1. There are no direct implications for council property.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. The proposal may help to improve access to housing through plan making for all sections of the community, having a positive impact on health and wellbeing.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no direct adverse implications for Climate Change from this report. However, in the production of the Neighbourhood Plan, the environment and biodiversity of the local area/Arun should be considered at every step.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no direct adverse implications for crime and disorder.

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.

CONTACT OFFICER:

Name: Amber Willard
Job Title: Senior Planning Officer (Policy and Conservation)
Contact Number: 01903 737942

BACKGROUND DOCUMENTS:

The web link provides access to the background stages and formulation of the NDP.
[Yapton neighbourhood development plan 2 | Arun District Council](#)

REPORT TO:	Full Council – 8 November 2023
SUBJECT:	Use of urgent powers by the Chief Executive – Local Authority Housing Fund Grant
LEAD OFFICER:	Philippa Dart – Interim Joint Chief Executive and Director of Environment and Communities
LEAD MEMBER:	Councillor Matt Stanley
WARDS:	All

CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:

The Local Authority Housing Fund (LAHF) will support the following aims of the Council Vision:

Improving the wellness of Arun

- Support those who are homeless, street homeless or at risk of homelessness in emergency or temporary accommodation to improve health outcomes.

Delivering the right homes in the right places

- Support households with complex needs to secure suitable accommodation.
- Ensure the existing housing stock in the district (private sector and council owned) is maintained to a high standard.
- Continue to bring empty homes back into use for the benefit of the community

DIRECTORATE POLICY CONTEXT:

This report is in line with the Council’s Constitution and the use of Interim Joint Chief Executive and Director of Environment and Communities’s Urgent Powers.

The Local Accommodation Housing Fund (LAHF) will provide up to 40% of funding towards the cost of purchasing seven additional Temporary Accommodation homes, adding to the stock of 56 properties already owned by Arun.

These additional homes will be new, high standard properties that provide better than value than the alternative, which is expensive emergency accommodation

FINANCIAL SUMMARY:

The Department of Levelling Up, Housing and Communities (DLUHC) allocated up to £1,092,000 of grant to Arun District Council to acquire or develop seven additional temporary accommodation homes to fulfil our statutory homeless duties. The allocation provides for up to 40% of the cost and will require the Council to fund the remaining 60%, up to a maximum of £1,638,000.

1. PURPOSE OF REPORT

- 1.1. This report details the use of urgent powers by the Interim Joint Chief Executive and Director of Environment and Communities on 14 August 2023 to sign a Memorandum of Understanding, which would enable the Council to receive funding of £1,092,000 from DLUHC from the LAHF).

2. RECOMMENDATIONS

- 2.1 It is recommended to Full Council to note the use of the Interim Joint Chief Executive and Director of Environment and Communities urgent powers.

2. EXECUTIVE SUMMARY

- 2.1. DLUHC have allocated £1,092,000 of LAHF funding for Arun District Council to acquire additional homes for use as temporary accommodation. The LAHF scheme is intended to support Afghan refugees currently occupying bridging hotels and to relieve our existing homelessness pressures.
- 2.2. The Council must match fund the LAHF grant up to at least 60%, (£1,638,000). The funding is also conditional on having the properties ready for use by 29 March 2024. A grant application was submitted and accepted in July 2023.

3. DETAIL

- 3.1. At the time of application for the funding there were over 180 Arun households living in temporary accommodation of which 145 were in expensive nightly paid accommodation provided by private suppliers. The cost of temporary accommodation to the Council in 2022/2023 exceeded £2.6 million.
- 3.2. Homelessness is a statutory service and at a time of nationally increasing demand, the Council is also experiencing increasing numbers of households in temporary accommodation. However, it can reduce its reliance on the private sector supply and thereby reduce its costs by acquiring its own portfolio of properties. Furthermore, it can do so using matched funding from the LAHF.
- 3.3. A report was presented to the Housing & Wellbeing Committee on the 12 September 2023, which received Members approval to request that Policy & Finance Committee include the scheme outlined in paragraph 3.1 within the Council's capital programme.
- 3.4. 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."

- 3.5. To be eligible for receipt of the LAHF grant the Group Head of Finance and Section 151 officer was required by DLUHC to sign a Memorandum of Understanding by the 14 August 2023. The urgency of this matter meant that it was not possible to convene a meeting of the Council to seek Members approval. Members will note that the signing of the MOU did not formally commit the Council to spending any money at that point in time. That decision remained with the Housing & Wellbeing Committee and, subsequently, the Policy & Finance Committee.
- 3.6. The agreement of the Leader of the Council and Leader of the Opposition to the decision explained in paragraph 4.5 being taken as a matter of urgency was sought by the Group Head of Finance and Section 151 officer on behalf of the Interim Joint Chief Executive and Director of Environment and Communities on 11 August 2023. Approval was given by both Councillors on the 14 August 2023.

4. CONSULTATION

- 4.1. Consultation was undertaken by the Group Head of Finance and Section 151 officer and Interim Joint Chief Executive and Director of Environment and Communities with the Leader of the Council and the Leader of the Opposition on 11 August 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. There were no other options to the urgent decision.

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

- 6.1. Funding for the scheme has been dealt with as separate business by the Housing & Wellbeing Committee. Its inclusion in the capital programme is subject to approval by Full Council. The Urgent Decision itself does not commit the Council to any funding obligations until Full Council have approved the scheme and Officers have identified suitable properties to be acquired. Any acquisition will need to be assessed for affordability and supported by a fully costed business case.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. The risks associated with the scheme have been set out in the detailed report to Housing & Wellbeing committee. There are no risks associated with the Urgent Decision.

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

- 9.1 The urgent action was taken by the Interim Joint Chief Executive and Director of Environment and Communities 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. There are no implications identified.

10. HEALTH & SAFETY IMPACT

10.1. There are no implications identified.

11. PROPERTY & ESTATES IMPACT

11.1. There are no implications identified.

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. This scheme will deliver additional social value to the district by providing suitable temporary accommodation for seven additional households.

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. None

14. CRIME AND DISORDER REDUCTION IMPACT

14.1. There are no implications identified.

15. HUMAN RIGHTS IMPACT

15.1. There are no implications identified.

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. There are no implications identified.

CONTACT OFFICER:

Name: Antony Baden

Job Title: Group Head of Finance and Section 151 Officer

Contact Number: 01903 737558

BACKGROUND DOCUMENTS: LAHF Report to Housing & Wellbeing Committee, 12 September 2023, Minute 246.

To access these documents – please click on these links:

[Minutes of Arun & Wellbeing Committee – 12 September 2023](#)

[LAHF Report](#)

Public Document Pack Agenda Item 11

Subject to approval at the next Audit and Governance Committee meeting

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AUDIT AND GOVERNANCE COMMITTEE

25 July 2023 at 6.00 pm

Present: Councillors Dr Walsh (Chair), O'Neill (Vice-Chair), P. Bower, Goodheart, Haywood, May, Oppler, Purser, Turner and Wallsgrove

177. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Jones.

178. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

179. MINUTES

The Minutes of the meeting held on 28 February 2023 were approved by the Committee. These would be signed at the end of the meeting.

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

There were no urgent matters for this meeting.

181. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

182. START TIMES

The Committee

RESOLVED

That its start times for meetings for 2023/24 be 6.00pm.

183. MEMBERS' ALLOWANCES SCHEME – PROGRESSING THE NEXT REVIEW

Upon the invitation of the Chair, the Committee Services Manager introduced the report, explaining she was presenting this on behalf of the Group Head of Law & Governance and Monitoring Officer. Members of the Council's Independent Remuneration Panel were also in attendance.

The report outlined plans for the next review of the Members' Allowances Scheme which was now due as the last full review of the scheme had been undertaken and approved by Council in July 2019. An interim review had been undertaken by the Panel in November 2020 and reviewed the Special Responsibility Allowances (SRAs) of the Leader and Deputy Leader of the Council and Cabinet Members in preparing for the Council's move from a Leader and Cabinet form of governance to a Committee system. This review examined the SRAs that should be paid to the Service Committee Chairs and Vice-Chairs forming the structure. The recommendations approved by the Audit & Governance Committee were then approved by Council in January 2021.

To comply with The Local Authority Members Allowances (England) Regulations 2003, a review of an authority's Members' Allowances Scheme should be conducted at least every four years. As the Committee system had been in place since May 2021 and following the District Election held on 4 May 2023, it was timely to undertake a review of all allowances. The report set out the Terms of Reference for the Panel and the general principles that would be applied by it in undertaking a review. It highlighted in paragraphs 3.5 what the review would cover and at 4.8 a planned timetable for the review.

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

- The Chair highlighted that he was aware that one Councillor (who was not a Member of this Committee) had suggested that the Panel be invited to review whether or not Members should be paid an SRA for a Committee they sat on that required training, when they had not yet completed that training.
- Members welcomed the review and the idea of comparing this with other Councils, particularly those with a Committee system.
- It was suggested the Panel look at whether Members of the Licensing Committee required to Chair Licensing Sub-Committee meetings should receive remuneration for this.
- One Member felt Member allowances were too high and this needed to be reduced, possibly by reducing the basic allowance or SRAs.
- Some Members felt that Councillors should only be allowed to claim one SRA, which was thought to be the standard for most councils. Other Members strongly disagreed with this and felt Councillors should be reimbursed for each role they carried out.
- It was asked whether a progress report could be brought to Committee before Christmas. The Chair explained there would instead be a seminar

for Members at the beginning of September with a presentation regarding the background to Member Allowances. The Panel were working to a tight timetable and had a lot of work to do.

- Paragraph 3.4 stated there would be many issues for the Panel to examine in detail in undertaking this review following the changes to the governance structure since the 2019 review, including Responsibilities for Functions of the Council's Committees. It was stated this should not lead to a large addition of expenses.

Having outlined any areas that it wished the Panel to review, the Committee noted the report and the approach to be taken by the Independent Remuneration Panel for its next review in terms of the timetable proposed.

184. ANNUAL GOVERNANCE STATEMENT 2022/23 AND CODE OF CORPORATE GOVERNANCE

Upon the invitation of the Chair, the Internal Audit Manager introduced the report, explaining the Annual Governance Statement (AGS) was a mandatory document which accompanied the Council's annual accounts. Along with the draft accounts for 2022/23, which had been published to the Council's website that day, it would be published on the Council's website and provided to the external auditors for review. This had been prepared with input from Officers and had been reviewed by the Corporate Management Team and signed by the joint interim Chief Executive Officers (CEOs) and the Leader of the Council. New or amended wording from the previous AGS were highlighted in the document. While it was generally a backward-looking document covering the period of the accounts, best practice was that significant governance changes occurring before the accounts were approved may also be included, hence reference had been made to the change in political control of the Council and also to the resignation of the CEO. This draft version was presented to the Committee for noting and the final version would be presented for approval by the Committee at a future meeting, along with the audited accounts. The process for the preparation of the AGS had been reviewed by the Southern Internal Audit Partnership (SIAP) and no issues had been raised. A copy of the Council's local Code of Corporate Governance had also been provided, to which no changes were proposed.

Members then took part in a question and answer session which are briefly summarised below.

It was noted that there had been a relaxation of timescales and the audit would be delayed until 2024, and asked whether that would have an impact on the way Arun delivered documents to the auditors, or whether it only the audit that would be delayed. The Internal Audit Manager explained that the target dates had been relaxed for Covid-19. These were not statutory deadlines and it had been agreed with the external auditors that Arun delay publication of the draft accounts from 31 May until 31 July, as the auditors would not be completing the audit within the recommended timescales. Arun were therefore required to publish a statement on the website to explain that publication of the accounts had been delayed. It was asked that this reflect that this was

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not the fault of Arun. The Internal Audit Manager confirmed this was clear on the notice published to the website.

The Annual Governance Statement on page 28 talked about clear channels of communication. One Member stated that in training they had been told that having a single entry for enquiries was best practice, and it was felt this would be easier both for Councillors and members of the public, as often people did not know who to ask for. The Internal Audit Manager explained there was a standard telephone line that went to the main switchboard if someone didn't know who they needed to get hold of. He believed the Culture Change Group were looking at values and potentially trying to get a more focused direction for this. It was asked that the culture change group look at this and take the request into consideration.

It was asked whether Arun should be putting pressure on the external auditors with a view to the audit being completed within the target deadlines. The Internal Audit Manager explained this was a national issue which had been covered in the Redman Revue, and was currently being considered by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Group Head of Finance and the CEOs had regular meetings with the external auditors, however there was not much that Arun could do about it.

Page 27 talked about being in breach of the regulator for social housing, and it was asked whether this was still the case. The Internal Audit Manager explained that the action plan on page 42 stated that it was anticipated the issues had been resolved and the Regulator would release the Council from the Regulatory Notice in 2023. He would make enquiries to establish whether this had happened and circulate an answer to Members.

Page 30 stated that there would be significant work required to reduce the budget deficit over the coming years, and it was asked whether any progress had been made regarding a plan to address this. The Chair explained that this was a very valid question, however as this was a backward-looking document, the question would be better asked at forthcoming meetings when progress reports would be brought to the Committee by the Group Head of Finance.

The Committee noted the draft version of the Council's Annual Governance Statement for 2022/23

185. COUNTER-FRAUD REPORT 2022/23

Upon the invitation of the Chair, the Internal Audit Manager introduced the report to Committee. The report summarised the Council's counter-fraud activity for the year. A more detailed update on the work on tenancy fraud undertaken by Housing staff had been provided to the Committee at the February meeting. The Council's fraud framework was currently being reviewed by SIAP and findings and recommendations for improvement would be presented for consideration by Officers and reported to a future meeting of the Committee. As noted in the report, from 2020 to 2022 a

considerable amount of work, primarily within the Revenues section in addition to their main role, had been undertaken in order to prevent fraud in the distribution of over £50M of Government funds for Covid business support grants. In 2022 and 2023, the Revenues section had again been instrumental in processing and checking almost £9M of the various energy support payments as required by Government.

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

- Members thanked the Internal Audit Manager for the report, and stated that all Officers working towards the outcome of this report must be commended, as it had saved the Council a lot of money.
- It was asked whether the estimated financial savings to the Council of around £1.3M were all savings for Arun. The Internal Audit Manager explained that this was the nominal value placed on the recovery of the 10 properties. It did not mean the Council had gained this value in cash.

The report was noted.

186. TREASURY MANAGEMENT ANNUAL REPORT 2022/23

Upon the invitation of the Chair, the Internal Audit Manager introduced the report, explaining that he was presenting this on behalf of the Group Head of Finance who unfortunately had been unable to be present at the meeting. He highlighted that page 75, table 4.2 showed the Qatar National Bank and First Bank of Abu Dhabi deposits had now matured. Both the CCLA and Standard Chartered investments were classed as sustainable, something that would be given more consideration in the future. Page 85, table 4.3 showed there had been a significant reduction in the amount of overall investment available across the years, which had reduced from £68M to £43M. This was as a result of a significant amount of grant funding, such as Covid-19 grants, being returned to the Government in 2022/23. Page 86, table 4.5 showed the Council had outperformed its investment budget and investment return by over £1M, which was partly due to good management of Treasury investment, and partly due to unexpected interest rises.

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

- It was observed that page 81 commented that the Council currently had no external debt other than that taken out for the Housing Revenue Account, which was a separate financial and administrative function from the rest of the Council.
- It was asked how many investments were locked in for a set time, and what these timeframes were, and whether the Council would be able to fund unforeseen expenses. The Chair explained that page 85, table 4.4 detailed how many investments were longer than one year, and how many were less, showing the vast majority were less than one year. He explained there were also reserves held, and he felt the Council's financial position was sound. If further information was required regarding this, Members should contact the Internal Audit Manager, who would obtain answers from the Group Head of Finance.

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- Support was offered for Arun considering ethical investments.

The recommendations were proposed by Councillor Wallsgrove and seconded by Councillor Purser.

The Committee

RECOMMEND TO FULL COUNCIL that

1. the actual prudential and treasury indicators for 2022/23 contained in the report be approved
2. the annual treasury management report for 2022/23 be noted
3. the treasury activity during 2022/23 which has generated interest receipts of £1,455,650 (2.35%); budget £370,000 (0.84%) be noted
4. the addition of Handelsbanken Plc (Fitch rating AA, F1+) and Natwest Markets Plc (NRFB–Non Ring Fenced Bank) (Fitch rating A+, F1) to the 2023-24 treasury management strategy, be approved
5. as agreed at Audit & Governance Committee on 28 February 2023, that the Qatar National Bank and First Bank of Abu Dhabi have been removed from the counterparties list in the Council's Treasury Management Strategy, be noted

187. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the report to the Committee. This was the Annual Report and Opinion for 2022/23, which summarised the internal audit activity across a range of Arun's functions during the year. She highlighted that sections 1-3 (Page 105 – 107) of the document contained background to the audit; section 4 (Page 108) provided the overall annual opinion for the Council, reflected in the table towards the bottom of page 108. Overall, they were able to provide a 'reasonable' audit assurance opinion for the purposes of the report, which was good; section 5 (page 109) provided a summary of work in the areas of Risk Management, Control and Corporate Governance, which framed the remit in which they placed the annual assurance opinion; pages 111-114 detailed the four areas of audit review during the course of 2022-23, which resulted in a limited assurance opinion; page 115 detailed the management actions, and a statement that SIAP were satisfied with these actions; SIAP had also completed two pieces of work on the irregularity of procurement, which centred around following of procurement rules. Both of those reports were currently with management and any further update would be provided through the progress report to Committee; section 11 thanked Arun Officers and staff who had all been engaged with the process; pages 118 – 125 set out each of the completed audit areas with details of

scope and key areas for improvement identified; page 125 listed all the changes to the plan made during the year.

The Chair thanked the Senior Audit and Counter Fraud Manager for her and her team's work on this, and he also thanked the Arun Officers who had been engaged throughout the year. Members were reminded if they had any questions regarding the exempt appendix, they would need to move into exempt business prior to that. Members then took part in a question and answer session as summarised below.

One Member stated he wished to ask a question regarding the exempt appendix.

Page 111 detailed an excess in spending on agency staff and the oversight of this, it was asked whether SIAP recommended measures to Officers to ensure they could avoid this in the future. The Senior Audit and Counter Fraud Manager explained SIAP no longer came up with a series of recommendations, however they did come up with a series of observations which drew out where the areas of weakness within the particular area were. This prompted managers to review and take ownership of actions they believed were necessary to mitigate or cancel out those risks. SIAP would then review these actions to ensure they were satisfied that those weaknesses were being managed. This would also be brought back to the Audit & Governance Committee. The Internal Audit Manager confirmed that the findings of the agency audit were on the agenda of the Corporate Management Team and the Group Head of Organisational Excellence, and they were currently liaising with procurement advisors at Hampshire County Council to identify a framework arrangement whereby they could obtain agency staff in a better way.

There was concern around procurement in general and it was asked whether this was being looked at as a whole or just in relation to agency staff. The Senior Audit and Counter Fraud Manager explained that the management were aware that procurement was an area that needed looking at more closely in terms of ensuring compliance with the required levels.

Page 121 under Climate Strategy noted sound framework of control was found to be in place with some observations for improvement, and it was asked where the observations could be found. The Senior Audit and Counter Fraud Manager explained the observations and management actions rested with the managers of those service areas. The Committee would receive a high level summary and update on the state of implementation of those actions. Where a management action was overdue and this was high priority, the Committee would receive further detail.

As one Member had indicated he wished to speak regarding the exempt appendix, with the agreement of the Committee, the Chair paused discussion of this Item, which would resume following the Work Programme Item in exempt session.

Audit and Governance Committee - 25.07.23

188. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Finance and Risk Manager introduced the report. Since the Corporate Risk Register had been brought to Committee in November, the risks had been reviewed frequently by the Corporate Management Team. Appendix 3 on page 137 contained a summary of the Corporate Risk Register, which captured the changes that had taken place as a result of the review. Appendix 4 on page 138 contained the full updated Corporate Risk Register, which Members were asked to consider and note.

The Chair reminded Members that if they had any questions regarding the exempt appendix, they would need to move into exempt business prior to that. Members then took part in a question and answer session where the following points were raised:

- Page 140 talked about resilience to staff structure and attracting and retaining staff. It was felt more should be done to accommodate young working parents such as childcare facilities or flexible working around school runs. It was asked that this be referred to the Corporate Management Team for consideration.
- There was concern about the amount of red risks on the reports, and it was asked how this compared to previous reports. The Finance and Risk Manager explained that since the new risk management framework had been introduced, they had reviewed all risks and the way risks were assessed was different to in previous reviews, so a like-for-like comparison could not be made.
- It was felt positive that page 137 showed the number of the net risk levels were mostly in amber not in red. The Finance and Risk Manager confirmed this was reflective as it took into consideration the controls that were in place.
- One Member observed that page 145 noted the risk of development being granted on appeal, and felt there was nothing Arun could do about this until the Government had ended the 5 year plan for housing. The Chair explained this was one of the reasons why a review of the Local Plan had been commenced, and it was hoped this would help to mitigate that risk.
- One Member stated he had questions that covered the exempt appendix.

As one Member had indicated he wished to speak regarding the exempt appendix, the Chair paused discussion of this Item, which would resume following discussion of the Internal Audit Annual Report & Opinion 2022/23 Item in exempt session.

189. WORK PROGRAMME

The Committee noted the Work Programme.

190. EXEMPT INFORMATION

Having been proposed by Councillor Oppler and seconded by Councillor Turner, 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 items of business on the grounds that they 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 items.

191. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23
[EXEMPT - PARAGRAPH 7 - INFORMATION RELATING TO ANY ACTION TAKEN OR TO BE TAKEN IN CONNECTION WITH THE PREVENTION, INVESTIGATION OR PROSECUTION OF CRIME]

Following discussion the Committee

RESOLVED

That the annual internal audit report and opinion for the year 2022-23 be approved

192. CORPORATE RISK REGISTER UPDATE
[EXEMPT - PARAGRAPH 7 - INFORMATION RELATING TO ANY ACTION TAKEN OR TO BE TAKEN IN CONNECTION WITH THE PREVENTION, INVESTIGATION OR PROSECUTION OF CRIME]

The Committee highlighted the risk of business continuity in the event of a cyber-attack and requested that the Corporate Management Team progress any recommendations in relation to this as rapidly as possible.

The Committee noted the revised Corporate Risk Register.

(The meeting concluded at 7.41 pm)

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REPORT TO:	Audit and Governance Committee – 25 July 2023
SUBJECT:	Treasury Management – Annual Report 2022/23
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Walsh
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION:	
The Treasury Management function is required by regulation and has an effect on all Directorates of the Council.	
DIRECTORATE POLICY CONTEXT:	
This report is the Treasury Management Annual Report 2022-23.	
This report summarises:	
<ul style="list-style-type: none"> • Capital activity during the year; • Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement); • The actual prudential and treasury indicators; • Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances; • Summary of interest rate movements in the year; • Detailed debt activity; and • Detailed investment activity. 	
FINANCIAL SUMMARY:	
There are no direct financial implications arising from this report.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to present the Treasury Management Annual report for activities in 2022/23 and to enable the Audit and Governance Committee to scrutinise the report prior to taking it to Full Council on 8 November 2023.

- 1.2. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.3. During 2022/23 the minimum reporting requirements were that the Full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 9 March 2022)
 - a mid-year, (minimum), treasury update report (Council 18 January 2023)
 - an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 1.4. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.5. This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Audit and Governance Committee before they were reported to the Full Council.
- 1.6. All Councillors were invited to attend a Treasury Management briefing presented by Link Group (the Councils treasury advisors) to support Members' scrutiny role. The last briefing was held on 3 October 2022 of which 10 Members attended and the first training session for Members was on the 4th July 2023, and was a more in depth session due to the introduction of the 2021 codes. 22 Members attended this session.

2. RECOMMENDATIONS

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

- 2.1. approve the actual prudential and treasury indicators for 2022/23 contained in the report
- 2.2. note the annual treasury management report for 2022/23; and
- 2.3. note the treasury activity during 2022/23 which has generated interest receipts of £1,455,650 (2.35%). Budget £370,000 (0.84%)
- 2.4. approve the addition of Handelsbanken Plc (Fitch rating AA, F1+) and Natwest Markets Plc (NRFB–Non Ring Fenced Bank) (Fitch rating A+, F1) to the 2023-24 treasury management strategy:
- 2.5. note that as agreed at Audit & Governance Committee on the 28 February 2023, the Qatar National Bank and First Bank of Abu Dhabi have been removed from the counterparties list in the Council's Treasury Management Strategy.

3. EXECUTIVE SUMMARY

- 3.1. During 2022/23, the Council complied with its legislative and regulatory requirements. Including confirmation that the authorised limit was not breached.

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

4. DETAIL

4.1. This can be found in the body of the report and in appendices 1-3

- Appendix 1 Prudential and treasury Indicators
- Appendix 2 Authorised Counterparties
- Appendix 3 Investments held at 31 March 2023

At the Audit and Governance meeting on 28 February 2023, it was requested that findings should be reported back to the Committee on the early withdrawal of all investments in Qatar National Bank (QNB) and First Abu Dhabi Bank (FADB).

Investments at the time of the meeting are shown in the table 4.2.

Table 4.2:

Counterparty	Investment date	Maturity Date	Amount Invested £	Rate of Investment
Qatar National Bank	06/07/2022	06/01/2023	1,000,000	2.325
First Abu Dhabi Bank	07/07/2022	05/01/2023	1,000,000	2.14
Qatar National Bank	11/08/2022	13/02/2023	1,000,000	2.715
Qatar National Bank	28/09/2022	05/04/2023	4,000,000	4.685
First Abu Dhabi Bank	21/07/2022	21/07/2023	1,000,000	3.010
TOTAL			8,000,000	

All of these will have matured by 21 July 2023 and no further investments will be placed with them. Appendix 2 shows they are no longer on the Councils lending list.

Discussions took place with our advisors (Link Group), the brokers who actioned the deals and neighbouring Councils, and these were the findings:

- The deposits are term deposits and there is no function built in to enable any request for early repayment. There is therefore no set cost to be calculated for early repayment and banks can name their price. Funds were more expensive and harder to come by at the time, so the banks would have faced additional costs replacing the money which would impact the penalty.
- There would be a reputational risk in the markets which we cannot put a value on, but it could potentially risk the value and availability of all future investments.
- Administrative works are likely to be lengthy for the banks in unwinding their positions.

The view of our brokers and advisors, was that the banks would probably have refused to return the funds. It was commented that the brokers last successful recall of funds was as long ago as 2007 before the banking crisis and they have not since managed to recall this sort of deposit.

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 Annual Report is a mandatory requirement under the Local Government act 2003 and therefore the only option available is to accept the recommendations (2.1, 2.2, 2.3).

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

7.1. The financial implications arising from Treasury Management are outlined throughout the report.

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

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](#)).
- CIPFA'S Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (2017). The updated code (2021) has been adopted as part of the 2023-24 Strategy (*Link not available as copyright*).
- CIPFA Treasury Management Guidance notes (2018) (*Link not available as copyright*)
- The Prudential Code for Capital Finance in Local Authorities (2017). The updated code (2021) has been adopted as part of the 2023-24 Strategy (*Link not available as copyright*).
- DLUHC's Guidance on Local Government Investments
[Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#)
- Link Asset Services Ltd TMSS Template 2022/23. (*Link not available as copyright*).
- 2022/2023 Strategy
[Treasury Management Strategy and Annual Investment Strategy 2022/23 report to Audit and Governance Committee; 22 February 2022](#)

Arun District Council Treasury Management Annual Report 2022/23



1.0 INTRODUCTION

The Annual Treasury Management Report for 2022/23 summarises:

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

2.0 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2022/23

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

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. Table 2.1 shows the actual capital expenditure and how this was financed.

Table 2.1: Financing of Capital Expenditure

Capital Expenditure	Actual 2021/22 £'000	2022/23 Original £'000	2022/23 Actual £'000
Non HRA	4,341	3,939	7,411
HRA	6,940	8,351	6,436
HRA settlement	-	-	
Total	11,280	12,290	13,847
Financed by:			
Capital receipts	1,396	1,500	1,896
Capital grants	3,174	1,400	5,075
Capital reserves	2,467	5,336	3,180
Revenue	1,059	567	1,607
	8,096	8,803	11,758
Unfinanced capital expenditure	3,184	3,487	2,089

All "unfinanced capital expenditure" results in a financing or borrowing need that comes from either internal borrowing, grants, or other sums such as s106 sums.

3.0 THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service

organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council, which is known as 'internal borrowing'.

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

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the general fund borrowing need, (there is no statutory requirement to reduce the HRA CFR).

This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments.

In 2010/11 Arun DC had a subsidy liability of £4.8m. From April 2012, the Localism Act 2011 introduced a new financial regime for local authority housing. A new self-financing system replaced the previous subsidy system, giving Councils more freedom to borrow money and spend the income they receive from rents. To achieve this, Arun District Council made a substantial single payment of £71 million to the Government, financed with loans from the Public Works Loans Board (PWLB). The financial projections within the Business Plan demonstrated that the new financial regime would enable the Council to service these loans and generate surpluses which it should have been able to invest in its housing, services and new homes.

The Council currently has no external debt other than that taken out for the HRA Self-Financing (March 2012), currently £35.46m.

The Council does not have an overdraft facility as it became very expensive and rather than incurring costs for the facility, an approx. £200k balance is held in the account daily. This is currently earning interest at a rate of 1.70% but was between 0.01% and 0.65% in 2022-23. The £200k balance is required to cover any potential cashflow need and to avoid high overdraft charges.

The total CFR can also be reduced by:

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

The Council's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 9 March 2022.

The Council's CFR for the year is shown in tables 3.1 and 3.2 and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

Table 3.1: General Fund Capital Financing Requirement (CFR)

CFR: General Fund	2021/22 Actual £,000	2022/23 Original £,000	2022/23 Actual £,000
Opening balance	(4,223)	(4,442)	(4,442)
Additions in year	0	0	*4,574
Add unfinanced capital expenditure	0	987	293
Less Voluntary Revenue Provision (VRP) & Minimum Revenue Provision (MRP)	(219)	(200)	(444)
CFR	(4,442)	(3,655)	(19)

* Extended cleansing contract with new vehicles

Table 3.2: Housing Revenue Account (HRA) CFR

CFR: HRA	2021/22 Actual £,000	2022/23 Original £,000	2022/23 Actual £,000
Opening balance	52,973	49,347	52,531
Add unfinanced capital expenditure	3,184	6,578	1,795
Less Voluntary Revenue Provision (VRP) & Minimum Revenue Provision (MRP)	(3,626)	(1,450)	(1,450)
CFR	52,531	54,475	52,876

Arun's only borrowing relates to the HRA Self-Financing settlement (currently £35.46m). Prior to this borrowing being undertaken, Arun had a negative CFR of £2.6m which has arisen over several years and was due more to changes in the capital accounting regulations rather than to any specific policy decision.

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

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this is set and approved by Full Council, the Council does not have the power to borrow above this level, unless it gets subsequent approval by Full Council to increase the limit. The authorised limit was not breached in 2022/23.

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

Actual financing costs as a proportion of net revenue stream - this indicator identifies how much of the Council’s revenue resources are used to service debt. (2022-23 was HRA 16.6% and Non-HRA -5.45%)

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council’s annual Treasury Strategy Statement (summary in appendix1). The limits are set and agreed by Full Council prior to each financial year and are deemed to be affordable.

Local authorities are required to have regard to all aspects of the Prudential Code that relate to affordability, sustainability, and prudence.

4.0 TREASURY POSITION AS AT 31 MARCH 2023

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

During 2022/23, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are shown in table 4.1.

Table 4.1: Impact of capital expenditure

Actual prudential and treasury indicators	31 March 2022 Actual £000	2022/23 Original £000	31 March 2023 Actual £000
Capital expenditure	11,280	12,290	13,847
Total Debt	(35,460)	(35,460)	(35,460)
Capital Financing Requirement at 31 st March:			
• Non-HRA	(4,442)	(3,655)	(19)
• HRA	52,531	54,475	52,876
• Total	48,089	50,820	52,857
Finance Lease Liability	(1,320)	(1,034)	(5,364)
Underlying Borrowing Requirement	46,769	49,786	47,493
(Over) / under borrowing	11,309	14,326	12,033
Total Investments	68,950	44,000	43,930
Net debt	33,490	8,540	8,470

The maturity structure of the debt portfolio is shown in table 4.2 (The upper and lower limits are also shown in appendix 1) and the investment portfolio in 4.3.

Table 4.2: Maturity structure of the debt portfolio

	31.3.22 actual	31.3.23 actual
Under 12 months	£0	£0m
12 months and within 24 months	£0m	£0m
24 months and within 5 years	£0m	£0m
5 years and within 10 years	£8.87m	£8.87m
10 years and within 20 years	£8.87m	£8.87m
20 years and within 30 years	£8.86m	£8.86m
30 years and within 40 years	£0m	£0m
40 years and within 50 years	£8.86m	£8.86m

Table 4.3: Investment portfolio

INVESTMENT PORTFOLIO	31.3.22 Actual £000	31.3.22 Actual %	31.3.23 Actual £000	31.3.23 Actual %
Treasury investments				
Banks	44,000	64%	32,740	75%
Building Societies - rated	0	0%	0	0%
Building Societies – unrated	4,000	6%	2,000	4%
Local authorities	0	0%	0	0%
Money Market Funds	13,950	20%	2,190	5%
Total managed in house	61,950	90%	36,930	84%
Property funds	5,000	7%	5,000	11%
Diversified funds	2,000	3%	2,000	5%
TOTAL TREASURY INVESTMENTS	68,950	100%	43,930	100%

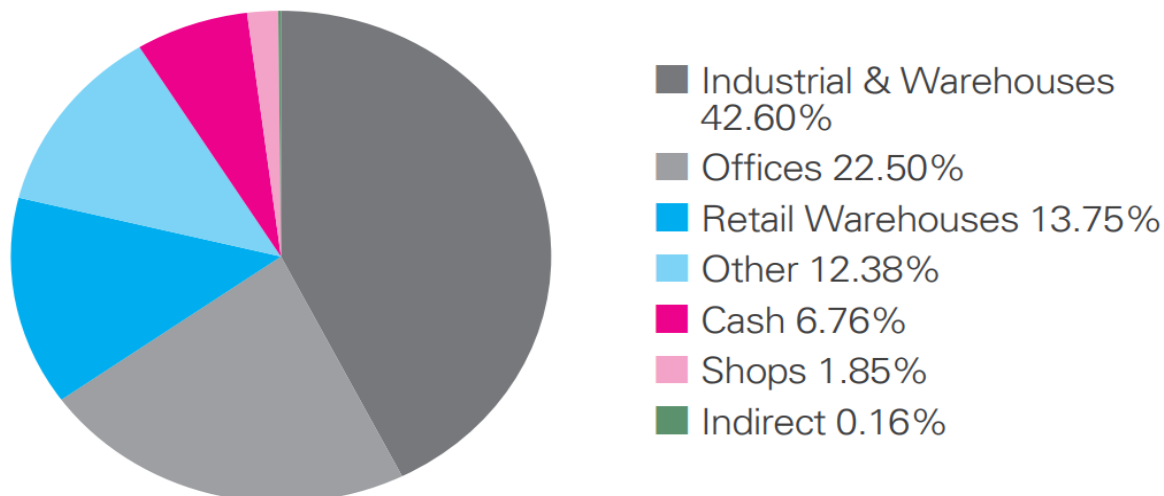
Table 4.4:The maturity structure of the investment portfolio was as follows:

	31.3.22 Actual £000	2022/23 Budget £000	31.3.23 Actual £000
Investments			
Longer than 1 year	7,000	7,000	8,000
Up to 1 year	61,950	37,000	35,930
Total	68,950	44,000	43,930

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

This CCLA property fund has a diverse property investment portfolio, none of which are in shopping centres due to the current climate (although a few standalone shops). The spread as at 31 March 2023 is as follows.

Asset allocation at 31 March 23



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

Table 4.5: Council's treasury position at the beginning and the end of 2022/23

Investments / Debt	2021/22 Average Rate/ Return (actual)	31 st March 2022 Principal	2022/23 Average Rate / Return (budget)	2022/23 Average Rate / Return (Actual)	31 st March 2023 Principal
Total Investments	0.59%	£68.95m	0.84%	2.35%	£43.93m
Total Debt	3.40%	£35.46m	3.40%	3.40%	£35.46m

5.0 THE STRATEGY FOR 2022/23

5.1 Investment strategy and control of interest rate risk

Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24. These rate rises meant that the budgeted investment income was exceeded by over £1m.

The sea-change in investment rates meant we were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

A laddered investment approach is based on allocating portions of our total investment and staggering maturity dates so that each portion of your portfolio matures at regular intervals. Each rung of the ladder represents a specific maturity date. This protects the council against interest rate changes.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

5.2 Borrowing strategy and control of interest rate risk

During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

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

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Table 5.2.1 shows our advisors forecast at the time of writing the 2022/23 strategy and table 5.2.2 shows their forecast a year later.

Table 5.2.1

Our Treasury advisor forecasts at the time of approval of the treasury management strategy report for 2022/23 were as follows:

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

Table 5.2.2

Their interest rate forecast changed periodically during 2022/23 and below shows the change in a year:

Link Group Interest Rate View		19.12.22												
		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB		4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. Table 5.2.3 shows PWLB rates for 2022/23.

Table 5.2.3:HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	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	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps) - (reduction of 20bp)
- **PWLB HRA Rate** is gilt plus 60 basis points (G+60bps). This was introduced on 15 June 2023 – (reduction of 40bp)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

Generally, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

Change in strategy during the year – the strategy adopted in the original Treasury Management Strategy Report for 2022/23 approved by the Council on 9 March 2022 was subject to no revisions during the year.

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

6.0 **BORROWING OUTTURN FOR 2022/2023**

Maturity loans for £70.902m were taken out on the 28 March 2012 to fund the new HRA self-financing system. The borrowing remaining as at 31 March 2023 was £35.46 as shown in table 6.1.

Table 6.1:Borrowing position as at 31 March 2023

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

A maturity loan is a repayment loan which essentially means that you borrow at the start date, interest is paid on a semi-annual basis throughout the life of the loan and the principal is repaid at maturity. A maturity loan reduces exposure to risk of future rises in interest rates and the council has locked into low borrowing rates. The average rate of these loans at 31 March 2023 was 3.40%.

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

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

7.0 INVESTMENT OUTTURN IN 2022/23

Investment Policy – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 9 March 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

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

Resources – the Council’s cash balances comprise, primarily, of revenue and capital resources, although these will be influenced by cash flow considerations. The Council’s core cash resources are shown in table 7.1.

Table 7.1: Core cash resources

Balance Sheet Resources (£m)	31 st March 2022 £m	31 st March 2023 £m
General Fund Balances	5.0	5.0
HRA Balances	6.8	5.4
Earmarked reserves	27.4	20.8
Capital grants unapplied	0.7	1.7
Usable capital receipts	2.0	1.7
Total	41.9	34.6

Investments held by the Council

The Council maintained an average balance of approximately £55m of internally managed funds, plus £5m CCLA property fund and £2m Diversified fund. These internally managed funds earned an average rate of return of 2.17% plus 4.07% for the property fund and 2.86% for the diversified fund giving an overall return of 2.35%.

This compares with a budget assumption of £44m investment balances earning an average rate of 0.84%.

Total investment income was £1,456k compared to a budget of £370k. This was largely due to the increases in interest rates which were not predicted at the time, and additional balances in the form of grants held throughout the year and either not paid out or delays in requests for the balances to be returned.

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

A full list of investments at the 31 March 23 is included in appendix 3 and below shows a comparison of Arun’s investment performance against other Councils.



The Councils performance for the treasury investment portfolio is above the upper return boundary for the end of Q1 2023 (as it was for all of 2022/23). This is as a result of the yields on investments under 1 month (MMF, Call accounts & Notice accounts) rising in line with increases in the Bank rate and investments made in 1-to-6-month durations (Fixed Deposit) pushing the portfolio’s weighted average rate of return (WARoR) to 3.85% against the model portfolio’s WARoR of 3.39% and exceeding the upper boundary WARoR of 3.60%.

8.0 IFRS 9 fair value of investments

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

The valuation of investments previously valued under the available for sale category e.g., equity related to the “commercialism” agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL)**.

The Council had the following valuations at 31 March 2023 which would affect the Council taxpayer if the override was not in place:

- CCLA property fund - £4,767,294 (£5m invested)
- CCLA diversified fund - £1,892,639 (£2m invested)

This would have had an adverse impact of £340,000 on the Council’s revenue budget.

9.0 Amendments to 2023/24 Strategy

This report includes additions to the counterparty lending list (appendix 2) in the way of Handelsbanken Plc and Natwest Markets Plc (NRFB). Each category has a limit which cannot be breached by individuals and will apply to a group of companies/institutions too. They both adhere to the minimum credit criteria in category 1 and 2 and have been added for diversification and to offer further options due to the withdrawal of Qatar National Bank and First Abu Dhabi Bank.

Current Ratings

Handelsbanken (Fitch AA, F1+)

Natwest Markets Plc (NRFB) (Fitch A+, F1)

1. PRUDENTIAL INDICATORS	2021/22	2022/23	2022/23
Extract from budget and rent setting report	Actual	Original	Actual
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	4,341	3,939	7,411
HRA	6,940	8,351	6,436
TOTAL	11,280	12,290	13,847
Ratio of financing costs to net revenue stream			
Non - HRA	(2.06)%	(1.88)%	*** (5.45)%
HRA	31.35%	*15.58%	*16.60%
Capital Financing Requirement as at 31 March			
Non – HRA	(4,442)	(3,655)	** (19)
HRA	52,531	54,475	52,876
TOTAL	48,089	50,820	52,857
Annual change in Cap. Financing Requirement			
Non – HRA	(219)	787	**4,423
HRA	(442)	5,128	345
TOTAL	(661)	5,915	4,768

* Reduced provision for HRA debt

** Due to Extended cleansing contract with new vehicles

*** Due to increase interest rates

2. TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2022/23
	Actual	Original	Actual
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	54,000	53,000	53,000
Other long term liabilities	1,000	5,000	5,000
TOTAL	55,000	58,000	58,000
Operational Boundary for external debt			
Borrowing	49,000	48,000	48,000
other long term liabilities	1,000	5,000	5,000
TOTAL	50,000	53,000	53,000
Actual external debt	*35,460	35,460	35,460
Upper limit for total principal sums invested for over 365 days (£m)	18,000	24,000	24,000
-	-	-	-

*Debt for most of the year was £44.32m - £8.86m repaid on 28 March 2022

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 31/03/23	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%

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

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

All Local Authorities

Australia & New Zealand banking Group Ltd

(ANZ - AUS) *New for 23-24 strategy*

Bank of Nova Scotia (CAN)

Development Bank of Singapore Ltd (DBS-SING)

Handelsbanken Plc (UK) *addition to 23-24 strategy*

National Australia Bank (AUS) *New for 23-24 strategy*

Oversea-Chinese Banking Corp Ltd (OCBC - SING)

JP Morgan Chase (USA)

United Overseas Bank Ltd (UOB - SING)

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

	<u>Long</u>	<u>Short</u>
	<u>Term</u>	<u>Term</u>
Fitch	A+	F1
Moody	A1	P-2
S&P	A+	A-1

Barclays Bank plc (RFB & NRFB) (UK)

Bank of Scotland PLC (RFB) (Lloyds Banking Group-UK)

Goldman Sachs International Bank (UK)

HSBC Bank plc (RFB & NRFB) (UK)

National Bank of Canada (CAN)

National Westminster Bank PLC (RFB) (UK)

Natwest Markets Plc (NRFB) (UK)

addition to 23-24 strategy

Santander (UK)

Standard Chartered Bank (UK)

The Royal Bank of Scotland PLC (RFB) (UK)

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

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

Nationwide Building Society (UK)

Close Brothers (UK)

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

Coventry Building Society (UK)

Leeds Building Society (UK)

Principality Building Society (UK)

Skipton Building Society (UK)

Yorkshire Building Society (UK)

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB) (Cat 2 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)

Fitch NAV

Category 6 - Money Market Funds (MMF's)

(CNAV, LVNAV, VNAV & Enhanced MMF's)

Limit of £4million for each institution

Aberdeen Standard (GBP)

AAA LVNAV
AAA LVNAV

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

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

Below were removed as part of the 2023-24 strategy approved in March 2023:

- *First Abu Dhabi Bank (U.A.E)*
- *Qatar National Bank (Qatar)*

Below were added as part of the 2023-24 strategy and additions as part of this report:

- *Australia & New Zealand banking Group Ltd*
- *National Australia Bank (AUS)*
- *Handelsbanken Plc (UK)*
- *Natwest Markets Plc (NRFB) (UK)*

INVESTMENTS at 31 March 2023

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
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	10/11/2022	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
Fixed Term Deposit	863	Standard Chartered Bank - Sustainable Deposits	05/01/2023	05/01/2024	£1,000,000.00	4.530
Fixed Term Deposit	865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	4.645
Call Account	44447	Lloyds Bank			£3,740,000.00	4.160
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£2,190,000.00	4.1166
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.26
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*3.02
					£43,930,000.00	

* rates at 31-3-23

PLANNING POLICY COMMITTEE

21 September 2023 at 6.00 pm

Present: Councillors Lury (Chair), Yeates (Vice-Chair), Elkins, Harty, Huntley, Kelly (substitute for Bower), Long, McAuliffe, Partridge, Tandy and Turner (substitute for Stainton)

Apologies: Councillors Bower and Mrs Stainton

253. DECLARATIONS OF INTEREST

No declarations of interest were made.

254. MINUTES

The Minutes of the meeting held on 8 June 2023 were approved by the Committee and signed by the Chair as a correct record.

255. 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 to consider at this meeting.

256. PUBLIC QUESTION TIME

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

257. BUDGET 2024/25 PROCESS

The Group Head of Finance and Section 151 Officer was invited by the Chair to present the report and provided a summary of the Budget Process for 2024/25.

The Chair then invited questions and comments from members. Responding to a question, the Group Head of Finance and Section 151 Officer advised that, without knowing the exact cost, he could not give any guarantees, but he had confidence that there would be sufficient budget within the Council to deliver the Local Plan Review. The Council's reserves were relatively good, and the budget gap was being managed as part of the budget planning and medium-term financial forecast processes. With regards to the timeline for providing members with an update, further information would be available once the Council's Local Government Finance Settlement announced in December each year.

The Committee noted the Budget process for 2024/25 as outlined in the report.

258. BUDGET MONITORING REPORT TO 30 JUNE 2023

Planning Policy Committee - 21.09.23

The Group Head of Finance and Section 151 Officer was invited by the Chair to present the report. The 2023/24 forecast revenue budget outturn as at Quarter 1 was currently on budget. He committed to include additional detail in future reports, which was welcomed by members.

The Group Head of Finance and Section 151 Officer, advised members that if they had any additional questions outside of the meeting they were welcome to contact him at any time.

A typo was corrected at paragraph 1.1 replacing 'apprise' with 'appraise'.

The Committee noted the report.

259. KEY PERFORMANCE INDICATORS 2022-2026 - QUARTER 1 PERFORMANCE REPORT FOR THE PERIOD 1 APRIL 2023 TO 30 JUNE 2023

The Group Head of Planning was invited by the Chair to present the report. The report set out the performance of the Key Performance Indicator at Quarter 1 for the period 1 April 2023 to 30 June 2023.

The Chair then invited questions and comments from members.

A member asked if there were any low level actions associated with the KPI taking place behind the scenes by officers to improve performance of the number of homes completed. The Group Head of Planning replied that the Interim Housing Statement sat alongside the annual Housing Delivery Action Plan (HDAP) and looked at housing delivery performance and how any issues might be addressed to try to increase housing delivery. The HDAP would be considered by the Committee at its next meeting on 28 November 2023, along with details of proposed indicative measures in terms of the consideration of planning applications, especially speculative applications for housing.

A member raised the issue, previously discussed by the Committee, concerning the KPI and asked for the inclusion of the number of unimplemented planning permissions so as to provide a narrative that this was not within the Council's control. The Group Head of Planning replied that the Annual Monitoring report was considered by the Committee at the beginning of each year. It provided the detail concerning unimplemented planning permissions, the sites included in the land supply and those sites not included as they fell outside the five-year housing land supply. There were a number of reasons for the number of unimplemented permissions, which included outline planning permissions not having received final approval.

The Chair acknowledged that members shared the frustration with the five-year housing land supply measure being outside of the Council's control.

Members then noted the report update provided.

260. THE FUTURE OF PLANS AND PLAN-MAKING TECHNICAL CONSULTATION 2022/2023

The Planning Policy and Conservation Manager was invited by the Chair to present the report. He provided details of the Government's consultation, due to end on 18 October 2023 on plan-making reforms, which included a pilot scheme of 10 local authorities. The Council's Local Plan timetable would not allow the Local Plan to be submitted before the deadline for submission of 30 June 2025, as required under the current system. If this was the case, under the transitional arrangements, the Council would be required to prepare its Local Plan under the new system. He drew members' attention to the key issues set out at paragraphs 4.6-4.9. The Arun Local Plan was now over five years old and required updating. If the Council adopted the updated Plan but it was not submitted within the current system's timeframe it would become a front runner authority for the pilot under the new system commencing November 2024. Otherwise, the Council would incur a delay of 6-12 months before it could be included in the next wave of councils.

The Chair then invited questions and comments from members. Responding to a question about Community Land auctions, the Group Head of Planning explained that their aim was to drive down prices to make land more affordable for development and advised that the Council should observe how they operate before considering if this was a suitable option. The Planning Policy and Conservation Manager undertook to seek clarification as to whether there would be any legal implications to the Council if any Supplementary Planning Documents were made extant. He confirmed that the Council would be charged for any advice received from the Planning Independent Specialists or Inspectorate.

A member commented that community engagement was key and that submitting consultations online was not easy for some residents. He then questioned if the Council had the capacity and the ability to move at the pace required and, if the Council did not, there would be the issue of possibly having to employ outside consultants to deliver in time. The Chair referred to the Statement of Community Involvement (SOC1), to be considered at agenda item 11, which he hoped would dispel some of the member's concerns about public consultation. The Planning Policy and Conservation Manager added that although the SOC1 was a statutory document, there was no requirement to publicly consult on its content. However, the Council had taken the decision to undertake public consultation on its content. He agreed that staff resources were a key issue. A Project Initiation Document setting out the scoping of the plan and which would be subject to examination at the Gateway 1 stage where the Council's resources would be assessed. He referred to the Arun Local Plan Update considered at the June meeting of the Committee, which had included an appendix with details of a Statement of Works Contract proposal. This set out which projects may be required to be carried out by consultants on behalf of the Council due to staffing resource issues. He assured the Committee that staff resources would be assessed to ensure that the Arun Local Plan timetable could be delivered. Responding to a question concerning land prices and land banking, he advised that community land banking was not an effective tool.

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The Planning Policy and Conservation Manager explained that steps were taken to minimise overspends, such as staggering when studies were carried out. Any overspends were a matter for the Policy and Finance Committee to consider. The Group Head of Planning added that in theory the new system should result in a more streamlined and efficient timetable with fewer costs to the Council. It was currently not known how far the Council would be expected to go as regards to the providing of evidence and data.

In response to comments made regarding the bidding process for the pilot, the Group Head of Planning explained that Councils would find out at the end of 2024 if they had been successful. The timescale would not allow time for a response to be reported to this Committee, but any decision whether to accept would not be taken by officers in isolation and members would be informed.

The recommendations were then proposed by Councillor Lury and seconded by Councillor Yeates.

The Committee

RESOLVED that

1. the Council bids to become a front runner authority for progressing the Local Plan update in November 2024 when new regulations are published;
2. a high-level response is submitted to the consultation as set out in sections 4.6 to 4.12.

261. LOCAL DEVELOPMENT SCHEME

The Planning Policy and Conservation Manager was invited by the Chair to present the report. Following the lifting of the pause to the Local Plan process in June 2023, the Local Development Scheme that set out the updated timescales for the production of the Local Plan update required updating.

A correction was made to paragraph 3.4 of the draft Local Development Scheme to replace 'Arun Environment and Leisure Working Group' with 'Environment Committee'.

The recommendations were then proposed by Councillor Lury and seconded by Councillor Yeates.

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.

RECOMMENDATION TO FULL COUNCIL

That the draft Local Development Scheme September 2023 for the period 2023-2025 as amended (and set out in Background Paper 2) be adopted.

262. REVIEW OF THE STATEMENT OF COMMUNITY INVOLVEMENT

The Chair drew members' attention to the highlighted sections of the report at pages 67, 78, 83 and 85, to assist their understanding. The Planning Policy and Conservation Manager was then invited by the Chair to present the report. A number of minor changes had been made to the document concerning references to relevant legislation, clarification of how representations would be dealt with and guidance to respondents. The consultation period would run from 28 September 2023 to 26 October 2023 and any significant amendments proposed to the Statement of Community Involvement would be reported to this Committee.

The Chair then invited questions and comments from members. A member referred to the consultation methods at Table 3 and encouraged the use of social media, which he felt would reach the majority of people.

The Planning Policy and Conservation Manager confirmed that strap lines advising where someone could obtain assistance if the document was required in braille or a different language would be set out on the consultation page on the Council's website and undertook to ensure this information was included in the document itself.

The Group Head of Planning reassured a member that planning application site notices were generally placed on the site or as close as possible. In response to concern expressed that pre-applications were not made publicly available, the Group Head of Planning explained that developers of larger sites were encouraged to undertake consultation at an early stage of their proposals. However, if pre-application documents were made public, this could dissuade planning applications coming forward. The Planning Policy and Conservation Manager added that applicants of pre-applications were encouraged to consult with the community and parish councils at this early stage.

The recommendations were then proposed by Councillor Lury and seconded by Councillor Yeates.

The Committee

RESOLVED that

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1. Approve the draft Statement of Community Involvement for a four-week period of public consultation from 28 September closing 26 October 2023;
2. Delegate authority to the Group Head of Planning in consultation with the Chair of Planning Policy Committee to make any minor or factual drafting changes to the SCI and should no material changes be needed, refer the SCI to Full Council for approval;
3. Report the SCI back to this Committee in the event that material changes are needed, before referral to Full Council for approval.

263. INFRASTRUCTURE FUNDING STATEMENT (IFS) 2022/2023

The Planning Policy and Conservation Manager was invited by the Chair to present the report. The report provided details of the income received from S106 planning obligation contributions and CIL income and spend. He referred to the summary totals at paragraph 3.7 of the report, which showed income had doubled with the trajectory for the delivery of projects from CIL income improving year on year.

The Chair commented that it was good to hear that S106 and CIL income was increasing. The Chair then invited questions and comments from members.

A member was advised by the Group Head of Planning that any suggestions relating to specific projects concerning parks and spaces within the member's Ward could be directed to him, outside of the meeting.

The amount of CIL received to support secondary education and how much West Sussex County Council (WSSCC) had received to date was asked. The Planning Policy and Conservation Manager advised that the funding was mainly received from Section 106 contributions and the strategic allocations. However, there were other CIL liable developments that also had an impact and could contribute towards the same infrastructure. WSSCC received 70% of CIL contributions and set out as part of their investment priorities details of the projects they intended to fund through CIL. He referred to a member's question to officers asked outside of the meeting where a response was still outstanding and explained that the Council's Section 106 Officer was waiting to receive the requested information from WSSCC. However, was able to advise that he Council had received £900,000 with potentially another £4 million anticipated through agreements. The Group Head of Planning clarified that contributions towards secondary school transportation were not classed as infrastructure and therefore not delivered through CIL. The delivery of the secondary school was an infrastructure matter to be delivered from Section 106 strategic allocations as well as through CIL monies received by WSSCC. The Planning Policy and Conservation Manager undertook to provide the Committee with a copy of the WSSCC Spending Statement when available.

The Chair welcomed a suggestion that officers should monitor instances when affordable housing development had been lost and asked for this information to be reported to a future meeting of the Committee. The Planning Policy and Conservation

Manager advised he would include details of these lost schemes in the Authority Monitoring report.

Responding to a question concerning Community Land Trusts (CLT), the Group Head of Planning advised that he was aware of a local CLT struggling to get off the ground due to viability issues. However, officers could investigate any opportunities to see if it was appropriate for a CLT to take over the development of land from developers where there were viability issues. The Chair suggested that the situation should be monitored and, if necessary, a letter could be sent to the Government to express the Committee's concern about any viability issues.

A member queried the contribution of £5,000 towards transport and travel, at paragraph 7.4 of the Infrastructure Funding Statement, which he considered was a small amount and the lack of projects coming forward from parish councils. The Planning Policy and Conservation Manager undertook to provide an answer to confirm if this amount included cycling, walking and mobility allocations, as well as any reasons for this this seemingly small amount, outside of the meeting.

The recommendations were then proposed by Councillor Lury and seconded by Councillor Yeates.

The Committee

RESOLVED

that the Arun Infrastructure Funding Statement 2022/23 be published on the Arun District Council website in accordance with Regulation 121A of the Community Infrastructure Regulations 2010 (as amended).

264. OUTSIDE BODIES

The Committee received a report from Councillor McAuliffe giving an update on the South Downs National Park Authority.

265. WORK PROGRAMME

The Committee noted the work programme for 2023/24.

(The meeting concluded at 7.35 pm)

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REPORT TO:	Planning Policy Committee – 21 September 2023
SUBJECT:	Local Development Scheme
LEAD OFFICER:	Kevin Owen (Planning Policy & Conservation Manager)
LEAD MEMBER:	Cllr Martin Lury, Chair of Planning Policy Committee
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 costs will need to be met from within the current revenue budget. and should this not be possible, an overspend will be reported to Members in due course. Any overspend that cannot be mitigated will reduce the council's level of Usable Reserves.</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 September 2023). This is with respect to the lifting of the pause to the Local Plan Update and to set out the recommenced work programme.

2. RECOMMENDATIONS

- 2.1. The Planning Policy Committee is requested to:-
- i. Recommend to Full Council that the draft Local Development Scheme September 2023 for the period 2023-2025 as amended (and set out in Background Paper 2) be adopted; and
 - ii. Delegate authority 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.

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 (the Planning Inspectorate).
- 3.2. The current LDS was recently updated and adopted 15 March 2023 (Background Paper 1) with respect to the Gypsy & Traveler Local Plan timetable and the paused Local Plan update. However, with the lifting of the pause to the Local Plan update, the LDS needs updating again.
- 3.3. The revised LDS (Background Paper 2) includes the updated timescales for the production of the Local Plan update.

4. DETAIL

- 4.1. In January 2022 Planning Policy Committee considered the updated LDS to set out the G&TDPD timescale and work programme (Background Paper 1) which had been delayed because of objections but had been sufficiently resolved to resume. The LDS update also confirmed the continuing pause to the Arun Local Plan.
- 4.2. However, the lifting of the pause to the Arun Local Plan (Full Council 19 July 2023) requires the LDS be further updated. The LDS therefore, sets out revised proposed key dates for the Arun Local Plan update including the Regulation 18 Issues & Options and Draft Local Plan consultation stages, Regulation 19 Pre-submission consultation, Submission and Examination and Adoption in 2026/27.
 - Spring 2024 Issues & Options consultation.
 - Spring/Summer 2025 Draft Local Plan consultation (and phase 3 evidence).
 - Spring/Winter 2026 Regulation 19 Pre-submission consultation.
 - Submission summer 2026.
 - Examination Autumn 2026.
 - Adoption Winter/Spring 2026/27.

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 costs will need to be met from within the current revenue budget. Officers from the Planning and Finance Groups will discuss how this can be achieved and should this not be possible, an overspend will be reported to Members in due course. This action is in accordance with Part 6, section 3, paragraph 3.3.2.2 of the council's constitution, which states that wherever possible additional cost pressures should be met from within existing budgets. Any overspend that cannot be mitigated will reduce the council's level of Usable Reserves.
- 7.2. The impact on the council's Mid Term Financial Strategy will also be addressed by Officers as part of the process to update the current Strategy and will be reported back to Policy & Finance Committee.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. The range of options available are to; approve the LDS September 2023 to ensure a 'sound' development plan is prepared to guide future growth and infrastructure provision; or not to approve the LDS September 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. Section 15 of the Planning and Compulsory Purchase Act, 2004 as amended by the Localism Act 2011 requires the council to prepare and maintain a Local Development Scheme, and the report sets out the procedure to enable it to be updated. 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 programmed plan making may give rise to such positive and adverse implications but is subject to Sustainability Appraisal and Equalities Appraisal during plan 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 updated LDS for Climate Change. However, the associated plan making 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: Kevin Owen

Job Title: Principal Planning Officer

Contact Number: 01903 737697

BACKGROUND DOCUMENTS:

Background Paper 1: LDS January 2023:-

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

Background Paper 2: Draft Local Development Scheme September 2023:-

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

Public Document Pack Agenda Item 13

Subject to approval at the next Audit and Governance Committee meeting

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AUDIT AND GOVERNANCE COMMITTEE

28 September 2023 at 6.00 pm

Present: Councillors Dr Walsh (Chair), O'Neill (Vice-Chair), P. Bower, Haywood, Oppler, Purser, Turner, Wallsgrove and Tandy (Substitute for May)

Councillors Needs was also in attendance for all or part of the meeting.

266. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Jones, May and Goodheart.

267. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

268. MINUTES

The Minutes of the meeting held on 25 July 2023 were approved by the Committee. These would be signed after the meeting.

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

There were no urgent matters for this meeting.

270. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

271. INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2023

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the report to the Committee. The report outlined the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2023. Progress so far had been very positive, and the Senior Audit and Counter Fraud Manager thanked the

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Officers for their help. She went through each section of the report and highlighted that page 18 showed 17% of the work had been completed, and 25% was in progress; Section 4 contained the analysis of 'Live' audit reviews, which showed managers and Officers had been completing all agreed management actions from the 2022-23 audit report, and from this there were only 7 management actions overdue. Due to the number of actions, this was a pleasing level of overdue actions; A verbal update was provided regarding the Environment Health and Protection Food Safety Audit on page 21, which was due to begin very shortly. This meant all work from quarters 1 and 2 had commenced; Economic Regeneration had been removed as shown in Section 8. This had originally been included due to the Council's ongoing projects, however due to the current stages of these projects it was now felt unnecessary to include for 2023-24. This would be reviewed in 2024-25; Annexes 1 and 2 showed the overdue Management Actions. The Senior Audit and Counter Fraud Manager was satisfied with the reasons for these being overdue.

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

- Was the priority rating for overdue management actions decided internally or externally by SIAP? There was particular interest in the 'Use of Agency Workers' being given a medium rating. The Senior Audit and Counter Fraud Manager explained management assigned the ratings, however this was reviewed by SIAP, who would engage in conversations with Officers if they were not in agreement. The Group Head of Finance and Section 151 Officer explained to Members that all audits that had limited assurances on them were monitored directly by the Corporate Management Team.
- It was asked what data protection training would be rolled out to Councillors. The Group Head of Finance and Section 151 Officer explained this would come under the remit of the Monitoring Officer and an answer would be circulated to Members after the meeting.

The report was noted.

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

Upon the invitation of the Chair, the Internal Audit Manager introduced the report. He explained that each year the Chair of the Audit & Governance Committee was requested to provide a response to Ernst & Young (the Council's external auditors) in respect of the oversight of management's processes for identifying and reporting the risk of fraud, and possible breaches of internal control within the Council.

There were no questions from Members.

The report was noted.

273. TREASURY MANAGEMENT – QUARTER 1 REPORT 2023/24

Upon the invitation of the Chair, the Senior Accountant (Treasury) introduced the report to Committee. She explained that the Treasury Management Codes revised in 2021 recommended that Members were updated on treasury management activities quarterly, so this was an additional report. She highlighted page 42, which showed the list of investments on 30 June 2023, at £48 million; page 43, paragraph 2.4 showed a summary and comparison of the investments at 31 March 2023 and 30 June 2023. There was an average level of funds for the first quarter of £43 million, highlighted in 2.8; Page 44, paragraph 2 showed the average rate of return on investments in June of 4.27% against a budgeted return of 3.20%, which had increased further to around 4.5% in August. This was largely due to the interest rate increase; Paragraph 2.11 showed the estimated outturn was currently around £1.9m, showing an over achievement of around £400k; Paragraph 2.13 showed the property and diversified fund valuations, which were still below the principle invested. Due to the IRFS 9 (an unrealised fair value movement), and the override in place, this would not effect the Council's revenue budget for 2023-24. This override was currently in place until 31 March 2025. For Arun these were both considered to be long-term investments and it was acknowledged the value would rise and fall; Page 49 showed an economic update from the Link Group, the treasury advisors. A revised forecast would be received from them sometime the following week.

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

- Whilst investments were doing better, the rate of inflation was rising, did this mean the funding gap was increasing? The Group Head of Finance and Section 151 Officer explained that this was the case.
- Page 42 showed £8million investments had matured, and this money been reinvested and if so who with? The Senior Accountant (Treasury) explained most of the money had been reinvested and she would circulate an updated investment list to Members after the meeting.
- It was asked whether consideration could be given to investing in Unity Trust Bank. The Group Head of Finance and Section 151 Officer would look into this.

The Group Head of Finance and Section 151 Officer thanked the Senior Accountant (Treasury) for the clear and concise report she had written. He highlighted that Members should be aware of the IFRS 9, for which local authorities currently had an exemption from the accounting standard. If this exemption was removed, local authorities would have to reflect the capital value in accounts, and at present as this was less than the amount paid in, it would have a negative effect on the budget, and would have implications for Council Tax. This would continue to be reported by Officers, but was something he asked Members to take note of.

The recommendations were proposed by Councillor Wallsgrove and seconded by Councillor Tandy.

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The Committee

RECOMMEND TO FULL COUNCIL that

1. the quarter 1 treasury management report for 2023/24 be noted;
2. they note the treasury activity for the quarter ended 30 June 2023, which has generated interest receipts of £460,918 (4.27%). Budget £1,540,000 (3.20%); and
3. the quarter 1 actual prudential and treasury indicators for 2023/24 contained in the report be noted.

274. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. He explained he was presenting the report on behalf of the Finance and Risk Manager. The Corporate Risk Register had been reviewed and updated in line with the requirements of the Council's Risk Management Framework. Quarterly updates reflecting revisions were reported to the Audit and Governance Committee, and this report highlighted the changes since the last update. The main changes were in paragraph 4.9, where the Development Plan risk had been changed from a high to a medium; paragraph 4.12 showed a new risk had been added, which was CRR18 - Housing Benefit Subsidy 2023/24. The Department for Work & Pensions (DWP) required that housing benefit subsidy claims be audited. At the end of 2023/24 the contract with Ernst & Young would run out, and the DWP wanted assurances that there would be an external auditor in place. The ultimate sanction would be that no housing benefit subsidy would be paid by DWP, which was in the millions of pounds. It was stressed this was not likely. A procurement process was currently being undertaken to obtain a new contract, and whilst the risk needed to be documented, this was receding as the procurement process progressed.

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

- How long would the new auditor contract be for? The Group Head of Finance and Section 151 Officer would look into this and circulate a response to Members after the meeting.
- One Member explained that page 63 (Climate Change) showed 'additional funding (£100k) had been provided for the 23-24 financial year and an officer report was being drafted to take to Policy and Finance Committee in October 2023 to showcase what this would be used for'. She updated that this had now been delayed.
- Page 62 for Climate Change risk area showed 'Lack of financial support through relevant and applicable Government funding/grants'. Were there any funds/grants expected? The Group Head of Finance and Section 151

Officer explained daily bulletins were received from central Government regarding funding opportunities, and that Officers would look for funding when resources allowed.

Having considered the revised Corporate Risk Register, the report was noted.

275. UPDATED RISK MANAGEMENT FRAMEWORK

Upon the invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. The Council's Risk Management Framework had been reviewed and updated to take account of changing legislation, government initiatives, best practice and experience gained within the Council. This report highlighted any amendments resulting from the review. The reason for the changes were set out in paragraph 4.3, and the changes were highlighted in appendices 1 and 4, most of which were around the downscaling of the frequency of review of the risks. He emphasised this did not mean the risks were not managed, and the frequency with which they were being managed on an operational level was still very high.

There were no questions from Members. Members praised Officers for the thorough reports presented throughout the meeting.

Having considered the updated Risk Management Framework, the report was noted.

276. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 6.38 pm)

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REPORT TO:	Audit and Governance Committee – 28 September 2023
SUBJECT:	Treasury Management – Quarter 1 report 2023-24
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Dr Walsh
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION:	
The Treasury Management function is required by regulation and has an effect on all Directorates of the Council.	
DIRECTORATE POLICY CONTEXT:	
This report is the Treasury Management update report for Quarter 1 (Q1) 2023-24.	
This report summarises:	
<ul style="list-style-type: none"> • Investment position • Borrowing position and • Prudential Indicators 	
FINANCIAL SUMMARY:	
There are no direct financial implications arising from this report.	

1. PURPOSE OF REPORT

1.1. To note the Treasury Management activities for the first financial quarter ending 30th June 2023.

2. RECOMMENDATIONS

The Audit and Governance Committee is asked to recommend the following to Full Council:

2.1. note the quarter 1 treasury management report for 2023/24;

2.2. note the treasury activity for the quarter ended 30 June 2023, which has generated interest receipts of £460,918 (4.27%). Budget £1,540,000 (3.20%); and

2.3. note the quarter 1 actual prudential and treasury indicators for 2023/24 contained in the report.

3. EXECUTIVE SUMMARY

3.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2023/24 Treasury Management Strategy states this report will go to the Audit and Governance Committee in September. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

3.2. During the first quarter to 30th June 2023, the Council complied with its legislative and regulatory requirements, including confirmation that the authorised limit was not breached.

4. DETAIL

4.1. This can be found in appendix 1.

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. As the CIPFA Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly, the only option available is to request that Full Council note the recommendations (2.1, 2.2, 2.3).

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

7.1. The financial implications arising from Treasury Management are outlined throughout the report.

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

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:

- [Strategy Statement and Annual Investment Strategy 2023/24](#)

Arun District Council
Treasury Management Update Report (Q1) 2023/24

1. Introduction

- 1.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2023/24 treasury management strategy states this report will go to the Audit and Governance Committee in September. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2. The Council has also implemented the Department of Levelling Up, Housing and Communities (DLUHC) investment guidance in producing these regular reports.
- 1.3. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties. This report focuses on the 2023/24 financial period ending 30 June 2023 and is based on the data available at the time of writing.

2. Investment and Strategy review

- 2.1. The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on **15 March 2023**. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being (SLY):
 - Security of capital
 - Liquidity
 - Yield
- 2.2. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 2 years with high credit rated financial institutions to achieve the best yield possible but with SLY at the forefront.

2.3. A full list of investments held as at 30 June 2023 are shown in the table below:

Reference no.	Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate
842	First Abu Dhabi Bank	21/07/2022	21/07/2023	£1,000,000.00	2.800
868	DBS Bank Ltd	27/04/2023	27/07/2023	£1,000,000.00	3.010
840	Close Brothers Limited	10/08/2022	10/08/2023	£1,000,000.00	3.470
848	Santander UK Plc	25/08/2022	25/08/2023	£2,000,000.00	4.420
850	Standard Chartered Bank - Sustainable Depo	26/09/2022	26/09/2023	£1,000,000.00	5.250
851	Standard Chartered Bank - Sustainable Depo	28/09/2022	28/09/2023	£2,000,000.00	5.450
852	Goldman Sachs International	28/09/2022	28/09/2023	£1,000,000.00	5.250
854	Santander UK Plc	28/09/2022	28/09/2023	£2,000,000.00	4.350
875	Goldman Sachs International	14/06/2023	16/10/2023	£1,000,000.00	4.500
869	Close Brothers Limited	04/05/2023	06/11/2023	£1,000,000.00	4.450
870	DBS Bank Ltd	15/05/2023	15/11/2023	£1,000,000.00	4.530
858	NatWest Bank	23/11/2022	23/11/2023	£1,000,000.00	4.645
860	Development Bank of Singapore (DBS)	15/12/2022	15/12/2023	£1,000,000.00	5.000
861	Development Bank of Singapore (DBS)	22/12/2022	22/12/2023	£1,000,000.00	5.020
863	Standard Chartered Bank - Sustainable Depo	05/01/2023	05/01/2024	£1,000,000.00	4.650
867	Goldman Sachs International	27/04/2023	26/01/2024	£1,000,000.00	4.900
874	National Westminster Bank PLC (RFB)	14/06/2023	14/02/2024	£1,000,000.00	4.970
871	Goldman Sachs International	15/05/2023	05/03/2024	£2,000,000.00	5.030
873	Goldman Sachs International	07/06/2023	07/03/2024	£1,000,000.00	5.200
866	Close Brothers Limited	14/04/2023	17/04/2024	£4,000,000.00	5.300
872	Close Brothers Limited	19/05/2023	17/05/2024	£1,000,000.00	5.540
876	Nationwide Building Society	15/06/2023	14/06/2024	£1,000,000.00	5.120
865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	5.310
44447	Lloyds Bank			£6,588,000.00	4.160
100500	CCLA (Churches, Charities and LA's)			£880,000.00	4.7823
110000	Federated Investors LLP			£10,000.00	4.7285
99999	Fidelity Fund Management Ltd			£10,000.00	4.6725
120000	Aberdeen Standard			£4,000,000.00	4.8331
140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.44
140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*3.17
				£48,488,000.00	

* Factor at 30-6-23

2.4. The table below shows the £48m investment portfolio and percentage in each sector.

INVESTMENT PORTFOLIO	31.3.23 Actual £000	31.3.23 Actual %	30.6.23 Actual £000	30.6.23 Actual %
Treasury investments				
Banks	32,740	75%	35,588	74%
Building Societies - rated	0	0%	0	0%
Building Societies - unrated	2,000	4%	1,000	2%
Local authorities	0	0%	0	0%
Money Market Funds	2,190	5%	4,900	10%
Total managed in house	36,930	84%	41,488	86%
Property funds	5,000	11%	5,000	10%
Diversified funds	2,000	5%	2,000	4%
TOTAL TREASURY INVESTMENTS	43,930	100%	48,488	100%

2.5. Investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

2.6. Creditworthiness - There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

2.7. Investment counterparty criteria - The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

2.8. Investment balances - The average level of funds available for investment purposes during the quarter was £43m. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

2.9. The table below shows the total useable reserves compared to the investment balances at 31 March 2023.

Usable Reserves at 31 March 2023	£m
Earmarked Reserves	20.793
Housing Revenue Account Balance	1.523
General Fund Revenue Balance	5.000
Usable Capital Receipts	1.704
Housing Major Repairs Reserve	3.884
Capital Grants Unapplied	1.673
Total	34.578
S106 / CIL	9.314
ADC acting as Agents for grants	1.476
Reserves + S106/CIL + Grants to repay	45.367
<i>Investments at 31-3-23</i>	<i>43.930</i>
<i>Lloyds Bank current account</i>	<i>0.573</i>
Investments & Bank at 31-3-23	44.503

2.10. Investment performance for quarter ended 30 June 2023

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
Average O/N Sonia	4.37%	3.20%	4.27%	£460,919

2.11. As illustrated, the authority is outperforming the budgeted interest return and is close to the benchmark rate. The Council's budgeted investment return for 2023/24 is £1,540,000 and performance for the year to date is above budget based on a straight line profile.

The estimated outturn is currently around £1.9m showing an over achievement of around £400k. This enhanced return is largely due to improved rates applied to investments.

2.12. The CCLA property fund continues to increase the returns the Council is achieving on its investments and currently £5M is invested in this fund achieving an average rate of return of approx. 4.45%, however the Capital value is down around 4.8% (at 30 June 2023). This is a long term investment and values will rise and fall over the years.

2.13. The Council had the following valuations at 30 June 2023:

- CCLA property fund - £4,760,679 (£5m invested)
- CCLA diversified fund - £1,882,984 (£2m invested)

This would have had an adverse impact of £356,337 on the Council's revenue budget if IFRS 9 was not in place.

2.14. IFRS 9 - following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC], the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact

of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

2.15. Approved limits - Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2023.

3. Amendments to 2023/24 Annual Investment Strategy

3.1. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

3.2. The Annual Investment strategy (part of the 2023-24 TMSS), as approved by full Council on 15th March 2023, defines the Investment policy, creditworthiness policy and Country and sector limits.

3.3. This has had the following revisions as part of the Annual report taken to Audit & Governance committee on 25 July 2023 (if approved by Full Council on 8 November 2023).

3.4. Additions to the counterparty lending list in the way of:

- Handelsbanken Plc and
- Natwest Markets Plc (NRFB)

These both adhere to the minimum credit criteria in category 1 and 2 and have been added for diversification and to offer further options due to the withdrawal of Qatar National Bank and First Abu Dhabi Bank.

4. Borrowing

4.1. No borrowing was undertaken during the quarter ended 30th June 2023.

4.2. The Council has no immediate plans to borrow externally for capital expenditure in the current financial year, although funding will need to be arranged for schemes recently approved, and we will look to borrowing internally for these in the first instance.

4.3. Currently Arun's only borrowing relates to the HRA Self-Financing settlement (£35.46m), also summarised in the table below:

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

- 4.4. Officers will continue to keep borrowing policy under review and use internal balances where possible to minimise borrowing costs.

5. Treasury and Prudential Indicators

- 5.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following Treasury Management Prudential Indicators.

- 5.2. The borrowing activity is controlled by prudential indicators for net borrowing, the Capital Financing Requirement (CFR), and by the authorised limit which is summarised in the table below and in 5.6.

Prudential Indicators	31 March 2023 Actual £000	2023/24 Original Estimate £000	June 2023 Position £000
Capital Expenditure:			
Non - HRA	7,411	5,944	12,108
HRA	6,436	8,998	10,100
TOTAL	13,847	14,941	22,209
Capital Financing Requirement (CFR):			
Total opening CFR	48,089	49,810	52,858
Closing CFR			
Non - HRA	(19)	(314)	(71)
HRA	52,876	55,666	58,308
TOTAL	52,858	55,352	58,236
Annual change in CFR:			
Non – HRA	4,423	3,457	5,431
HRA	345	2,085	(52)
TOTAL	4,768	5,543	5,379
Ratio of financing costs to net revenue stream:			
Non - HRA	(5.45)%	(6.51)%	(8.33)%
HRA	16.60%	18.19%	18.75%
Unfinanced capital expenditure	2,088	7,083	8,440

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

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

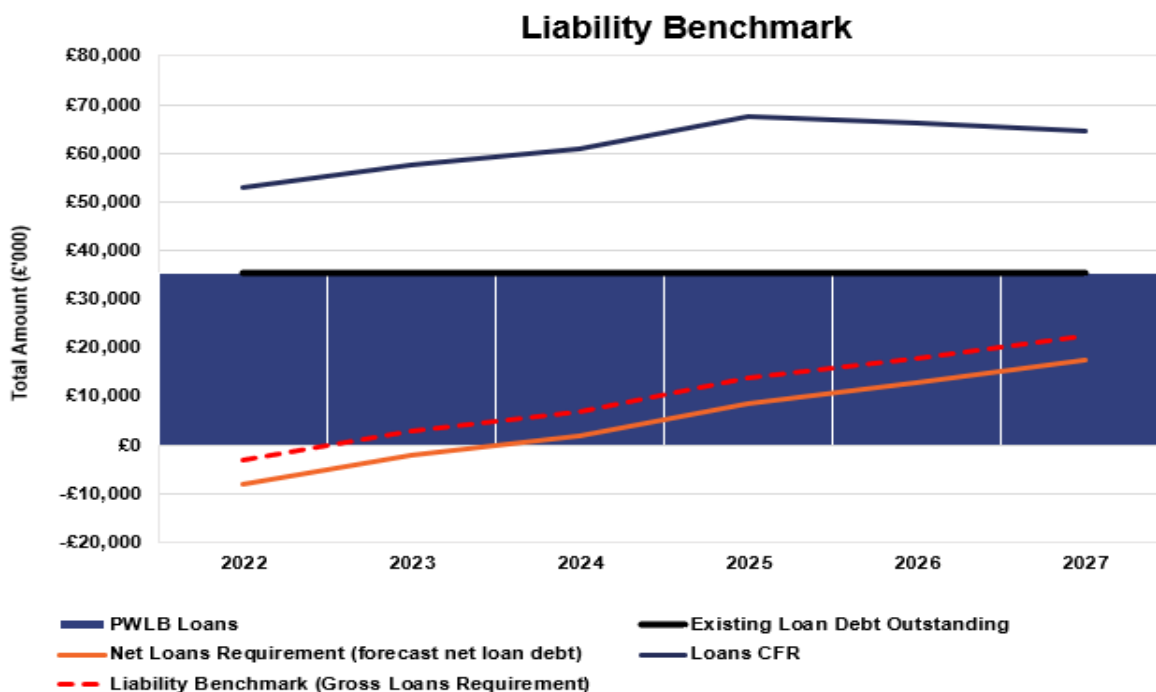
- If insufficient financing is available, or a decision is taken not to apply internal resources, the capital expenditure will give rise to a borrowing need

- 5.4. In the table in 5.2, all “unfinanced capital expenditure” results in a financing or borrowing need which will come from either internal or external borrowing.
- 5.5. The ratio of Net Financing Costs (NFC) to the Net Revenue Stream is estimated to be (8.33)% by the end of the financial year which is a change of (1.82)%. This is largely due to an increase in interest rates.
- 5.6. The treasury Indicators are shown in the tables below:

Treasury indicators	31 March 2023 Actual £000	2023/24 Original £000	June 2023 Position £000
Authorised Limit for External Debt:			
Borrowing	53,000	59,000	56,000
Other long term liabilities	5,000	4,000	7,000
TOTAL	58,000	63,000	63,000
Operational Boundary for External Debt:			
Borrowing	49,000	55,000	52,000
Other long term liabilities	1,000	4,000	7,000
TOTAL	50,000	59,000	59,000
Gross External Debt (Actual)			
Non – HRA	0	0	0
HRA	35,460	35,460	35,460
TOTAL	35,460	35,460	35,460
Remaining Authorised Limit for External debt:	22,540	27,540	27,540
Total Investments	43,930	44,000	48,488
Net borrowing (Net debt)	8,470	8,540	13,028

Maturity structure of fixed rate borrowing – upper & lower limits:	Actual at 30 June 23	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%

5.7. The Liability Benchmark compares the Council's actual existing borrowing against a Liability Benchmark that has been calculated to show the lowest risk level of borrowing. The Liability Benchmark is an important tool to help establish whether the Council is likely to be a long-term Borrower or long-term Investor in the future, and so shape its strategic focus and decision making.



An explanation of what this is showing is highlighted below:

- The Blue line (at the top) represents the Loans CFR. 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.

5.8. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Group Head of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

5.9. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

6. Economic update – Link Group

- 6.1. Interest rates rose by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
- 6.2. The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year.
- 6.3. The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year.
- 6.4. Link Group's latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

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