



Public Document Pack

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

The meeting will be webcast live – please click on this link to access the Full Council web page and the media section for the recording - [Arun District Council](#)

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

e-mail: committees@arun.gov.uk

4 March 2024

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 13 March 2024** at **6.00 pm** in the **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** to transact the business set out below:

A handwritten signature in black ink, appearing to read "KAR", with a horizontal line underneath.

A handwritten signature in black ink, reading "Philippa Dart." with a period at the end.

Karl Roberts/Philippa Dart
Interim Joint Chief Executives

Please Note:

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, 6 March 2024** in line with current Council Meeting Procedure Rules.

For further information on the items to be discussed, or about attending the meeting or how to find the webcast link, please contact Committees@arun.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

Members and Officers should make their declaration by stating:

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

3. PUBLIC QUESTION TIME

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

4. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

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

5. PETITIONS

To consider any petitions received from the public.

6. MINUTES (Pages 1 - 12)

To approve as a correct record the Minutes of the Special Meeting of the Council held on 21 February 2024, which are *attached*.

7. CHAIR'S ANNOUNCEMENTS

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

8. URGENT MATTERS

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

OFFICER REPORTS

9. CALENDAR OF MEETINGS FOR 2024/2025 (Pages 13 - 16)

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

The draft calendar for the new Municipal Year is attached.

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

10. STANDARDS COMMITTEE - 18 JANUARY 2024 (Pages 17 - 38)

The Chair of the Standards Committee, Councillor Huntley, will present a recommendation from the meeting of the Standards Committee held on 18 January 2024.

The minutes from the meeting are attached. The recommendation for the Council to consider is set out below:

- Minute 538 [Review of Local Assessment Procedures] – the Officer's report and appendix is attached.

11. CORPORATE SUPPORT COMMITTEE - 31 JANUARY 2024 (Pages 39 - 64)

The Chair of the Corporate Support Committee, Councillor Oppler, will present a recommendation from the meeting of the Corporate Support Committee held on 31 January 2024.

The minutes from the meeting are attached. The recommendation for the Council to consider is set out below:

- Minute 592 [Pay Policy Statement 2024-2025] – the Officer's report and accompanying appendices are attached.

12. AUDIT & GOVERNANCE COMMITTEE - 19 FEBRUARY 2024 (Pages 65 - 156)

The Chair of the Audit & Governance Committee, Councillor Walsh, will present recommendations from the meeting of the Audit & Governance Committee held on 19 February 2024.

The minutes from the meeting are attached. The recommendations for the Council to consider are set out below:

- Minute 645 [Review of the Members' Allowances Scheme – Report of the Independent Remuneration Panel] – the Officer's report and the report of the Independent Remuneration Panel are attached.

The Independent Remuneration Panel will be in attendance at the meeting to respond to questions.

- Minute 651 [Treasury Management Strategy and Annual Investment Strategy 2024/25] – the Officer’s report and accompanying appendices are attached.

13. CONSTITUTION WORKING PARTY - 29 FEBRUARY 2024

The minutes from the meeting of the Constitution Working Party held on 29 February 2024 will be circulated separately to the agenda and any recommendations will be presented to the meeting.

14. POLICY & FINANCE COMMITTEE - 7 MARCH 2024

The minutes from the meeting of the Policy & Finance Committee held on 7 March 2024 will be circulated separately and any recommendations will be reported to the meeting.

15. MOTIONS

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

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

Agenda Item 6

Subject to approval at the next Full Council meeting

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**MINUTES
OF A
SPECIAL MEETING OF THE ARUN DISTRICT COUNCIL
HELD IN THE ARUN CIVIC CENTRE
ON 21 FEBRUARY 2024 at 6.00 PM**

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

654. WELCOME

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

655. APOLOGIES FOR ABSENCE

Apologies for Absence had been received from Councillors English, Hamilton, Harty and from Honorary Aldermen, Mr Dingemans and Mr English.

656. DECLARATIONS OF INTEREST

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

Name	Town or Parish Council or West Sussex County Council [WSCC]
Councillor Kenton Batley	Bognor Regis
Councillor Trevor Bence	WSCC
Councillor Paul Bicknell	Angmering
Councillor Carol Birch	Aldwick
Councillor Billy Blanchard-Cooper	Littlehampton
Councillor Jim Brooks	Bognor Regis
Councillor Alan Butcher	Littlehampton
Councillor Andy Cooper	Rustington
Councillor Alison Cooper	Rustington and WSCC
Councillor Roger Elkins	Ferring and WSCC
Councillor Steve Goodheart	Bognor Regis

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Councillor Keir Greenway	Bersted and WSCC
Councillor Thomas Harty	Felpham
Councillor Shirley Haywood	Middleton-on-Sea
Councillor David Huntley	Pagham
Councillor Lesley-Anne Lloyd	Rustington
Councillor Jill Long	Littlehampton
Councillor Martin Lury	Bersted
Councillor Maralyn May	Littlehampton
Councillor Roger Nash	Bognor Regis
Councillor Claire Needs	Bognor Regis
Councillor Mike Northeast	Littlehampton
Councillor Peggy Partridge	Rustington
Councillor Jacky Pendleton	Middleton-on-Sea and WSCC
Councillor Matt Stanley	Bognor Regis
Councillor Freddie Tandy	Littlehampton
Councillor Sue Wallsgrove	Barnham and Eastergate
Councillor Jeanette Warr	Bognor Regis
Councillor Christine Wiltshire	Littlehampton
Councillor Bob Woodman	Littlehampton
Councillor Amanda Worne	Ford and Yapton
Councillor Amelia Worne	Littlehampton
Councillor Gillian Yeates	Bersted and Bognor Regis

The following Councillors asked for their details to be updated on the declaration sheet displayed to the meeting, as set out below:

- Councillor Bence – to add that he was a Member of Aldwick Parish Council;
- Councillor Lawrence – to add that she was now a Member of Aldingbourne Parish Council;
- Councillor Birch – to have removed that she was no longer a member of Aldwick Parish Council; and
- Councillor McAuliffe – to add that he was a Member of Walberton Parish Council

No additional Declarations of Interest were made.

The Chair then reminded Members of the restrictions on voting outlined in Section 106 of the Local Government Finance Act 1992. This confirmed that where a Member had at least two months arrears of Council tax they must not vote on any other matter relating directly to the setting of the next year's Council Tax, though they could remain in the meeting and could speak.

657. PUBLIC QUESTION TIME

The Chair confirmed that five public questions had been submitted for the meeting. These questions have been very briefly summarised below:

- (1) From Mr Chester to the Planning Committee, Councillor Hamilton regarding the 112 Bo Klok homes in Littlehampton. In the absence of the Chair of the Planning Committee, Councillor Hamilton, a response was provided by the Vice-Chair, Councillor Wallsgrove. A supplementary question was asked and it was confirmed that a written response would be provided.
- (2) Mr and Mrs Smith to the Chair of the Policy & Finance Committee, Councillor Stanley regarding the payment of Council Tax and other options available for the payment of Council Tax. A supplementary question was asked and it was confirmed that a written response would be provided.
- (3) Mr Neathercote to the Chair of the Policy & Finance Committee regarding the Council's finances.
- (4) Mr and Mrs Smith to the Chair of the Corporate Support Committee, Councillor Opper regarding electoral registration. A supplementary question was asked and it was confirmed that a response would be provided in writing.
- (5) Mr Neathercoate to the Chair of the Environment Committee, Councillor Wallsgrove regarding landowners undertaking their riparian responsibilities with regard to ditch clearing.

The Chair in drawing Public Question to a close confirmed that a schedule of the full questions asked, and the responses provided would be uploaded to the Full Council Public Question Time Web page within ten working days of the meeting.

658. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

No questions were asked.

659. MINUTES

The Minutes of the Council Meeting held on 10 January 2024 were approved by the Council as a correct record and would be signed by the Chair at the end of the meeting.

660. CHAIR'S ANNOUNCEMENTS

The Chair confirmed that there were no announcements to be made.

661. URGENT MATTERS

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

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662. ARUN DISTRICT COUNCIL BUDGET - 2024-2025

The Chair confirmed that this Special Council Meeting had been called to consider the Budget for 2024/2025 and to set the Council Tax for Arun District Council. Councillors were referred to eight recommendations set out within the agenda papers for them to consider as well as the need to note four further recommendations and the minutes from the meeting of the Policy & Finance Committee held on 8 February 2024. These minutes had been circulated to Members and published to the Council's web pages on 20 February 2024.

Before inviting the Leader of the Council, Councillor Stanley, to present his Budget Statement, the Chair reminded Councillors of the procedure for this meeting as confirmed in the Constitution at Council Procedure Rule 4.3 and as set out in the covering agenda for the meeting.

Councillor Stanley stated that he had great pleasure in presenting the first Budget Statement to be made under the new administration. Firstly, he wished to extend his gratitude to all who had contributed to its development, from Officers to Members and not forgetting the invaluable input from residents. All had been instrumental in producing the budget to be considered. During its journey, through the committee system, there had been more briefings; meetings; and more information being made available than ever before. The Council had even embarked upon a public consultation exercise which would be expanded and enhanced in forthcoming years. Throughout its development Councillors had had the opportunity to scrutinise; ask questions and present counter proposals. Members from all sides of the Chamber had chosen to support the budget through its journey and thanks were extended to them for doing so.

Councillor Stanley highlighted that there were significant challenges impacting the finances of local government and Arun was not immune to this situation. Coastal communities had been underfunded for years and more recently Councils had seen Central Government moving away from providing consistent long term funding resulting in the need for Councils to use their precious resources to develop bids and compete against each other for short term investment, this could not be a long-term solution for front line community services. Councillor Stanley stated that he wished to reaffirm that the Council was in a good financial position. Much work had been undertaken to address internal culture and member behaviour; the essential review of the Local Plan had been launched; and the Arun Flood Forum had been established despite Arun not being the lead responsible authority for this area and the multiple associated issues. Councillor Stanley stated that he fully appreciated that there were individual items within the budget that Members might not wish to support. Due to the economic environment imposed onto the Council it was necessary to have to make difficult decisions and the budget being presented was the responsible option as it sought to tackle the challenges being faced by looking at operational savings and managerial realignment whilst focusing on preserving community facing services. At the same time, there was a lot to

be excited about. The Council had an ambitious capital programme ahead and was committed to the successful completion of the district's Levelling-Up Fund projects at the Regis Centre, in Bognor Regis and the Seafront Project in Littlehampton. From a housing perspective, the Council was continuing to seek opportunities and purchase new council homes providing good quality homes for communities. There were projects underway looking to develop brownfield sites, one being the Bognor Regis Arcade with the Council continuing to work alongside stakeholders to improve and enhance play areas for the community. Councillor Stanley repeated his thanks to the Group Head of Finance and Section 151 Officer and his team for the development of the budget and the clear and concise advice that had been provided and he urged Councillors to support it.

The recommendations set out within the budget were then seconded by Councillor Nash as Deputy Leader of the Council.

In line with the procedure for debates at Special Meetings, the Chair confirmed that she would now invite questions from Members to Officers. No questions were asked.

The Chair then invited Councillor Gunner to respond to the Budget as the Leader of the Opposition and Leader of the Conservative Group.

Councillor Gunner responded by referring to the choices that were available to Members in considering this budget. He stated that the new administration had made the wrong choice in aggregating all responsibility for the setting of it and by not making choices of their own. Councillor Gunner then referred to the Council's key priorities and how these related to the proposed budget. The first was "Fulfilling Arun's Economic Potential" and he questioned how this could be achieved by reducing staffing in the Economy section. The next priority was "Supporting our Environment to Support Us". Councillor Gunner stated that budget cuts were proposed by up to 40 per cent for climate change and there was no funding identified for beach access. Turning to the next priority "Delivering the Right Homes in the Right Places", Councillor Gunner made reference to the additional 1,536 new homes being provided as a result of approved planning applications approved by the Council since May 2023. There was concern that Council tenants would be paying an additional £500 extra a year in rent. On the final priority which was "Improving the Wellbeing of Arun", cuts to playgrounds and lifeguards would not improve the wellbeing of younger people. Coupled with a reduction in community wardens the budget would not improve the wellbeing of the district's Town Centres and without the promised money for the regeneration of the Windmill Theatre, this would not improve the wellbeing of Littlehampton.

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Councillor Gunner referred to the Council's healthy reserves which were in place due to the prudent planning undertaken by the previous administration. Councillor Gunner said it was disappointing that the Council would only receive 2% more from the income from its assets. The Regis Centre remained empty and was costing the Council £99k per year and this did not include the loss of income from a tenant, this income could have prevented the Council from having to make savings in respect of playgrounds, foreshores and lifeguards. Expenditure for the Civic Centre and the Bognor Regis Town Hall was being increased by £63k at a time when most staff continued to work from home for part of the week. More money was being spent on senior staff when the Council could be looking at efficiencies using the Transformation Fund. Services could have been shared with neighbouring authorities and it had been confirmed that there were no proposals for this until next year. Savings could have been found elsewhere making the choice to protect some of the areas being cut.

Finally, Councillor Gunner listed a range of cross party election pledges which he said had been broken stating that this was a misleading and disappointing budget as it did not support a commitment to climate change initiatives; it did not boost the local economy; it proposed cuts to staffing in areas that were critically needed such as the Economy team; foreshores; and by reducing the number of Senior Planners.

The Chair then invited Councillor Northeast to respond to the Budget on behalf of the Labour Group. He outlined that his experience in setting this budget had been very different to previous years as he was leading the Labour Group which was a member of a cross party ruling alliance. He confirmed that it had been refreshing to be part of a new way of dealing with and prioritising Arun's finances. Although the budget dealt with the past, it delivered the now and planned for the future. He accepted that all Groups had pledged things in election leaflets that could not be achieved with this budget, however, he was hopeful that with the direction the budget would take, many of the pledges could be revisited in the future.

Councillor Northeast highlighted a number of challenges that the Council had experienced resulting in it losing continuity with its residents and becoming unapproachable and seemingly uncaring for many. This budget planned to rectify those issues through management savings and improved income. The Council had undertaken consultation with staff to identify savings that would not have a detrimental effect on statutory services. These improvements could already be seen, and good staff were being recruited showing a commitment to care to residents. The reliance on expensive agency staff had been dramatically reduced and there was strong commitment to reduce this even further. The budget's new approach meant that the Council had not had to raid balances to the level of last year, securing the Council's financial future. Councillor Northeast thanked the Group Head of Finance and Section 151 Officer and his team; the Interim Joint Chief Executives and all staff involved in the budget consultation for their efforts. He had never seen such a level of member involvement and participation which had to be applauded. Councillor Northeast confirmed that the budget would set the Council on the right course putting the Council

onto a strong economic footing which would allow it to work on the issues that mattered most to residents and so he urged Councillors to support it.

The Chair invited Councillor Wallsgrove to respond to the Budget on behalf of the Green Group. She stated how important it was to think of the climate in all that the Council did, especially at a time when many parts of the district remained flooded with water and sewage. Turning to some key parts of the budget, the 7.7% increase in council rents had been unavoidable, however, there was help for those that needed it. Councillor Wallsgrove stated that this budget ensured that key projects would remain on target. The Bersted Brooks project would assist with flooding and biodiversity and residents would be able to visit it free of charge to experience what was left of the green fields of Arun.

The Chair then invited Councillor Huntley to respond on behalf of the Independent Green Group. He confirmed that his Group felt that this was a responsible budget given the constraints previously mentioned. Councillor Huntley referred to the rate support grant that had been non-existent for many years meaning that the Council had had to robustly respond in setting its budget. There was a need to invest for the future and to focus on building and developing brownfield sites and increasing the Council's housing stock. Councillor Huntley confirmed that his Group supported the budget.

The Chair invited Councillor Goodheart to respond on behalf of the Arun Independent Group. He confirmed that his Group were looking forward to supporting the new budget as it moved forward in times of economic crisis and cutbacks. The Council needed to support regeneration projects in the district, and it needed to encourage investment by exploring all opportunities. Councillor Goodheart confirmed that his Group was looking forward to being involved in any type of development that would deliver prosperity to the area. He supported Arun delivering strong climate emergency programmes and he looked forward to working with all political groups to deliver the budget.

The Chair thanked Group Leaders for their responses and invited debate.

The first to speak was Councillor Stanley and he confirmed that he wished to move a small amendment to the capital programme detail in Appendix 3 to add the following wording to the line under Housing and Wellbeing entitled 'Housing Improvements' to read **Housing Improvements and Energy Efficiency**. This amendment had no financial impact on any of the figures in the budget it proposed to confirm the Council's focus and commitment to applying climate change to key projects. The amendment was seconded by Councillor Wallsgrove.

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As proposer of the amendment, Councillor Stanley confirmed that the amendment had been requested by the Green Group.

In line with Council Procedure Rule 20.6 – the voting on the amendment was recorded.

Those voting for the amendment were Councillors Ayling, Batley, Bence, Bicknell, Birch, Blanchard-Cooper, Mrs Bower, Bower, Brooks, Butcher, Cooper, Edwards, Elkins, Goodheart, Greenway, Gunner, Haywood, Huntley, Jones, Kelly, Lawrence, Lloyd, Long, Lury, Madeley, May, McAuliffe, McDougall, Nash, Needs, Northeast, O'Neill, Oppler, Partridge, Patel, Pendleton, Penycate, Purser, Stainton, Stanley, Tandy, Turner, Wallsgrove, Walsh, Warr, Wiltshire, Woodman, Mrs Worne, Miss Worne and Yeates (50). No Councillors voted against the recommendations. Councillor Mrs Cooper abstained from voting (1).

The amendment was therefore declared CARRIED.

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

Many observations were made. Debate commenced with concerns raised over the 2.9% increase in Council Tax; the 7.7% increase in Council rents and the 10% increase in car parking charges when a promise had been made the previous year to reverse such increases and this could not be seen in this budget. Concern was also expressed over the 40% reduction in the climate change budget and cuts to the Foreshores Team that would mainly affect Bognor Regis. Other concerns expressed were that there was no funding for beach access and accessibility, though this was not prevent work continuing. Cuts in staffing in areas such as foreshores, the Economy team and planning would not help the Council to fulfil its regeneration and other aspirations.

The cut in the community wardens service was also a concern and at a time when anti-social behaviour was increasing, this was also an issue that was of great concern and of importance to residents.

Further observations made covered the lack of member consultation in setting the budget; the Local Government Finance Settlement and central government funding; the national economy; the position of the Housing Revenue Account reserves balance; and the performance of previous administrations.

Having concluded the debate, the Chair invited Councillor Nash as the seconder to the recommendations to speak. Councillor Nash outlined that he saw this budget as a new start for the Council and as some of the major issues it had been facing were being addressed. Staff moral had improved; recruitment was underway; the reliance on agency staff was reducing, Member behaviour had been addressed; and residents were now looking at Arun in a different light. Setting the budget had not been easy given the difficult and challenging circumstances, which were not unique to Arun, they were a national problem due to high inflation and other issues resulting in the Council having to make difficult and problematic decisions, The budget was realistic and protected many front line services.

Councillor Nash praised the staff involved in setting the budget and he praised the wider public consultation that had been undertaken which would be built on for the future. This budget was a sound budget and provided a steer for the future, opening existing opportunities in terms of regeneration, housing and in terms of how the Council was perceived.

Councillor Stanley, as the proposer of the recommendations, responded to some of the points raised. He said he was genuinely passionate about the views and opinions of residents and he was keen to progress further the public consultation undertaken on the budget in the future. Regarding consultation, he reminded Councillors that every Member had had the opportunity to submit suggestions, to ask questions and to make counter proposals. Councillor Stanley confirmed that the Council was in a robust position as it had good financial reserves which had been down to previous administrations. It needed to be mentioned that the Council could have been in a far better position had it been more ambitious in previous years, when interest rates were low, investing for the council and producing income for the Council. What was before Members was a solid and responsible budget which Councillor Stanley urged Members to support.

In line with Council Procedure Rule 20.6 – the voting on the substantive recommendations was recorded.

Those voting for were Councillors Ayling, Batley, Birch, Blanchard-Cooper, Brooks, Butcher, Goodheart, Haywood, Huntley, Jones, Lawrence, Long, Lury, May, McAuliffe, McDougall, Nash, Needs, Northeast, O'Neill, Oppler, Penycate, Stanley, Tandy, Wallsgrove, Walsh, Warr, Wiltshire, Woodman, Mrs Worne, Miss Worne and Yeates (32). No Councillors voted against the recommendations. Councillors Bence, Bicknell, Mrs Bower, Bower, Mrs Cooper, Cooper, Edwards, Elkins, Greenway, Gunner, Kelly, Lloyd, Madeley, Partridge, Patel, Pendleton, Purser, Stainton, and Turner abstained from voting (19).

The Council, therefore

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RESOLVED – That it

- (1) Approves the General Fund Budget as set out in Appendix 1;
- (2) Approves that Arun's Band D Council Tax for 2024/25 is set at £208.39, which is an increase of 2.99% over 2023/24;
- (3) Approves that Arun's Council Tax Requirement for 2024/25, based on a Band D Council tax of £208.39, is set at £13.451 million, plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements. Page 23 Agenda Item 8;
- (4) Approves the Housing Revenue Account (HRA) budget as set out in Appendix 2;
- (5) Approves that HRA rents be increased by 7.7% in accordance with the provisions of the rent standard;
- (6) Approves that HRA garage rents be increased by 7.7% to give an average rent of £15.60 per week (excluding VAT) and heating and water/sewerage charges be increased on a scheme-by-scheme basis, with the aim of balancing costs with income;
- (7) Approves the capital programme as set out Appendix 3, as amended; and
- (8) Approves the Statutory Resolutions - see appendix 5.

The Council also noted that:

- (9) The Group Head of Finance, in consultation with the Leader of the Council has approved a tax base of 64,550 for 2024/25;
- (10) Notes the submission of the Council's NNDR1 return (the estimate of the Council's Business Rate income for 2024/25) to the Department for Levelling Up, Housing and Communities (DLUHC);
- (11) The Council's Usable Revenue Reserves minimum balance is set at £10m for 2024/25;
- (12) The HRA reserve balance will continue to remain below the minimum level of £2 million for 2024/25.

The Council also

RESOLVED

That for 2024/25 any expenses incurred by the Authority in performing in part of its area a function performed elsewhere in its area by a Parish/Town Council or the Chairman of a Parish Meeting shall not be treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992.

663. MOTIONS

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

(The meeting concluded at 7.46 pm)

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MEETING DATES 2024/25
For Full Council Approval – 13 March 2024

	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024
Mon			1 LGA Conference – Harrogate – travel day if attending		2	30 Conservative Party Conference Week
Tues			2 LGA Conference		3	1
Wed	1		3 LGA Conference		4	2
Thurs	2 PCC Elections		4 LGA [finishes am]	1	5	3 Audit & Governance (2)
Fri	3		5	2	6	4
Mon	6 Bank Holiday	3	8 Licensing Sub [if needed]	5	9 Licensing Sub [if needed]	7 Green Party Conference week – tbc?
Tues	7	4	9 Policy & Finance (1)	6	10 Housing & Wellbeing (2)	8
Wed	8	5 Planning	10 Planning	7 Planning	11 Planning	9
Thurs	9 Council (5)	6 Planning Policy (1)	11	8	12 Environment (2)	10 Corporate Support (2)
Fri	10	7	12	9	13	11
Mon	13	10	15	12 Licensing Sub [if needed]	16 Lib Dem Party Conf Week	14 Licensing Sub [if needed]
Tues	14	11	16	13	17	15
Wed	15 Annual Council and Reception	12	17 Council (1)	14	18	16 Planning
Thurs	16	13 Economy (1)	18	15	19	17 Standards (2)
Fri	17	14	19	16	20 Licensing (2)	18
Mon	20	17	22 School holidays	19	23 Labour Party Conference Week	21
Tues	21	18 Housing & Wellbeing (1)	23 Audit & Governance (1)	20	24	22 Economy (2)
Wed	22	19	24	21	25	23
Thurs	23	20 Environment (1)	25	22	26 Planning Policy (2)	24 Policy & Finance (2)
Fri	24	21	26	23	27	25
Mon	27 Half Term/Bank Holiday	24	29	26 Bank Holiday		28 Half Term
Tues	28	25 Standards (1)	30	27		29
Wed	29	26	31	28		30
Thurs	30	27 Corporate Support (1)		29		31
Fri	31	28 Licensing (1)		30		

MEETING DATES 2024/25

For Full Council Approval – 13 March 2024

	November 2024	December 2024	January 2025	February 2025	March 2025	April 2025	May 2025
Mon		2		3	3		
Tues		3 Audit & Governance (3)		4 Housing & Wellbeing (3)	4	1 Economy (4)	
Wed		4	1 Bank Holiday	5	5	2	
Thurs		5	2	6 Corporate Support (3)	6 Standards (4)	3 Special P&F [If needed]	1 WSCC Elections
Fri	1	6	3	7	7	4	2
Mon	4	9	6	10	10	7 Easter Holidays	5 Bank Holiday
Tues	5	10	7	11	11	8	6
Wed	6	11 Policy & Finance (3)	8 Council (3)	12	12	9	7
Thurs	7 Council (2)	12	9	13 Policy & Finance [For the Budget] (4)	13 Policy & Finance (5)	10	8
Fri	8	13 Licensing (3)	10	14	14	11	9
Mon	11 Licensing Sub [if needed]	16 Licensing Sub [if needed]	13 Licensing Sub	17 Half Term	17	14	12
Tues	12	17	14	18	18 Planning Policy (5)	15	13
Wed	13 Planning	18 Planning	15 Planning	19 Planning	19 Council (4)	16	14 Council (5)
Thurs	14 Environment (3)	19	16 Standards (3)	20	20 Housing & Wellbeing (5)	17	15
Fri	15	20	17	21	21	18 Good Friday	16
Mon	18	23 School Holidays	20	24 Licensing Sub [if needed]	24 Licensing Sub [if needed]	21 Easter Monday	19
Tues	19	24	21	25	25 Corporate Support (4)	22 Elections take over Civic Suite	20
Wed	20	25 Bank Holiday	22	26 Special Council [Budget]	26 Planning	23 Planning	21 Annual Council
Thurs	21 Housing & Wellbeing (3)	26 Bank Holiday	23 Economy (3)	27 Audit & Governance (4)	27 Environment (5)	24	22
Fri	22	27	24	28 Licensing (4)	28	25	23
Mon	25	30	27		31	28	26 Bank Holiday Half Term
Tues	26	31	28 Planning Policy (4)			29	27
Wed	27		29			30	28
Thurs	28 Planning Policy (3)		30 Environment (4)				29
Fri	29		31				30

MEETING DATES 2024/25
For Full Council Approval – 13 March 2024

NOTES

Areas shaded in green are school holidays and Bank Holidays

Meetings have been set in accordance with the frequency of meetings approved by Full Council when it changed its governance structure over to a Committee system – this being:

- Policy & Finance – 5
- Corporate Support – 4
- Planning Policy – 5
- Housing & Wellbeing – 5
- Environment – 5
- Economy – 4
- Council – 5 plus the Special for the Budget and Annual Council
- Audit & Governance (4), Standards (4) Licensing (4) Planning and Licensing Sub (monthly) – their frequency remains unchanged

Of concern is the Economy Committee where 2 Special Meetings were required in June and November 2023 to accommodate the workload of the Committee. Any request to change the frequency of meetings would need to be considered by the Constitution Working Party

Other Dates Avoided are:

Party Conference Weeks in September and October 2024 – some dates are still to be confirmed due to a pending General Election
Avoiding the Summer School Holidays as much as possible – only exception is Audit & Governance on 23 July 2023 and Planning in maintaining monthly meetings and Licensing Sub [where required]

Fitting in around the timescales for KPI performance reporting

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

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

When the General Election is called – any clashes in meetings will be addressed at that time

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Public Document Pack Agenda Item 10

Subject to approval at the next Standards Committee meeting

405

STANDARDS COMMITTEE

18 January 2024 at 6.00 pm

Present: Councillors May (Vice-Chair, in the Chair), Batley, Kelly, Lloyd, Purser, Turner, Woodman, Haywood (Substitute for Huntley) and Long (Substitute for Worne)

Also present were Independent Persons Mr John Cooke, Mr John Thompson and Mrs Sandra Prail.

[Councillor Lloyd was absent from the meeting during discussion at all or part of Minute 530 – 538]

530. WELCOME AND ELECTION OF VICE-CHAIR

The Vice-Chair in the Chair opened the meeting and welcomed Members and Officers. She explained that the Chair had given his apologies for the meeting and proposed Councillor Woodman as acting Vice-Chair for the meeting. This was seconded by Councillor Batley and approved by the Committee.

531. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Huntley, Worne, Ayling and Goodheart.

532. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

533. MINUTES

The Minutes of the meeting held on 31 October 2023 were approved by the Committee. These would be signed after the meeting.

534. ITEMS NOT ON THE AGENDA WHICH THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

There were no urgent matters for this meeting.

535. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

Standards Committee - 18.01.24

536. MONITORING OFFICER REPORT - JANUARY 2024

Upon the invitation of the Chair, the Monitoring Officer introduced the report to Committee. He highlighted paragraph 4.2 and 4.3, 'Maintaining the Constitution'. The Constitution Working Party met on 16 October 2023 and made recommendations to Full Council regarding amendments to the Constitution, including the removal of the 3 hour time limit for the Planning Committee and Licensing Sub Committee. These recommendations were approved by Full Council on 10 January 2024. The changes had now been made to the Constitution, which had been republished and provided to Members.

The Local Assessment Procedures was a separate item on the agenda, as was an update on Member Learning and Development.

There were no questions from Members.

The Committee noted the report.

537. MEMBER LEARNING & DEVELOPMENT

Upon the invitation of the Chair, the Monitoring Officer introduced the report, explaining that the training matrix at Appendix A, had been updated to reflect that Councillors Goodheart and Haywood were now trained to sit on the Standards Committee. He reminded Members that there had been a change to political groupings confirmed at Full Council on 10 January 2024, which was the formation of a new group, the Arun Independent Group. This had meant a change to the allocations of Committees and Councillor Goodheart had therefore taken up a position on the Standards Committee.

The Monitoring Officer followed up on a request made by Councillor Turner at a previous meeting, and he confirmed that an email would be sent to Members later in the month regarding training on data protection. Councillor Turner thanked the Monitoring Officer for this.

The Chair then invited questions. One Member drew attention to paragraph 4.3 of the report regarding potential future one-off and/or regular training opportunities for Members. She felt refresher training would be beneficial. The Monitoring Officer agreed that refresher training was important and explained the Committee had a role in continuing to identify the need and areas in which Members would benefit from additional training.

Having provided the Monitoring Officer with observations regarding future learning and development opportunities for Members, the Committee noted the report.

538. REVIEW OF LOCAL ASSESSMENT PROCEDURES

Upon the invitation of the Chair, the Monitoring Officer introduced the report to Committee. He explained the Local Assessment Procedure and Assessment Panel Procedure governed the entire process of Member complaints, including for Town and Parish Councils. This report brought forward revised Local Assessment Procedure and Assessment Panel Procedure documents. It reflected lessons learned over the 12-month period since the procedures were last reviewed at the Committee's meeting on 23 February 2023, and also best practice.

The amendment to the Local Assessment Procedure in the report was to extend the initial assessment period from 20 working days to 30 working days. The current period was restrictive and the Monitoring Officer felt it was difficult to turn around the initial assessment within 4 weeks. He explained the timescale he followed and he gave a recent example in which the subject member had provided their views at the end of the allocated 2 week period, the Monitoring Officer then had to go back with questions which the subject member needed time to respond to, which would impact on the timeframe. The Monitoring Officer had looked at best practice and what other authorities were doing, and he felt a 6 week period would be helpful and reasonable.

The Monitoring Officer updated that following conversations with an Independent Person in advance of the meeting, he also wished to add at the end of paragraph 7 of the Local Assessment Procedure (page 26 of the agenda pack) an additional sentence 'A councillor against whom an allegation has been made has the right to consult the Independent Person should they wish to do so at any stage'. It was also pointed out that this should not be the same Independent Person advising the Monitoring Officer on the complaint.

It was also highlighted that the Monitoring Officer had the right to refer to an officer of another authority and it was suggested that paragraph 3 of the Local Assessment Procedure (on page 25) should include the wording '(or an officer of another authority)' as follows:

The MO may refer the matter to the standards committee to take the decision in his or her place and he or she may delegate the matter to his or her deputy(ies) or another officer (**or an officer of another authority**) if, for example he or she believes there is a conflict of interest. This power is at the discretion of the MO.

Clarification was sought on why Councillors were referred to as District Councillors in paragraph 6, and Members in all other parts of the Procedures. The Monitoring Officer explained this was because paragraph 6 specifically related to District Councillors, whereas all other parts referred to District, Town and Parish Councillors.

The recommendations were proposed by Councillor Turner and seconded by Councillor Purser

Standards Committee - 18.01.24

The Committee

RESOLVED

- 1) That the operation of the Local Assessment Procedure (Appendix A) and Hearings (Assessment Panel) Procedure (Appendix B), including the proposed amendments made by the Monitoring Officer, had been reviewed; and

RECOMMEND TO FULL COUNCIL

- 2) That the revised Local Assessment Procedure be adopted.

539. INDEPENDENT PERSON RECRUITMENT

Upon the invitation of the Chair, the Monitoring Officer introduced the report, reminding Members that at its last meeting, Committee received a report introducing the process and timings for the recruitment of the Council's Independent Persons, whose current terms of appointment were due to expire in July 2024. They had resolved that the Council seek to recruit three Independent Persons for a term of 4 years commencing in July 2024, with an interview panel comprising three Members of the Committee, the Group Head of Law and Governance and an existing Independent Person. They also authorised the Group Head of Law and Governance to prepare an application pack and bring the documentation to this meeting for approval. The Monitoring Officer clarified that should any existing Independent Persons apply, he would look for Independent Persons outside of Arun to sit on the Panel. He also updated Members that he had explored the possibility of recruiting jointly with other West Sussex district and borough councils, however this was not something he would be taking forward. The application pack was included in appendix 1.

The recommendations were proposed by Councillor Batley and seconded by Councillor Turner.

Questions and debate were invited and the following points were raised:

- Should a link to the Constitution be included in the application pack? The Monitoring Officer confirmed this could be done.
- Page 57, section 5 under Criminal Convictions and Cautions, said to find further information at the end of the pack, but the information did not seem to be there. The Monitoring Officer would look into this and email round to the Committee after the meeting any additions to the pack regarding this.
- Clarification was sought regarding what was meant by the 'principal authority' referred to in the first bullet point on page 49. The Monitoring Officer confirmed Arun District Council were the principal authority.

- Regarding paragraph 4.3 of the report, it was asked whether this could be advertised with the forces employment charity, which was free to use. The Monitoring Officer confirmed he would support that.
- It was asked whether there could be an overlap of some weeks between the current Independent Persons leaving and the new Independent Persons commencing, in order to share knowledge. The Monitoring Officer would look into this.

The Committee

RESOLVED

That the application pack for Independent Persons set out in the Appendix to this report, be agreed.

540. REGISTER OF ASSESSMENTS OF COMPLAINTS AGAINST COUNCILLORS

Upon the invitation of the Chair, the Monitoring Officer introduced the report, drawing Members attention to the table in paragraph 4.2. He updated the Committee that for complaint 23/3, he had now received confirmation that the subject member was prepared to apologise and so the matter would be dealt with by way of informal resolution. Complaint 23/05 was found to be no breach. Regarding 23/06, an apology had been issued which had been accepted under informal resolution. He had also very recently received 2 further complaints, which would be showing on the Table at the next meeting.

Upon the Chair inviting questions, it was asked whether there may be benefit to showing totals of complaints for each of the Parish Councils. The Monitoring Officer explained that if there was a trend in one particular Parish, he would bring this as an exempt report to the Committee, however he did not feel stating the Parish would be appropriate as part of the open meeting.

The Committee noted the report.

541. WORK PROGRAMME

The Monitoring Officer updated the Committee that he would be bringing another report regarding Independent Persons Recruitment to the next meeting of the Standards Committee.

The Committee noted the Work Programme.

(The meeting concluded at 6.39 pm)

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Arun District Council

REPORT TO:	Standards Committee – 18 January 2024
SUBJECT:	Review of Local Assessment Procedure and Assessment Panel Procedure
LEAD OFFICER:	Daniel Bainbridge – Monitoring Officer
LEAD MEMBER:	Councillor David Huntley
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The Localism Act 2011 requires local authorities to “...promote and maintain high standards of conduct by members and co-opted members of the authority.”	
DIRECTORATE POLICY CONTEXT:	
The Local Assessment Procedure and Assessment Panel Procedure set out a clear framework under which Code of Conduct complaints will be considered and determined.	
FINANCIAL SUMMARY:	
No financial implications have been identified.	

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

It is recommended that the Committee:

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

3. EXECUTIVE SUMMARY

- 3.1. This report brings forward revised Local Assessment Procedure and Assessment Panel Procedure documents for Councillors that take into account lessons learned over the 12-month period since the procedures were last reviewed at the Committee's meeting on 23 February 2023, and which builds in any areas of best practice and the Monitoring Officer's advice to the Committee.

4. DETAIL

- 4.1. The Local Assessment Procedure and the Assessment Panel Procedure were last reviewed at the Committee's meeting on 23 February 2023, with changes recommended to and adopted by Full Council on 15 March 2023.
- 4.2. Since that date the Monitoring Officer has received, processed and determined a number of complaints under the Code of Conduct, as well as having provided a full range of advice to Councillors in all contexts of the Council's business – both within and outside of Full Council and Committee meetings.
- 4.3. The Monitoring Officer considers that the Assessment Procedures continue to operate effectively in guiding the Monitoring Officer, Members and Independent Persons in relation to Code of Conduct complaints.
- 4.4. The only amendment recommended by the Monitoring Officer from his experience of the operation of the Procedures is to extend the initial assessment period from 20 working days to 30 working days. The current period is restrictive in that 10 working days are allowed for the subject member to submit comments in relation to a complaint.
- 4.5. Once those are received the Monitoring Officer has 10 working days in which to review those comments, seek additional information from the complainant (if necessary), speak with any witnesses that may be necessary following the subject member's comments, speak with the Town/Parish Clerk in the case of a town/parish complaint, and then pass his complaint review to the Independent Person having taken into account all of the above.
- 4.6. The Independent Person then needs time to review the complaint and to provide views to the Monitoring Officer before the Monitoring Officer then provides a written decision to the subject member and the complainant.
- 4.7. The Monitoring Officer therefore requests that the Committee recommends an extension of the overall initial assessment period to 30 working days.
- 4.8. There have been no Assessment Panel hearings since the Panel Procedure was last reviewed on 23 February 2023, and the Monitoring Officer's view is that no adjustments are required to that document at this time.
- 4.9. The Committee should consider the Monitoring Officer's proposals, together with any further updates that they wish to consider and recommend to Full Council.

5. CONSULTATION

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

6. OPTIONS / ALTERNATIVES CONSIDERED

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

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

- 7.1. No financial implications have been identified.

8. RISK ASSESSMENT CONSIDERATIONS

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

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

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

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

10. HUMAN RESOURCES IMPACT

11. HEALTH & SAFETY IMPACT

12. PROPERTY & ESTATES IMPACT

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

15. CRIME AND DISORDER REDUCTION IMPACT

16. HUMAN RIGHTS IMPACT

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS: None



Local Assessment Procedure 2021

Version 3.4 – February 2023 February 2024 (incorporating changes discussed by Standards Committee at their meeting on 23.02.23 18.01.24) and approved by Full Council at their meeting on

Version 3.0.4



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CASE HANDLING PROCEDURE

BACKGROUND

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

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

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

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

Initial assessment

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

Commented [SQ1]: Addition suggested by John Thompson

Commented [SQ2]: Changed 'member' to 'councillor' throughout (apart from when referring to Subject Member) for consistency - as suggested by Cllr Turner

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

complaints relating to the consideration of planning and/or licensing applications will not be dealt with under this procedure if there is an alternative legal remedy. The council has no authority to deal with complaints which relate solely to a member councillor's private life or things they do which are not related to their role as a member councillor.

5. Complaints which identify criminal conduct or breach of other regulations by any person may be referred by the MO to Sussex Police for consideration, in accordance with an agreed protocol as set out in Appendix B, or any other regulatory agency. In such cases the MO may at his or her discretion pause the consideration of the complaint pending action by the other body or commence a parallel investigation into the alleged Code of Conduct breach.
6. Complaints by a district councillor about another district councillor(s) will be referred by the MO to the relevant group leader(s) for resolution in the first place. If either the sSubject mMember or the complainant declines to engage with this informal process, or resolution is not possible, within 10 working days from the date of receipt of the complaint, the MO will progress from paragraph 7 below. (For the avoidance of doubt, group leaders do not take on the functions of the MO in this process, which is purely an informal process which has the aim of resolving 'councillor-against-councillor' complaints at the earliest opportunity and reducing the resolution time for complaints).
7. If the MO decides the matter is within scope of this Procedure, he or she will invite an Independent Person (IP)² to give his or her views on what action should be taken at this stage. That IP will then remain the IP who will be consulted on that case throughout this process, except in exceptional circumstances. A councillor against whom an allegation has been made has the right to consult with another Independent Person, should they wish to do so at any stage.
8. Where a complaint is accepted by the MO, the MO will notify the subject member of the complaint unless there are compelling reasons not to and invite him/her to submit any relevant comments. The subject member will be given 10 working days to respond, from the date of the notification. In parish cases the MO may also notify the clerk and may ask for relevant factual information. However, the MO, in consultation with an IP, may withhold the complainant's identity if they can be satisfied that there are reasonable grounds for granting confidentiality, for example a belief that the complainant or any witness to the complaint may be at risk of physical harm or intimidation, or that their employment may be jeopardised if their identity is disclosed.
9. At the end of the 10 working days (regardless of whether any comments have been received by the subject member), and no later than 20 30 working days from the date of receipt of the complaint, the MO will decide upon one of the following outcomes:

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

- a) to take no further action;
- b) to seek to resolve the matter informally; or
- c) to refer the matter for investigation.

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

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

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

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

13. The MO will report to the Standards Committee periodically on cases in which there has been no further action taken.

Informal resolution

14. Where the MO has decided to seek to resolve the matter informally, he or she may do one or more of the following:
 - a) ask the subject member to submit an apology in writing to the complainant;
 - b) convene a meeting between the subject member and the complainant in order to try to resolve the issue informally;
 - c) notify the subject member's group leader (where they are a member of a group) and suggest that they may wish to take some internal party action;
 - d) suggest that the subject member undergo relevant training;
 - e) other such action that the MO deems appropriate.
15. The MO will decide on a timeframe within which the informal resolution must be completed to an acceptable standard.
16. If either the subject member or complainant refuses to engage with the informal resolution proposed by the MO, or the MO deems the action taken by the subject member to be insufficient or the informal resolution does not take place in a timely way, the MO will decide, in consultation with an IP, whether the case should be closed, whether an investigation is necessary, or whether some other action should be taken.
17. The MO will notify the complainant (and clerk in parish cases) of the outcome of the informal resolution.
18. The MO will report to the Standards Committee periodically on the outcome of any informal resolutions proposed and/or implemented.

Investigation

19. Where a matter is referred for investigation, the MO may carry out the investigation him/herself, delegate it to another officer or appoint an external investigator.
20. The investigation must normally be completed within 3 months of the MO's decision to accept the complaint. If an extension of time is needed, the MO must agree that extension with the Chair of the Standards Committee and the IP and notify the subject member, complainant (and clerk in parish cases) of any extension.
21. The subject member is notified who the relevant IP is for the case and may seek his or her views at any stage during the investigation.
22. The complainant will also be notified who the IP is and may make a request to the MO to seek the views of the IP. However, such a request will only be granted at the discretion of the IP in consultation with the MO.

23. At any time during the investigation the MO, the subject member or the complainant may ask for an informal resolution. The MO will consult with the relevant IP to agree this.
24. Before being finalised, a draft report will be produced and the complainant, subject member and IP will be invited to comment. In the case of multiple complaints, a separate investigation report will be produced for each complaint, relating only to that complaint, in order to observe potential data protection implications. Witnesses may also be asked to comment as appropriate on parts of the draft report relevant to them.
25. Where the investigation has not been personally conducted by the MO, the final decision as to outcome will nevertheless be made by the MO unless there is a conflict of interest, in which case the decision will be taken by a Deputy MO.
26. There may be exceptional circumstances when the MO decides that a case should be closed before a draft or final report has been produced due to a significant change in circumstances. This may include, for example, that the subject member is seriously ill or is no longer a ~~member councillor~~ or other action has led to the matter being resolved. In such cases the MO should consult the IP before deciding that the file be closed. A record of the complaint will be kept on file in the event that the subject member returns to office in the future and a subsequent complaint is lodged against them.
27. At the end of the investigation the MO may conclude:
- a) that there has been no breach of the Code;
 - b) to seek to resolve the matter informally; or
 - c) to refer the matter to the Standards Committee for determination.
28. In cases where the MO has concluded that there has been no breach of the Code all parties (and the clerk in parish cases) will be notified of the MO's decision and there is no right of appeal against that decision. The MO will report the finding to the Standards Committee and issue a public decision notice.
29. Where the MO decides to seek to resolve the matter informally, he or she shall seek the views of the IP and complainant before concluding whether such an outcome is appropriate. The possible actions are those outlined above at paragraph 14. If the subject member or complainant refuses to engage with the informal action directed by the MO, the MO deems the action taken by the subject ~~mMember~~ insufficient or the informal action does not take place in a timely way the MO will decide, in consultation with the IP, whether the case should be closed or whether a hearing is necessary. The MO will notify the complainant (and clerk in parish cases) of the outcome of the informal action.

Commented [SQ3]: Decapitalised for consistency

30. Where the matter is referred for determination, the assessment panel of the Standards Committee will convene within 2 months. The MO will notify the complainant of the date of the hearing.

Assessment Panel

31. A matter referred for determination by the MO will be heard by an assessment panel, made up of members of the Standards Committee.

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

33. The views of the IP will be sought by the assessment panel during its meeting and before the panel retires to consider its decision. The IP will not retire with the assessment panel during its private deliberations.

34. The assessment panel may decide:

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

35. If the assessment panel decides that a relevant sanction should be imposed or recommended it may impose or recommend any one or more of the following:

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

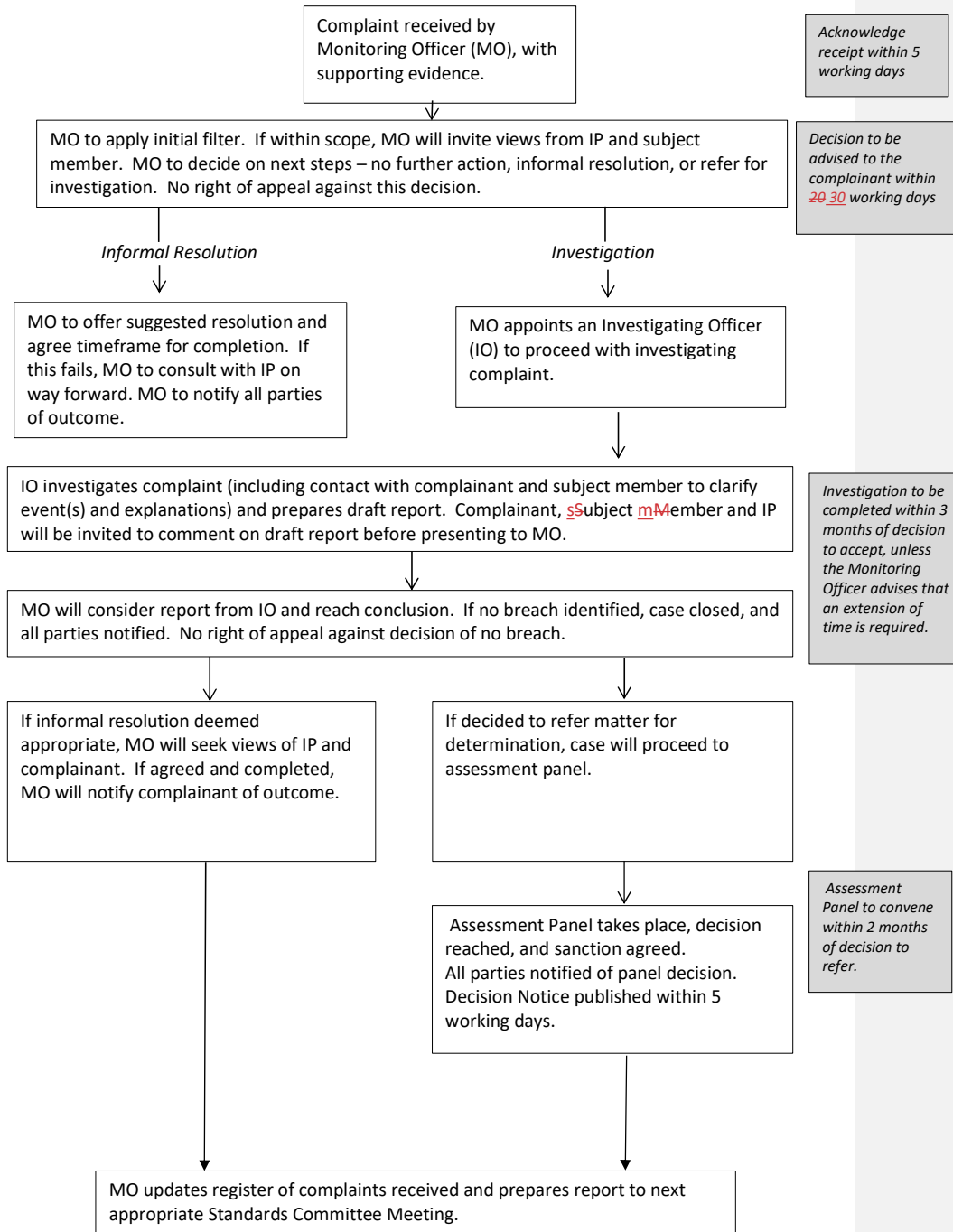
- h) recommend to council (or recommend that the parish council) that it excludes the subject member from the council's offices or other premises for a specified period, with the exception of meeting rooms as necessary for attending council, committee and sub-committee meetings and/or restricts contact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

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

37. A decision notice will be published on the council website within 5 working days of the assessment panel's decision.

Ends....

APPENDIX A - PROCEDURE FLOWCHART



APPENDIX B – POLICE PROTOCOL

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

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

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

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

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

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

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

REVISIONS LOG

Revision Log		
Version Number	Date	Revision
1.0	18.02.21	Procedure approved by Standards Committee
2.0	Jan 2022	Amendments approved by Standards Committee
2.1	07.03.22	Amended Police Protocol following appointment of new Chief Inspector.
2.2	27.06.22	Updated Police Protocol with new Monitoring Officer details
3.0	February 2023	Annual review of Procedure, amendments approved by Standards Committee at their meeting on 23.02.23. Approved at Full Council 15.03.23.
<u>3.1</u>	<u>March 2024</u>	<u>Annual review of Procedure, amendments agreed by Standards Committee at their meeting on 18.01.24. Approved at Full Council on dd/mm/yy</u>

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Public Document Pack Agenda Item 11

Subject to approval at the next Corporate Support Committee meeting

447

CORPORATE SUPPORT COMMITTEE

31 January 2024 at 6.00 pm

Present: Councillors Oppler (Chair), Tandy (Vice-Chair), Bower, Brooks, Jones, Lloyd, O'Neill, Pendleton (Substituting for Councillor English), Turner and Warr.

Councillor Stanley was also in attendance at the meeting.

[Note – The following Councillors were absent from the meeting during consideration of the following items of business: Councillor Pendleton – Minute 583 to Minute 588 (Part); and Councillor Lloyd - Minutes 583 to Minute 590 (Part)].

583. APOLOGY FOR ABSENCE

An Apology for Absence had been received from Councillor English.

584. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

585. MINUTES

The minutes of the previous Corporate Support Committee meeting held on 12 October 2023 were approved by the Committee as a correct record and would be signed by the Chair upon the conclusion of the meeting.

586. 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 for this meeting.

587. PUBLIC QUESTION TIME

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

588. MICROSOFT LICENCE RENEWAL

The Head of Technology and Digital presented his report which he explained was seeking the Committee's authority to renew the Microsoft contract for a period three years.

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It was explained that the Microsoft licences included the Council's operating systems; end user software; telephony; data bases; cyber security; admin tools; and the cloud environment and so covered just about everything that the Council did. The Microsoft licences were purchased through a subscription model that provided the Council with the right to use them and from this it received support; updates; and security patches. The current licence was due to expire in in June 2024.

Having had the recommendation proposed by Councillor O'Neill and seconded by Councillor Jones, the Committee

RESOLVED

That the Council purchases a three-year Microsoft licence agreement through a Government Procurement Agreement (GPA) compliant framework.

589. CORPORATE SUPPORT PERFORMANCE REPORT QUARTER 2 & QUARTER 3

The Group Head of Organisational Excellence presented to the Committee two key performance indicator reports for 2022- 2026. The first covered the Quarter 2 period from 1 April to 30 September 2023 with the second covering the Quarter 3 period from 1 April to 31 December 2023.

The Committee was invited to either discuss the two reports separately or it could note the first report and focus its attention onto the most up to date performance figures and commentaries provided in the Quarter 3 report.

The Committee noted the Quarter 2 report and then turned its attention to the Quarter 3 report.

Various questions were asked which have been summarised below:

- CP1 – [% of Stage 2 responses responded to in time] – in terms of complaints in Housing Services, it was felt that a lack of inspections might be fuelling complaints and so a request was made for inspections to be put into place to assess work undertaken following the completion of housing repairs and maintenance work. This would help to reduce the number of complaints received.
- CP4 and CP5 [Sickness Absence] and [Staff Turnover] – as stress was a large contributor to long-term absence, could this also be fuelling staff turnover as well? It was confirmed that when dealing with stress it was sometimes very difficult to distinguish between work and home related stress as both could be factors. Absence was not currently analysed in that way and although stress could be a contributing factor to turnover, the point was well understood. Continuing with the debate, it was disappointing to see that leavers were reluctant to complete a survey

when they left the authority as this would provide information that could assist the Council in understanding why people were leaving. It was explained that the system had been changed from staff being asked to attend an in person exit interview to completing a digital survey to encourage and increase survey responses, however, this change may have had the opposite effect with leavers not wishing to vocalise their reasons for leaving. This was making identifying trends for why staff were choosing to leave the authority very difficult capture.

Another Committee member also contributed to this item stating that it would be useful to receive a breakdown of how sickness absence information was accumulated. This was because there were some reasons for absence that everyone understood but there were other reasons that were more difficult to control. It was felt that there needed to be more understanding as to why some people might be too stressed to come into work. A suggestion made was that the Policy & Finance Committee be asked to change the measure for indicator CP4 to record how much sickness absence was because of stress. This would be useful to track as part of organisational culture work.

The Committee then noted the Quarter 3 performance report.

590. COMMITTEE REVENUE AND CAPITAL BUDGETS - 2024/25

The Group Head of Finance and Section 151 Officer presented his report which was asking the Committee to consider and recommend its revenue budget for inclusion in the Council's overall 2024/25 revenue budget. The recommendations would firstly be submitted to the Policy & Finance Committee on 8 February 2024 which would consider the overall revenue and capital budgets for 2024/25 so that recommendations could be made to a Special Meeting of the Council on 21 February 2024 regarding the budgets to be set and level of Council Tax for the district for 2024/25.

The Group Head of Finance and Section 151 Officer stated that forecasting remained problematic particularly due to ongoing inflationary pressures and the volatility around other external factors affecting the economy and therefore budgets had been compiled using the best information available. It was confirmed that the current levels of service provision would remain unchanged and that there was no growth in the revenue budget for 2024/25. The net changes in the revenue budget between 2023/24 and 2024/25 were outlined in Paragraph 4.4 of the report, the main highlights being salary inflation; IT costs; an increase in the external audit fee; and a reduction in election services costs.

The savings totalling £249k identified in the Financial Strategy had been listed in Paragraph 4.5 of the report with the largest saving being a reduction in the number of digital based projects. There would be no new planned capital programme for the committee for 2024/25.

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The Chair invited questions. A wide range of questions were asked. Firstly, these focused on the table of savings where an explanation was sought regarding some of the items listed. There was concern expressed over reducing the GIS contract and the deletion of the part-time web administrator post. Clarification was also sought with regard to the last saving of £6k in the table.

The Group Head of Finance and Section 151 Officer explained that the last entry in the table at Paragraph 4.5 should read "~~Reduce Legal Services subscriptions costs through West Sussex wide group purchasing. Recharge Payroll service costs to third parties~~". Members of the Committee had been notified by email of this change and had been provided with an updated report on 26 January 2024. In terms of reducing GIS [Geographic Information System] the Head of Technology and Digital explained that some of the functionality had now been written in-house meaning that the Council was not losing this functionality, it was just not having to pay for it. On the deletion of the web administrator post, the work that had needed to be undertaken to make the Council's web site accessibility compliant had now been undertaken, so that post was no longer needed.

An explanation was sought as to what the Croner [professional] subscription was and what its deletion would mean for the HR service. The Human Resources Manager explained that this was a digital information service that the section used to procure advice on areas such as employment law and tribunals. Losing this subscription service meant that the HR team would have to undertake its own research using the internet at zero cost. Members were reassured that HR Officers were highly skilled professionals making up a very qualified and experienced team and attended regular training. There were also other information sources that could be used. It was confirmed that this saving would not have been proposed by the Human Resources team if it had not been confident that it could not sufficiently function without it.

Other concerns raised over the savings proposed were around the impact of reducing the frequency of the annual residents' survey and what the reduction was; and similarly; the reduction in the publication of the Arun Times. The Group Head of Organisational Excellence reminded Members that the decision to reduce the frequency of producing the annual residents' survey annually to bi-annual had been approved and made by the Policy & Finance Committee in October 2023. The impact of this would be that this would mean that the Council would not receive resident feedback on the delivery of its services as frequently as it did now. Turning to the proposed changes for the Arun Times, Officers were still assessing the implications from moving from two hard copy publications in 2025 to one hard copy and one digital copy. A request was made that in rolling out this change that the hard copy of Arun Times be issued first so that it could provide adequate warning and very clearly publicise the change confirming that the next edition would be provided electronically.

Turning to Appendix A of the report, under Corporate Support Committee, Management and Support Services, a request was made for more detail regarding the decrease in the customer services budget. The substantial increase in print and post services budget was also queried. A question was asked around the salary adjustment of £101k and what this meant. The Group Head of Finance and Section 151 Officer responded explaining that with the customer services budget line, there were a couple of vacant posts that would not be filled from 1 April 2024 and so the budget had been reduced to reflect that. The postal services budget had been incorrectly set at a too low figure for 23/24 and so this reflected that necessary correction for the 2024/25 budget. With the salary adjustment, Members were reminded that when the initial Medium Term Financial Strategy [MTFS] had been presented to the Policy & Finance Committee in October 2023, that strategy had made an assumption of a pay increase at around 6 to 6.5% to reflect the economic landscape at that time which was different then to what it was now. He felt that the likely percentage pay increase for 2024-25 which was likely to be in the region of 4%. The £101k reflected that downward adjustment.

Returning its attention to the table setting out the proposed saving measures equating to £249k, concern was expressed over the possible consequences and risks to the Council and whether any risk would impede the delivery of the savings. It was hoped that there would be no additional cost associated to rectifying any consequences that may need addressing as a result of adopting the savings. This point was acknowledged.

Having received some further questions relating to Arun Times and questions regarding cyber security and its increasing risk and cost to the Council, Councillor Tandy then proposed the recommendations which were then seconded by Councillor O'Neill,

The Committee

RESOLVED – That

- (1) It agrees the 2024/25 Revenue Budget as illustrated in Appendix A of the report; and
- (2) It agrees the 2024/25 Capital Programme as illustrated in Appendix B of the report.

The Committee

RECOMMENDS TO THE POLICY & FINANCE COMMITTEE

That the Revenue Budget for the Corporate Support Committee be included in the overall General Fund Budget we the Policy & Finance Committee considers the overall budgets at its meeting.

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591. BUDGET MONITORING REPORT TO 31 DECEMBER 2023 [QUARTER 3]

The Group Head of Finance and Section 151 Officer presented the Committee's Budget Monitoring Report setting out its forecast outturn against the 2023/24 budget, approved by Full Council in March 2023 covering the period up to 31 December 2023.

The report anticipated an overspend of £221k and showed no movement overall against what had been reported at Quarter 2 to the Committee in October 2023.

The Committee noted this report.

592. PAY POLICY STATEMENT 2024-2025

The Group Head of Organisational Excellence presented her report and confirmed that it was a statutory requirement for Councils to prepare and publish their Pay Policy Statement by 1 April each year.

The Pay Policy Statement outlined current pay policies covering a range of issues concerning the pay of the Council's work force.

Following brief discussion and having had the recommendations proposed by Councillor Tandy and seconded by Councillor O'Neil,

The Committee

RESOLVED

That the contents of the Pay Policy Statement 2024/25 as set out in the report at Appendix 1 be noted.

The Committee also

RECOMMENDS TO FULL COUNCIL – That

(1) It approves the Pay Policy Statement 2024/2025 for publication on the Arun website by 1 April 2024; and

(2) Delegated authority be given to the Group Head for Organisational Excellence to make changes to the Pay Policy Statement should the need arise because of new legislation being introduced or changes to the pay structure resulting from national pay negotiations during the forthcoming year.

593. ELECTORAL REVIEW

Before inviting the Group Head of Law & Governance and Monitoring Officer to present his report, the Chair confirmed to the Committee that the purpose of the report, at this embryonic stage of the review, was to discuss and debate the two recommendations in the report addressing the draft timetable for the review and the need to seek approval for Officers to carry out an assessment of the costs of conducting an electoral review so that a report could be prepared to submit to the Policy & Finance Committee on 7 March 2024 and before the next meeting of this Committee on 30 April 2024, which was in accordance with the Paragraph 1 of the 9 November 2022 Full Council motion. The Chair made it clear that he did not wish to enter discussion or debate on the review itself nor would it be appropriate for the Committee to discuss not moving forward with the agreed actions, that would be a matter for Full Council to consider.

The Chair asked Members to note that it was highly likely that the Local Government Boundary Commission for England [LGBCE] would soon be identifying the Council for a periodic electoral review in any event and he reminded Members that the aim of this report was to commence a process that would put the Council into a position of beginning that conversation with the LGBCE at an early stage in the 2023-2027 cycle.

The Group Head of Law & Governance and Monitoring Officer then presented his report. He confirmed that the last electoral review had been undertaken in 2014 and in setting the context to this he reminded the Committee of the Motion that had been approved by Full Council in November 2022, which had been detailed at Paragraph 4.2 of the report and set out the steps that the Council wanted Officers to take in terms of starting the review process. The report focused on the pre-work that was necessary in undertaking the review which fell under the remit of the Corporate Support Committee.

The report, as well as setting out the process for Members, outlined and set out an indicative timetable for discussion and approval. The Motion approved by Full Council asked Officers to undertake an assessment of the costs of undertaking a review and it was explained that this would be the next step in the review process with a report being compiled for consideration by the Policy & Finance Committee at its meeting to be held on 7 March 2024.

Various sources of information had been provided to the Committee at Appendices 2 and 3 and thanks was extended to the Electoral Services Manager for her work in pulling this information together for Members. The Committee's attention was then drawn towards the draft timetable and Members were invited to make comment on it so that a final timetable could be brought to the Committee's next meeting on 30 April 2024. The key elements of the timetable were then explained to the Committee by the Group Head of Law & Governance and Monitoring Officer. A final point for Members to note was that Electoral Reviews were conducted by the LGBCE and that any changes to the district would be made by Parliamentary Order to take

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effect at the next District Council elections in May 2027. The Council had a duty to support the Commission's work and to provide input to that work.

The Chair invited questions from Members. Although they confirmed their general support to what was proposed and set out within the timetable various questions were asked. An explanation was sought as to why there was such a gap between May and December 2024, when work on the review could be progressed. It was explained that during this time the elections team would have managed the Crime and Police and Commissioner Election on 2 May 2024, and would then be preparing for a General Election, which although not confirmed, was anticipated for November 2024 and so the timetable to be set had to consider the capacity and work pressures of that team around the elections planned. During that time, the annual canvass of electors in the district would also be undertaken.

A similar question was asked around timetable gaps between January and April 2025. The Group Head of Law & Governance and Mentoring Officer explained that this timeline would accommodate meetings of a working party that would be established by this Committee. As the calendar of meetings for 2024/25 was not due to be approved until the 13 March 2024 Full Council Meeting, it had not been possible to confirm possible meeting dates for the Working Party. This information would be forthcoming following the approval of the calendar for the new Municipal Year. It was explained that the timetable could be adjusted by the Committee if needed once it had been approved.

In supporting Recommendation (ii) it was highlighted how important it would be for Members to receive and understand all the costs involved and in light of the information that the Committee had received earlier in considering its budget for 2024/25. Another point raised was that since Full Council had approved that an electoral review be undertaken in November 2022, a national census had been undertaken confirming a 10% increase in Arun's population resulting in a larger electorate. This could impact the cost of undertaking the review. Also, as the results of the review could confirm a reduction in Councillors, it could confirm a need to increase the number of Councillors to bridge the increasing population in the district. It was felt that this was of importance and needed to be considered and as the Council resolution from November 2022 precluded that option.

The Group Head of Law and Governance and Monitoring Officer responded and acknowledged that there was the possibility that LGBCE could determine that there was a need for more representation and the Committee needed to acknowledge that, however, the resolution of Full Council was aimed at bringing down the number of Councillors and the resultant benefits of that.

The Committee then confirmed its approval for a non-Committee Member to address the meeting. The statement made focused on the costings that would be submitted to Policy & Finance Committee in March 2024. A request was made for that report to include projections on the levels of savings that could be made if the outcome of the review determined that there should be 5, 10, 15 or 20 fewer Councillors as this would be useful information for that Committee.

In response, mixed views were received from the Committee. The Chair felt that this would be eminently sensible so that members and Full Council could look at the holistic picture. In response the Group Head of Law & Governance and Monitoring Officer confirmed that for the costings report being submitted to Policy & Finance, this would outline the cost of undertaking the review process but that it could also provide projections around 5, 10 and 15 less Councillors, although this did not form the actual cost of the process in undertaking the review, however, he could see that this would be of benefit to Members. The figures that would be provided would focus on what this might mean in terms of the level of Councillor allowances. Any other changes as a result of the review process, such as a change in committee structure, could not be foreseen and would be considered by the Constitution Working Party. It was also confirmed that although indicative figures on allowances could be provided, only the Independent Remuneration Panel could make recommendations to change Councillor allowances.

Following some further discussion and having had the recommendations proposed by Councillor Jones and seconded by Councillor Warr,

The Committee

RESOLVED – That

(1) Having considered the draft timetable for the electoral review and taking into account the comments provided, Officers bring a final timetable to the Committee at its meeting on 30 April 2024, for reporting to Full Council; and

(2) The Committee requests that Officers carry out an assessment of the costs of conducting an electoral review and submits a report to a meeting of the Policy & Finance Committee ahead of the Corporate Support Committee's next meeting on 30 April 2024, in accordance with Paragraph 1 of the 9 November 2022 Full Council resolution.

594. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

The Chair confirmed that there were feedback reports to be reported to this meeting.

595. WORK PROGRAMME

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

(The meeting concluded at 7.11 pm)

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Arun District Council

REPORT TO:	Corporate Support Committee – 31 January 2024
SUBJECT:	Pay Policy Statement 2024 – 2025
LEAD OFFICER:	Jackie Follis, Group Head of Organisational Excellence
LEAD MEMBER:	Cllr Matt Stanley – Chair
WARDS:	N/A
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: It is a statutory requirement under the Localism Act 2011 for Local Authorities to prepare and publish their Pay Policy Statement and therefore a priority of the Council that this legal obligation is met. It is also important that the Council's pay policy is available and transparent to elected members, staff, staff representatives and the public.	
DIRECTORATE POLICY CONTEXT: The Pay Policy Statement reflects existing pay and reward policies and guidance as agreed by the Joint Consultation Panel where appropriate.	
FINANCIAL SUMMARY: The Pay Policy Statement outlines current pay policies. There have been no cost-of-living increases agreed yet for the year 2024/25 and the financial implications of national negotiations is unknown at the time of publication of this report.	

1.0 PURPOSE OF REPORT

- 1.1. The Localism Act 2011, section 38 (1) requires that local authorities prepare an annual Pay Policy Statement. This paper introduces the draft Pay Policy Statement for 2024/2025 (attached) and asks members to approve it.

2.0 RECOMMENDATIONS

- 1.2. The Committee is requested to:

- (a) Note the contents of the Pay Policy Statement 2024/25 as set out in Appendix 1.

And to recommend to Full Council to:

- (b) Approve the Pay Policy Statement 2024/2025 for publication on the Arun website by 1 April 2024; and
- (c) Give delegated authority to the Group Head for Organisational Excellence to make changes to the Pay Policy Statement should the need arise because of new legislation being introduced or changes to the pay structure resulting from national pay negotiations during the forthcoming year.

2. EXECUTIVE SUMMARY

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

4.0 DETAIL

- 2.2. The Localism Act 2011, Section 38(1) requires that local authorities prepare an annual Pay Policy Statement (The Statement). Each Local Authority is an individual employer and so the Statement should set out the authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. This statement must be prepared for each financial year and must be approved by Full Council ready to be published by April 2024.
- 2.3. The Statement sets out our processes for determining remuneration and several related issues, including the use of bonuses, severance pay, enhancement of pension entitlement, allowances etc.
- 2.4. At this current time there has been no agreement regarding the 2024/2025 annual cost of living increases which are negotiated on behalf of councils between the Local Government Association and Trade Unions. Once agreement is reached, the Council's published pay scales, which are linked from the Pay Policy Statement, will be updated.
- 2.5. The Pay Policy Statement for 2024/ 2025 is attached with its two appendices: the Senior Management Structure, and the most up to date schedule of Elections Fees and Charges, which is the schedule for 2023-2024 as agreement has not been reached about the Elections Fees and Charges for 2024-2025.

5.0 CONSULTATION

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

6.0 OPTIONS / ALTERNATIVES CONSIDERED

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

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

- 2.8. There are currently no direct financial implications arising from this report.

8.0 RISK ASSESSMENT CONSIDERATIONS

- 2.9. The requirement to review the Pay Policy Statement annually will be met for 2024/25 when the Statement is considered by Full Council and published on 1 April.

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

- 9.1 The Pay Policy Statement sets out the Council's policy regarding remuneration in accordance with the requirements of Section 38 of the Localism Act 2011 (The 'Act') and associated statutory guidance. The purpose of the statement is to provide transparency regarding the Council's approach to setting the pay of its employees. The Act requires that pay policy statements, and any amendments to them, are considered by a meeting of full council and cannot be delegated to any sub-committee.

10.0 HUMAN RESOURCES IMPACT

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

11.0 HEALTH & SAFETY IMPACT

- 11.1 Not Applicable

12.0 PROPERTY & ESTATES IMPACT

- 12.1 Not Applicable

13.0 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

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

14.0 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

- 14.1 Not Applicable

15.0 CRIME AND DISORDER REDUCTION IMPACT

- 15.1 Not Applicable

16.0 HUMAN RIGHTS IMPACT

- 16.1 Not Applicable

17.0 FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

- 17.1 It is a requirement that the Council's Pay Policy Statement is published and accessible to the public. The Secretary of State has stated in guidance that they do not consider that they consider that pay policy statements engage the Data Protection Act, as they should contain the general principles underpinning the decisions on pay and not personal data. There should therefore be no reason to exclude the public from discussions about the statement on these grounds and such meetings should be open to the public and should not exclude observers.

CONTACT OFFICER:

Name: Karen Pearce

Job Title: Human Resources Manager

Contact Number: 01903 737807

BACKGROUND DOCUMENTS:

Appendix 1 – Pay Policy Statement

Appendix 2 - Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums.

Appendix 3 – Management Structure

ARUN DISTRICT COUNCIL Pay Policy Statement Financial Year 2023 – 2024

1. Introduction

- 1.1 This Pay Policy Statement (Statement) is provided in accordance with Section 38(1) to 43 of the Localism Act 2011 and the Statement will be updated annually from April each year.
- 1.2 The Act requires relevant authorities to produce a statement which must articulate an authority's approach to pay and its related policies. The statement must be approved annually by Full Council before 31 March each year prior to the financial year to which it relates.
- 1.3 The Statement sets out Arun District Council's (ADC) policies relating to the pay of its workforce for the financial year 2024 – 2025, in particular:
- The remuneration of its senior management, third tier and above
 - The remuneration of its "lowest paid employees"
 - The relationship between the remuneration of its senior managers and employees who are not senior managers.

2. Definitions

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

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

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

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

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

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

3. Pay Framework and Remuneration Levels

3.1 Remuneration of the Chief Executive

- 3.1.1 At recruitment stage, the starting salary of the Chief Executive is decided at Full Council. Thereafter, annual pay awards are determined by the Joint Negotiating Committee for Chief Executives of Local Authorities. The Chief Executive does not receive any additional payment other than fees in connection with election duties in the role of Returning Officer. Election fees are set out annually in the 'Scale of Returning Officer's expenditure for Local Government Elections, Polls and Referendums', attached as Appendix 2. Increases to election fees have not yet been agreed for 2024/25.
- 3.1.2 There is no provision for the payment of bonus payments to the Chief Executive. Other payments made will be in line with Council policies on allowances and includes access to the Local Government Pension Scheme.
- 3.1.3 The Chief Executive is employed on PAYE taxation arrangements. In exceptional circumstances, such as interim arrangements, an alternative form of employment may be used if appropriate.

3.2 Remuneration for staff up to and including Director Level

3.2.1 Determining the Grades of Posts

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

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

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

3.3 Pay Structure

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

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

3.4 *Pay Increases*

- 3.4.1 Pay awards for Group Heads and Directors are determined nationally by the Joint Negotiating Committee for Chief Officers.
- 3.4.2 Staff below Group Head level are awarded an annual cost of living increase which is linked to national pay negotiations for the National Joint Council for Local Government Services (Green Book).
- 3.4.3 There is no provision for the payment of bonus payments or performance related pay to any staff.

3.5 *Pay Progression*

- 3.5.1 With the exception of the Chief Executive who will receive a spot salary, all other posts are assigned a grade which has an associated grade range made up of several pre-determined spinal column points (scp).
- 3.5.2 Pay progression is by annual increment on 1 April each year until the employee has reached the top of the grade.
- 3.5.3 For new starters that join the Council after 1 October, the first annual increment is not automatic and is at the manager's discretion.
- 3.5.4 In exceptional circumstances, such as the attainment of a professional qualification, the manager has the discretion to accelerate progression beyond one increment per annum but only to the top of the grade.

4.0 Publication of Chief Officer Salaries including the Chief Executive

- 4.1 Information on remuneration for the Chief Executive, Directors and Group Heads is published as part of the Annual Statement of Accounts. This is published each year in June/July and can be found on the Council's website. Officers below this level will not be identified in this way.
- 4.2 A structure chart showing the membership of the Senior Management Team is attached to this document as Appendix 1.

5 Other Pay Elements

5.1 *Market Premia Payments*

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

5.2 *Honoraria/Honorariums*

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

5.3 *Other Allowances*

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

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

6 Pensions

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

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

7 New Starters Joining the Council

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

8 Termination of Employment

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

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

8.2 *Redundancy Payments*

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

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

8.3 *Settlement Agreements*

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

8.4 *Re-employment of Officers*

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

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

9.1 The mean average remuneration for the 2024/2025 budget is £43,414 and the highest paid employee £182,564. This includes all allowances and employers pension contributions at 17.5%. The pay multiple between the two is 4.04. This

is based on current pay scales and excludes a national pay award for 24/25 budget as this is currently unknown.

In comparison, the mean average remuneration for the 2023/2024 budget was £45,571 and the highest paid employee £167,184. This included all allowances and employers pension contributions at 17.5%. The pay multiple between the two was 3.67. This was based on 2022/23 pay scales as the annual pay award was not agreed at the time of publication of the 2023/2024 pay policy statement.

- 9.2 The lowest paid employee is at £28,597 and the highest paid employee £182,564 per annum. This includes allowances and employers pension contribution at 17.5% and the pay multiple between the two is 6.38 (this was 6.34 in 2023/24). This is based on current pay scales and excludes a national pay award for 24/25 budget which is currently unknown.

In comparison, for the 2023/2024 budget, the lowest paid employee was at £17,716 (apprentice pay) and the highest paid employee £167,184. This included allowances and employers pension contribution at 17.5%. The pay multiple between the two was 9.42. This was based on 2023/24 pay scales, excluding a national pay award.

Date approved by Full Council

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

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

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

PART A – PERSONAL FEE FOR RETURNING OFFICER’S SERVICES

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

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

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

For a countermanded election:-

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

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

PART B – DISBURSEMENTS BY RETURNING OFFICER

B.1 Staff for polling Stations

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

B.2 Staff for Counting of Votes

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

B.3 Staff for Clerical Assistance

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

Travelling and Subsistence Expenses

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

Fixed Fee for Presiding Officer	£10.00
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Fixed Fee for Poll Clerks/Counting Assistants	£7.00
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For those being paid mileage rate	.45p per mile
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B.5 Ballot Boxes and Stamping Instruments

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

B.6 Poll Cards

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

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

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

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

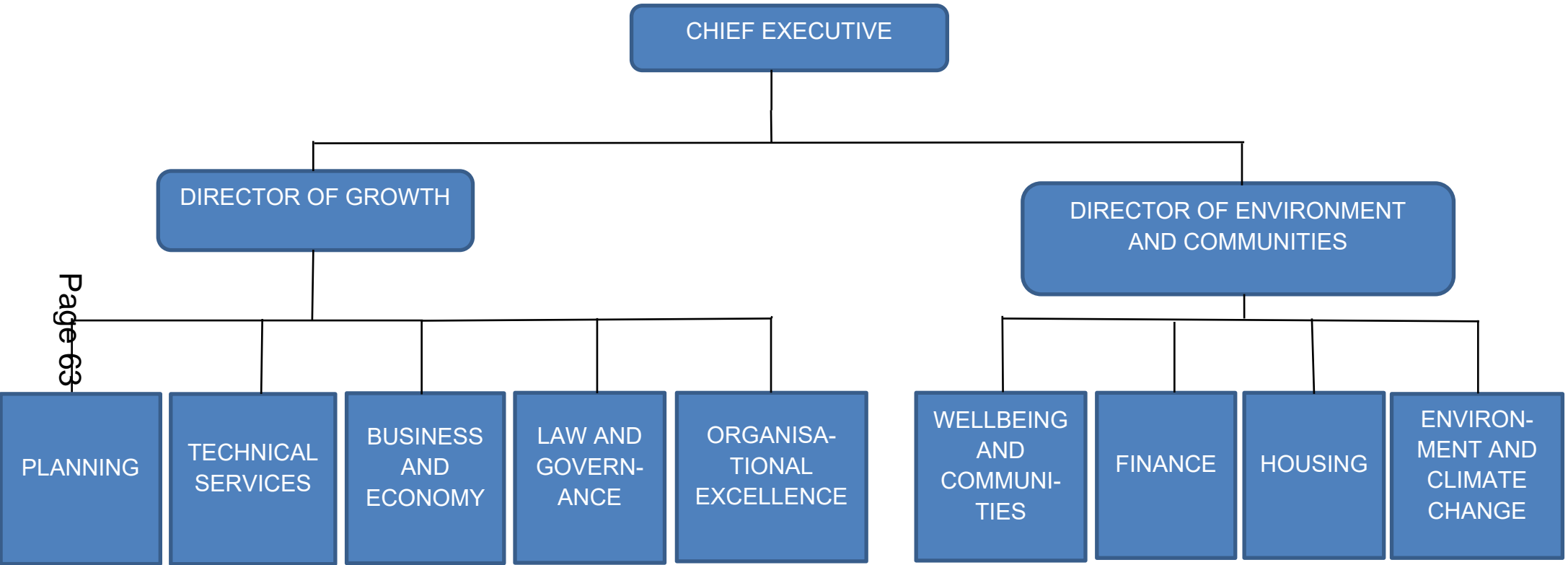
Holiday Pay

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

Notes

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

APPENDIX 1 - SENIOR MANAGEMENT TEAM STRUCTURE CHART 2024



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Public Document Pack Agenda Item 12

Subject to approval at the next Audit and Governance Committee meeting

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AUDIT AND GOVERNANCE COMMITTEE

19 February 2024 at 6.00 pm

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

Also present were members of the Independent Remuneration Panel (IRP) John Thompson, Alan Ladley, Andrew Kelly, Celia Thomson-Hitchcock (present in the Chamber) and Sarah Miles (in attendance virtually)

641. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

642. MINUTES

The Minutes of the meeting held on 30 November 2023 were approved by the Committee. These would be signed after the meeting.

643. 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.

644. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

645. REVIEW OF THE MEMBERS' ALLOWANCES SCHEME - REPORT OF THE INDEPENDENT REMUNERATION PANEL

The Chair thanked the Independent Remuneration Panel (IRP) for their hard work, and then invited the Group Head of Law and Governance to introduce the report. Appendix 1 contained the report and completed by the Panel, the work for which had commenced in July 2023. The last full review of the Members' Allowances Scheme had been approved by Council in July 2019. An interim review had been undertaken by the IRP in November 2020 which had 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 over to a Committee system. It was acknowledged at that time that a full review would be

required in subsequent years. The Group Head of Law and Governance thanked each of the Panel members for the huge amount of work they had undertaken, the quality of their report, and the clarity of analysis. He also thanked the Committee Services Manager for her work in supporting the Panel and the process. The Panel's report provided sound evidence based analysis and conclusion that took into account the experience of the Council and Councillors since the move to the Committee system, and data from a range of sources. He explained that it was within the power of the Committee to ask for the Panel to carry out further work. In that scenario the Committee would need to extend the terms of office for the Panel, to allow time for this work to be carried out.

The Chair then invited the Chair of the Panel, John Thompson to present the Panel's report. He explained the role of the IRP was to make recommendations to the Local Authority, which only needed to take account of them. What tended to happen with IRP reports was that most recommendations were accepted, few were amended and very occasionally some were rejected. He highlighted that the SRA for the Leader of the Council had been low, and they aimed to increase this to a level that was fair but not over-generous. He highlighted that one Member had asked questions in advance of the meeting around this, and answers had been provided. The Panel had undertaken an extensive amount of work around SRAs for the Chair's and Vice-Chairs of Service Committees, looking at workloads and responsibilities, comparing these to both previous Cabinet and current Statutory Committees. The recommendation was to bring the SRA for these broadly in line with the Statutory Committees, as the workload was comparable. They noted the workload of all Councillors had increased and it was felt the savings from the reduction of Chair and Vice-Chair of Service Committees SRAs should be added to the basic allowance. The Planning Committee remained very busy, and it was felt a small increase for the Chair and Vice-Chair of Planning was justified. They felt the SRA for the Leader of the Opposition should be broadly in line of that paid to Chairs of the Service Committees.

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

The Chair then invited questions and debate from Members. It was observed that there was an error in the report on page 12 in that the Chair of Planning Committee should show £7500, not £8000, which had been clarified by the Group Head of Law and Governance prior to the meeting.

A number of questions had been raised prior to the meeting, for which answers had been provided. One of these related to the figures that underpinned the report relating to the Leader's allowance in comparable districts. The nearest commensurate council was Mid-Sussex, where the leader received £20,000. It was thought Arun was at the lower end for SRA for the Leader. It was asked whether in future a table could be provided with such figures, which would add depth to the report. The Chair of the Panel explained they would be happy to provide these figures in future, however, it should be noted that the source of the figures was not always kept fully updated, and there may be some errors if placing too much reliance on data that could be out of date.

Support was offered for the Panel's report, which was felt fair and balanced. Sound reasoning had been provided for the recommended changes. Support was offered for the reduction in SRA for Service Committee Chairs.

The Committee

RESOLVED that

- 1 It had considered the report of the Independent Remuneration Panel on its tenth review of the Members' Allowances Scheme, together with the financial appraisal set out in Paragraphs 4.4 to 4.8, read in conjunction with the Panel's report and recommendations.

RECOMMEND TO FULL COUNCIL that

- 2 The new scheme be approved for final adoption.

646. INTERNAL AUDIT ANNUAL PLAN 2024/25

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. Pages 46 – 48 contained general information around the role of SIAP. Page 48 showed the Council Vision and how SIAP took this into consideration. Page 49 set out the key strategic risks at the time of producing the draft plan. Page 50 contained more detail of processes they followed when formulating the audit plan, which showed the substance behind the finished plan. Page 51 – 54 set out areas identified through the planning process that they aimed to cover in 2024-25 and the indicative proposed timings. The Senior Audit and Counter Fraud Manager attended the Corporate Management Team (CMT) meeting in advance of each quarter to revisit those audits coming up, and to make sure the timings were still appropriate. The Internal Audit Plan was a fluid document, and would most likely be subject to changes during the year. If any such changes were made, the Committee would be updated through the progress reports, highlighting the rationale for the changes.

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

The Chair thanked the Senior Audit and Counter Fraud Manager for her report, and invited questions and debate from the Committee. It was asked whether Climate Change was the only audited area that was not a statutory requirement of the Council, as there was concern around the cost of this. It was confirmed that SIAP audited the areas adopted by Council as its key aims and strategies.

Audit and Governance Committee - 19.02.24

One Member advised he had submitted a question in advance of the meeting regarding page 53, repairs and maintenance Quarter 2 and responsive and emergency repairs Quarter 3. This was whether the internal auditors (for their 2024-25 Internal Audit Plan) were aware of the very recent decision to cease the OPSL contract with effect from 30 April 2024 and instigate a new delivery service delivery from May 2024. It was suggested this may require a review of their audit plan for housing. The Senior Audit and Counter Fraud Manager explained SIAP had been aware of likely changes at a high level. The initial timing of the housing reviews had been factored in, and in advance of each audit quarter they had discussed with CMT the timing of each review to determine that it was still appropriate. With the transitioning of arrangements, this audit may be moved back, however they would also look at whether it would be beneficial to do an audit earlier to assess the transitioning and ensure it was not having a detrimental impact on service provision for residents. This would be discussed at the time of scoping the audit with senior management. The Member felt comforted that the audit plan was so agile, and CMT were engaged in discussion about this.

The Committee

RESOLVED

That the internal audit plan 2024-25, as attached, be approved.

647. INTERNAL AUDIT CHARTER 2024/25

Upon the invitation of the Chair, the Senior Audit and Counter Fraud Manager presented the report to the Committee. The Internal Audit Charter was a formal document that defined the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Public Sector Internal Audit Standards required the Charter to be reviewed and approved annually. There had been no material changes since the 2023/24 Charter had been presented last year.

The recommendations were proposed by Councillor May and seconded by Councillor Turner.

The Chair invited questions and debate from Members. Clarification was sought on paragraph 4, page 64 regarding 'Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest'. It was asked who would be responsible for this, and whether it would be the Chief Executive Officer (CEO) or Group Heads. The Senior Audit and Counter Fraud Manager explained it was the internal auditors that would be alert to the possibility, and they would take into account the areas fraud may be more likely. If Officers identified areas of irregularity the onus would be on management to make internal audit aware of these. The Chair also advised that the Monitoring Officer ensured statutory compliance in matters, and there was also an open door to whistle-blowers in the authority.

The Committee

RESOLVED

That the internal audit charter, as attached, be approved.

648. INTERNAL AUDIT PROGRESS REPORT DECEMBER 2023

Upon the invitation of the Chair, the Senior Audit and Counter Fraud Manager 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 2023/24 from 1 April 2023. Very good progress was being made and they were on track to deliver all audit work as scheduled, which would be incorporated into the 2023/24 Audit Opinion. This strong position reflected the work of staff and managers across the Council. Section 4 of the report showed the analysis of live audit reports, where there were outstanding management actions. The Senior Audit and Counter Fraud Manager was satisfied progress was being made on these outstanding actions. There were 2 audits effecting the medium priority actions overdue, which were the decision making audit and the fraud framework audit. This was due to capacity and resourcing within the 2 teams of the Council dealing with those management actions. Section 5 showed there were no audit reports concluded with a 'limited' or 'no assurance' since the last progress report in November. All quarter 4 work had now been scoped and all work scheduled throughout the year that remained outstanding was underway, which was very positive. Page 79 showed no further adjustments had been made to the plan since last reported to Committee. A full summary of audit work would be presented to the Committee as part of the Annual Opinion report for the June/July meeting. Page 80 onwards contained a summary of overdue high priority management actions, and a tally of overdue low and high priority actions. One overdue high priority action had been added for Information Governance since the last report, however 2 high priority actions for Business Continuity had been cleared.

The Chair invited questions and debate from Members. One Member had submitted two questions in advance, the first being around Information Governance and 'Reasonable Assurance' (page 80). He was concerned about the lack of focus on Councillors GDPR Data Management. Councillors were Data Controllers, however there was no plan to map and audit Councillors' data practices and holdings. Until the delayed Data Protection training has been conducted, he felt Councillors may be breaching legislation. He asked whether a grading of 'Reasonable' was appropriate or whether this should be 'Limited'. The Group Head of Law and Governance explained the Data Protection training was something he was seeking to deliver as soon as possible. Training would be provided to enable Councillors to consider their obligations under the act. He confirmed that mapping would be for Councillors to carry out themselves, however this could be included in the training.

Audit and Governance Committee - 19.02.24

Another question was around Business Continuity on page 82 regarding 'Limited Assurance'. It was felt training was a recurring issue possibly made worse by staffing gaps, reliance on agencies, working from home and staff over-stretch. It was feared this would worsen following the announcement of recent staff reduction measures. The Group Head of Finance and Section 151 Officer updated that CMT had recently discussed this. CMT were aware of Member concerns around this and were drawing up a plan to address this, which would be shared with Committee when complete. He suggested an update on this be brought to Committee at the next meeting by the risk owner.

It was asked why the audit for IT disaster Recovery Planning had been deferred until early 2024/25. Officers confirmed that they were reviewing the disaster recovery procedures and had wanted to delay the audit so the changes, once implemented, could be reviewed.

The Committee noted the report.

649. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Finance & Risk Manager introduced the report explaining it provided the quarterly update on the Corporate Risk Register. High risks were reviewed quarterly, and there had also been some updates to the medium risks. Appendix 3 contained the Corporate Risk Register Summary, which highlighted any changes to the scores and any additions to the register. Pages 92 – 112 contained the detailed risk register entries, where updates were also highlighted. At its meeting in November, the Committee requested an enhanced update on 3 of the risks, which was included as Appendix 4.

On behalf of the Group Head of Housing, who was unable to be at the meeting, the Group Head of Finance and Section 151 Officer presented the CRR1-B Balance of Housing Revenue Account (HRA) written update (page 113). He explained that a report to the Housing and Wellbeing Committee in November had forecasted that the HRA reserve balance would fall to under £1million by the end of the financial year, however this situation had now worsened and it was forecast to fall to around £550k. This reserve was expected to build up to around £1million by the end of 2024/25, however there was clearly risk involved with this. Members would receive frequent updates around this, and the risk would remain on the Corporate Risk Register and be discussed by CMT until it was resolved. Several action plans had been put into place including generating more income from service charges; an ongoing review of some of the financing costs charged to the HRAs; looking to improve the procurement processes around housing that would achieve a better value for money service. There was money in the proposed budget for planned and cyclical maintenance which was hoped would offer better value for money for customers and reduce repair costs in the long term.

Members were invited to ask questions and it was asked whether Officers had confidence the reserves would rise up to £1million by the end of the financial year. The Group Head of Finance and Section 151 Officer thought this was achievable and felt it was a robust budget, however acknowledged there were elements of risk, as they were working to financial forecasts which were subject to change. The Group Head of Housing was aware of all issues and was reporting regularly to Housing and Wellbeing Committee and Policy and Finance Committee.

A verbal update on CRR2 - Organisational Capacity to Deliver was deferred to the next Committee meeting. One Member wished it to be recorded that he was awaiting a response from the Group Head of Environment and Climate Change regarding concerns around Business Continuity, and he wished CMT to consider whether Business Continuity failure should be added as an effect of the issue of training, within CRR2.

Another Member highlighted that flexible working (page 94) should be encouraged and it was felt this attract many talented working parents.

The Climate Change and Sustainability Manager went through his enhanced written update on CRR7 – Climate Change, highlighting that Supporting Our Environment to Support Us was one of the four pillars of the Council Vision.

Members were then invited to ask questions and the following points were raised:

- Page 100 mentioned providing support for the Sussex Kelp Project, and an update was requested on this and whether there was opportunity to engage with the development of this. An update would be provided to the Member after the meeting.
- Page 98 talked about development of climate related training for Officers which was mandatory, and one Member felt this should be mandatory for Members as well as Officers.
- Page 100 talked about vehicle charging points and it was noted it was becoming difficult for electricity suppliers to provide power to these, and suggested Officers liaise with these companies regarding the infrastructure. An update would be provided to the Member after the meeting.

The Committee noted the report.

650. STATEMENT OF ACCOUNTS - ACCOUNTING POLICIES 2023/24

Upon the invitation of the Chair, the Group Head of Finance introduced the report. The report allowed the Audit and Governance Committee to consider and note the accounting policies that would be applied to the Statement of Accounts 2023/24 for approval by the Committee. The accounting policies for 2023/24 remained substantially unchanged from 2022/23.

Audit and Governance Committee - 19.02.24

There were no questions from Members.

The Committee noted the report.

651. TREASURY MANAGEMENT STRATEGY & ANNUAL INVESTMENT STRATEGY 2024/25

Upon the invitation of the Chair, the Senior Accountant (Treasury) introduced the report, which was the annual Treasury Management Strategy Statement, and explained there were few changes from the 2023-24 Strategy. It was a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management that this document be produced and presented to Members each year.

The table on page 150 included an additional column for estimated outturn as per Quarter 3 budget monitoring. There was an increase from 2022-23 largely due to the Bognor Regis Arcade, the Levelling Up Fund, Alexandra Theatre, Sheltered Accommodation and Stock Development.

Paragraph 2.2 on page 150 stated the Council's Capital Financing Requirement (CFR) could not rise indefinitely, so minimum revenue provision (MRP) charges had to be made to the revenue and HRA budget. MRP was a statutory charge that the Council were required to set aside from the budget to repay loan debt. The table on page 154 showed how much of Arun's budgets were used for loan repayments. The Council's MRP policy remained unchanged from 2023/24 and was Option 3 as detailed in Appendix 3, page 172.

Page 154 - 155 showed the investments and borrowing, which was almost £14m more in December than at 2022-23 year end. This was largely due to: the timing of the precept payment (January); a levy still not paid to WSCC regarding non-domestic rates (awaiting confirmation of when this will be paid); grants totalling £1.1m only repaid in January 2024.

Some investments have been placed with other local councils for diversification, and all investments held at the end of December 2023 could be seen in appendix 4 on page 175.

Page 156, paragraph 3.2 detailed the Operational Boundary and the Authorised Limit. The Authorised Limit represented a legal limit beyond which external debt was prohibited and this limit needed to be set or revised by Full Council and kept under review. For 2024-25 the Operational Borrowing Limit had been set at £78m and the Authorised Limit had been set at £83m. The Authorised Limit must not be breached. These limits were shown in the chart on page 157, paragraph 3.2.3, along with the CFR and borrowing levels which were below the Operational Boundary and the Authorised Limit.

Page 157 - 158, paragraph 3.3 and appendix 5 showed that the treasury management advisors, LINK, still expected interest rates to fall steadily over the next 3 years, from 5.25 to 3%, which theoretically would make borrowing more affordable.

Page 162, paragraph 4.1 explained the Council's investment order of priorities would be security first, then liquidity and then yield. Appendix 7 on page 179-180 showed the quality counterparties available to invest with.

Paragraph 4.1 on page 163-164 detailed International Financial Reporting Standards (IFRS 9). Appendix 11 (page 184) had been added to this report to provide the valuation positions of the CCLA Diversified Income Fund and Property Fund at the end of December 2023, the current capital losses and the dividends from inception of Arun's investment with the funds.

Paragraph 4.5 on page 168 detailed some changes from the 2023-24 strategy. These included the addition of State Street Global (Money Market Fund)) as discussed at the last meeting. It also reduced the limits in categories 1-3 as there were less funds available to invest in, and the reduced amounts would encourage better diversification and spreading of any risk of default.

The Council's investments were set out in Appendices 4 and 6, which gave details about investment limits. This was about spreading the risk and ensuring that the Council has sufficient liquidity. Appendices 7 and 8 listed counterparties and the approved countries with whom we invest with. It also set out their current ratings.

The Group Head of Finance and Section 151 Officer thanked the Senior Accountant (Treasury) for her work on the report. He explained the Treasury Management Strategy set out how the Council managed its cash and cash-flow balances. The Annual Investment Strategy detailed who Arun invested with. Within the strategies were the prudential indicators, designed for the Committee to gain reassurance over the cash-flow activities. He explained the borrowing limits were there to ensure that borrowing was kept to a level permitted by Members. Borrowing was nowhere near the Operational Boundary limit at present, however this was something he suggested Members monitored.

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

The Chair then invited questions and debate and the following points were raised:

- Concern was raised about the graph on page 157, and it was asked whether Arun's borrowing was increasing. It was confirmed this was not the case and the rising line on the graph showed increased Authorised Borrowing Limit.
- It was asked whether Officers had information regarding borrowing from the green bonds and local climate bonds (page 161, paragraph 3.7). Officers confirmed Arun did not currently have any external borrowing, and were not currently at the stage of needing to borrow. Due diligence would be carried out prior to entering into any borrowing agreements.

- It was asked whether investments could be removed from banks that were currently closing high street branches. Officers explained that security, investment, yield and spreading risk were the most important things to consider regarding investments. Removing counterparties made spreading the risk more difficult.
- Clarification was requested on the relationship between the Municipal Bonds Agency and the Public Works Loan Board (PWLB). Officers confirmed Arun had HRA loans with PWLB, as they offered fairly competitive rates. Arun had Capital Plans which they submitted to the Debt Management Office each year, which enabled a 0.2% certainty rate (discount), on top of that there was an additional 0.2% discount for HRA accounts. The Municipal Bonds Agency (MBA) dealt with organisations with larger borrowing needs, which Arun were unlikely to need unless combined with other local authorities.
- Page 163, paragraph 4.1 contained a statement that 'some form of due diligence' would take place and paragraph 12 contained a statement 'does not strictly adhere to the advisor's suggested lending list'. It was felt those statements gave the impression the Council were lax. Officers confirmed due diligence was taken very seriously, and this was laid out in the strategy. Advice was taken on board from LINK, however it was not a requirement to take this advice on each occasion. It was suggested next time this be worded as 'appropriate form of due diligence' instead of 'some'.
- Clarification was requested on the MRP Policy on page 173 and whether this was a deviation from or continuation of the current policy. Officers confirmed this had been the same for a number of years and there had been no change to last year's policy.
- The CIPFA self-assessment had been distributed to Members and there was concern Members may not be fully aware of everything they should be scrutinising. A suggestion was put forward that a briefing be provided to Members in advance of Audit and Governance meetings, where time was spent on the key treasury management skills Members should be aware of, and then an update on the areas relevant to the specific report. The Group Head of Finance and Section 151 Officer felt this was an excellent suggestion and was happy to organise such briefing sessions. The Chair also thought this was an excellent suggestion, and felt it would be most appropriate for these briefings to take place virtually over Teams. The Chair agreed to liaise with the Group Head of Finance and Section 151 Officer regarding the setting up of these meetings.
- There was concern that the United Kingdom was at the bottom of the list for investments on page 181, and it was asked whether Arun would be unable to invest in the United Kingdom should this drop off the list. Officers explained that although this looked concerning, the rating was still very solid, and they would still have confidence investing in the United Kingdom. It was highlighted that the report stated 'it has been determined that the UK will remain an approved country for investments regardless of its sovereign rating if after careful consideration, it is deemed appropriate to do so'.

The Committee

RECOMMEND TO FULL COUNCIL that

1. The Treasury Management Strategy Statement for 2024/25 be approved and adopted.
2. The Annual Investment Strategy for 2024/25 be approved and adopted.
3. The Prudential Indicators within the TMSS and AIS for 2024/25 be approved.
4. An operational boundary borrowing limit of £78M for 2024/25, as shown in Appendix 2, be approved.
5. An Authorised Borrowing Limit of £83M for 2024/25, as shown in Appendix 2, be approved.

652. USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) ANNUAL REPORT 2023

Upon the invitation of the Chair, the Group Head of Law and Governance presented the report. The Regulation of Investigatory Powers Act 2000 (RIPA) governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities. The Council had the ability to use powers under RIPA to support its core functions for the purpose of the prevention and detection of crime. He explained some time ago there had been publicity around local authorities' use of the powers, and it was determined some councils were using these incorrectly. The Act and its Codes of Practice set out the procedures that local authorities must follow when undertaking surveillance. The Council was required to have a Senior Responsible Officer (SRO) to maintain oversight of the RIPA arrangements, procedures and operations. The Group Head of Law & Governance performed this function and was responsible for the integrity of the Council's processes for managing the requirements under RIPA. The Investigatory Powers Commissioner's Office (IPCO) was responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom. The last inspection had concluded positively, and although there were comments on Arun's RIPA policies and procedures, there was nothing fundamental that undermined the Councils use (or not) of the powers. The Council did not use these powers last year, and had not used them for some time. Officers had received training and he highlighted that these powers could sometimes be necessary to aid in criminal investigations. There would be a subsequent report coming to the Committee regarding the RIPA Policy. He had received a Member question in advance of the meeting regarding whether the new CEO would receive training. This was something the Group Head of Law and Governance would be speaking to the new Chief Executive about once they had started in post, to determine whether they would need the training, or whether they had recently completed it.

Subject to approval at the next Audit and Governance Committee meeting

500

Audit and Governance Committee - 19.02.24

There were no questions from Members.

The Committee noted the report.

653. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 7.50 pm)

Arun District Council

REPORT TO:	Audit & Governance Committee – 19 February 2024
SUBJECT:	Review of the Members’ Allowances Scheme – Report of the Independent Remuneration Panel
LEAD OFFICER:	Daniel Bainbridge, Group Head of Law and Governance (Monitoring Officer)
LEAD MEMBER:	Councillor James Walsh – Chair of the Committee
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: To comply with The Local Authority (Members’ Allowances) (England) Regulations 2003 in terms of how regularly a council should conduct a review of its Members’ Allowances Scheme, which should be reviewed at least every four years, and what a review should cover in terms of the allowances that Members can claim.	
DIRECTORATE POLICY CONTEXT: Responsibility for these matters sits within the remit of the Group Head of Law & Governance.	
FINANCIAL SUMMARY: The financial implications associated with the IRP’s report are set out in Paragraphs 4.5 to 4.9 of this report.	

1. PURPOSE OF REPORT

- 1.1 The Audit & Governance Committee has responsibility for reviewing Councillor Allowances based on reports received from the Council’s Independent Remuneration Panel (IRP) created under the Local Authorities (Members’ Allowances) Regulations 2003.
- 1.2 The last full review of the Members’ Allowances Scheme was approved by Council in July 2019. An interim review was undertaken by the IRP in November 2020 and reviewed the Special Responsibility Allowances 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 over to a Committee system. This review examined the Special Responsibility Allowances (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.
- 1.3 Following the District Elections held in May 2023, and as it has been four years since a last full review of the Members’ Allowances Scheme was undertaken, the Independent Remuneration Panel (IRP) has been working on and has now concluded its latest review of the Council’s Members’ Allowances scheme.

2. RECOMMENDATIONS

- 2.1 The Audit & Governance Committee is requested to consider the report of the Independent Remuneration Panel on its tenth review of the Members' Allowances Scheme, together with the financial appraisal set out in Paragraphs 4.4 to 4.8 which should be read in conjunction with the Panel's report and recommendations.
- 2.2 The Committee is asked to make any recommendations in approving a new scheme to Full Council on 13 March 2024 for final adoption.

3. EXECUTIVE SUMMARY

- 3.1 Now that the Committee system has been in place for some time [since May 2021] it is timely to undertake a review of all Councillor allowances, and because the last full review was undertaken in July 2019.
- 3.2 The Regulations require the Council's IRP to review its Members' Allowances Scheme every four years.

4. DETAIL

- 4.1 For the benefit of the Committee, it received a scoping report at its meeting held on 25 July 2023 confirming the Terms of Reference of the Panel and the general principles that should be applied in reviewing the next review of the Members' Allowances Scheme.
- 4.2 The report also set out the timetable for the review that has been undertaken and the Committee will note that all the proposed actions listed have been undertaken by the Panel. This included a Seminar for all Members of the Council on 4 September 2023, the opportunity for Members to complete a questionnaire; and Councillor and officer interviews. The report that was submitted to the 25 July Audit & Governance Committee has been attached to this report as a background paper.
- 4.3 The Panel's Report setting out its recommendations can be viewed at Appendix 1 to this report.

Issues and Budget Summary

- 4.4 There are budgetary issues to consider in relation to the following recommendations:
 - (i) The Basic Allowance – in setting the budget for 2024/25, as the BA is linked to Officer pay awards, the 5.72% increase [confirmed in December 2023] as part of the 2023/24 staff pay award was added to the 2022/23 budget for BA backdated to 1 April 2023. Although the % uplift for the 2024/25 pay award is not known, as it is still to be confirmed, an estimate percentage has been built into the

budget. If Members choose to agree the Panel's recommendation to increase the BA [Recommendation 1 in the Panel's report] this will represent a modest increase to this budget.

- (ii) The IRP recommends changes to the amounts of Special Responsibility Allowances (SRAs) and other allowances in respect of:
- The Leader and Deputy Leader of the Council
 - The Chair and Vice-Chair of the Planning Committee
 - The Chairs and Vice-Chairs of the six Service Committees being the Policy & Finance Committee; the Corporate Support Committee; the Economy Committee; the Environment Committee, the Housing & Wellbeing Committee and the Planning Policy Committee
 - The Vice-Chair of the Standards Committee
 - The Leader of the Opposition
 - The Appeals Panel and Co-Optee Allowance
 - The Carer's Allowance [Childcare and Dependent Adult Allowances
- (iii) The majority of SRAs are index linked to the staff pay award and the 5.72% increase confirmed in December 2023, has been built into the 2023/24 budget and an estimate percentage increase into the 2024/25 budget in anticipation of the 2024/25 pay award. The Panel's recommendations can be accommodated within the budget for 2024/25.
- (iv) No changes are proposed to the SRAs set out below:
- Chair and Vice-Chair of the Council
 - Chair and Vice-Chair of Licensing
 - Member of Licensing
 - Member of Planning
 - Named Substitute for Planning
 - Chair of Standards
 - Independent Persons of the Standards Committee
 - Chair and Vice-Chair of Audit & Governance
 - Leaders of smaller Minority Groups
- (v) No change is proposed for Town and Parish Council Allowances, but Members are asked to note that the Parish Basic Allowance is linked to District Basic Allowance [10%] and is also subject to being inflated in line with officer pay.
- (vi) The Panel is recommending that the effective date for changes if agreed by Council to the scheme be 1 April 2024.

4.5 A table setting out the Members' Allowances Budget and impact of the IRP's proposed recommendations can be found below:

<u>Budget</u>	<u>No of Cllrs</u>	<u>Budget 2023/24</u>	<u>Budget for 2024/25</u>	<u>Change</u>	<u>New Total</u>	<u>Change</u>
Basic Allowance	54	£6,378 x 54 = £344,412	£366,810	£6,638 [+£260]	£358,452	£344,412 [+14,040] = £358,452
<u>SRAs</u>		£111,268	£118,500		£98,807	See below
Leader	1	£6,654	£6,654	£8,000	£8,000	£+1,346
Deputy Leader	1	£2,355	£2,355	£2,400	£2,400	£+ 45
Chairs of Service Committees	6	£5,667	£34,002	£4,000 [-1,667]	£24,000	£-10,002
Vice-Chairs Of Service Committees	6	£1,869	£11,214	£1,200 [-£669]	£7,200	£-4,014
Chair of Planning	1	£6,982	£6,983	£7,500	£7,500	£+ 518
Vice-Chair Planning	1	£2,305	£2,305	£2,500	£2,500	£+ 195
Vice-Chair Standards	1	£0	£0	£ 349	£ 349	£+ 349
Leader of the Opposition	1	£4,559	£4,559	£4,000	£4,000	£ - 559
The Appeals Panel and Co-optees Allowance incl IRP	5 [IRP]	£60 per meeting attended	£2,000	£65 per meeting	Depends on No of meetings	£ +5 per meeting attended
Carer's Allowance Childcare	Any Cllr can claim	£10 ph Up to limit £4k pa	Part of SRA budget	£12 ph (1 child) £15 ph (2 + Children No cap	Part of SRA budget	£ +2 ph No cap

Carer's Allowance Dependent Adult Allowance	Any Cllr can claim	£18.49 ph Up to limit £6k pa	Part of SRA budget	£24.95 ph No cap	Part of SRA budget	£ + 6.46 ph No cap
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- 4.6 The Member's Basic Allowance total if approved for 2024/25 would be £358,452. The Panel's recommendations, if accepted, represent an increase of £14,040, which would mean a small overspend in respect of the 2024/25 budget, dependent upon what pay award percentage is confirmed. The budget for 2024/25 is £366,810. Built into this is an assumption of what the staff pay award and uplift in the Basic might mean for 2024/25. The proposed budget for 2024/25 is subject to Council approval as part of the overall consideration of the Council's budget.
- 4.7 The Special Responsibility Allowance total if approved for 2024/25 would be £98,807. The Panel's recommendations, if accepted, would represent a decrease in the budget of £12,461, however, part of this has been passed onto funding the proposed increase in BA. The budget for SRAs for 2024/25 is proposed to be £118,500. Built into this is the assumption of what the staff pay award and uplift in SRAs might mean for 2024/25. The proposed budget for 2024/25 is subject to Council approval as part of the overall consideration of the Council's budget.
- 4.8 The total increase in costs if all of the Panel's recommendations are approved to include changes to the BA and SRAs is £1,577.
- 4.9 The Co-Opted Member and Members of the IRP; Members and Witnesses to Committees and Panels uplift means a £5 per hour increase for any meeting attended against a budget proposed for 2024/25 totalling £2,000. No concerns are expressed if this recommendation is approved.

Overall cost of Allowances and Expenses

- 4.10 The IRP has stated in its report that it is mindful and conscious that any Scheme proposed for allowances and expenses must be appropriate for the Council and affordable in relation to budget provision.
- 4.11 It has set out the financial effect of its recommendations within its report, however, this does not provide line by line detail as to the financial effect of its recommendations if Members choose to approve and take up full entitlement of all the allowances that they are entitled to and especially in respect of the childcare and adult care allowance. It is recommended that Officers will pay particular attention to the recommendations in the Panel's report regarding the Carer's Allowance by keeping this under review. In view of the recommendations proposed for this part of the Allowances Scheme, an Equalities Impact Assessment has been completed and can be found at Appendix 2.

4.12 The overall financial effect of the IRP's recommendations compared with the allowances being paid for 2023/24 represents an increase of £1,577. Having consulted with the Finance Team, if approved, this small increase in cost can be accommodated from within the existing Committee Services budget and would not represent growth within the overall budget.

5.0 CONSULTATION

5.1 In line with the Constitution at Part 3 – Responsibility for Functions, the Audit & Governance Committee has responsibility for overseeing the work of the Independent Remuneration Panel in its periodic consideration of members' allowances. Having already reported to the Committee on 25 July 2023 by providing a scoping report setting out how the Members' Allowances Review would be undertaken, and the Committee agreeing that process, this report now presents the findings and recommendations of the Panel.

5.2 The Panel's report details the results of the Member Survey that all Members had the opportunity to complete and the Member and Officer interviews that were held. It also provides detail on the issues that were debated at the Members' Seminar held on 4 September 2023.

5.3 All Town and Parish Clerks were provided notification of the review and were provided with an opportunity to raise concerns. This is covered in the Panel's report.

6 OPTIONS / ALTERNATIVES CONSIDERED

6.0 At the time of writing this report, there are no other alternative proposals in place in terms of the review that has been undertaken of the Members' Allowances Scheme.

6.1 The Local Authority (Members' Allowances) (England) Regulations 2003 require the Council to have regard to the recommendations made to it by an IRP before it agrees or amends its Members' Allowances Scheme [Regulation 19.1]. The regulations have been attached to this report as a link and as a background paper.

6.2 The Committee may accept the IRP's recommendation as set out in Appendix 1 to the report or it can recommend alternatives to the IRP's recommendations, but it should state its reasons for doing so. The Committee could recommend to not continue with the review at this stage or could ask the IRP to reconsider or revisit any of its proposed recommendations.

6.3 To not agree the Panel's recommendations could put the Council at risk as this would mean that the Council would not be complying with The Local Authority (Members' Allowances) (England) Regulations 2003 in terms of how regularly a council should conduct a review of its Members' Allowances Scheme.

6.4 The Committee will recall that at its meeting held on 28 February 2023, it extended the terms of office of the IRP to 31 March 2023. If the Committee should decide to ask the Panel to revisit any of its recommendations, this would require the Panel to undertake further work. It is important to highlight in this instance that this would mean that it would be highly unlikely that the Panel's recommendations would be able to be reported to Full Council on 13 March 2024, as further consideration of its recommendations would require a further report to be brought to the Audit & Governance Committee first, most likely via a Special Meeting.

6.5 In that were to happen, the Committee would be asked at this meeting to extend the terms of office to all members of the Panel in 2024.

6.6 An implication of this action that the Committee would also need to accept is that this would delay the planned recruitment process for a new IRP in 2024.

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

7.0 The cost of the proposals in this report can be met within existing budget proposals provided the draft 2024/25 budget is approved by Special Council on 21 February 2024.

8 RISK ASSESSMENT CONSIDERATIONS

8.0 None associated with this report.

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

9.1 The Council must have regard to the recommendations of the Panel when determining the scheme of Members' Allowances.

9.2 The 2003 Regulations place certain duties on local authorities in connection with publicising the recommendations made by the Independent Remuneration Panel, the scheme of allowances adopted, and the actual allowances paid to Members in any given year. The Regulations also place the responsibility on the Council to ensure that copies of the Independent Remuneration Panel's report and recommendations are available for inspection at the Council's principal offices at all reasonable times and publish a notice in at least one newspaper circulating in the area.

9.3 The subsequent guidance to the Regulations, issued jointly by the Office of the Deputy Prime Minister and the Inland Revenue, urges local authorities to publicise more widely the report from the Independent Remuneration Panel, the scheme of allowances and the sums paid to each Councillors with the suggestion that, where possible, this information be published on the Council's website. Supporting information and explanations are also encouraged.

10 HUMAN RESOURCES IMPACT

10.0 None associated with this report.

11 HEALTH & SAFETY IMPACT

11.0 None associated with this report.

12 PROPERTY & ESTATES IMPACT

12.0 None associated with this report.

13 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.0 If the Panel's recommendations are approved, this scheme of allowances provides financial assistance and support to those who might wish to stand for election in the future and those existing Councillors that require financial assistance with childcare or adult caring responsibilities.

13.1 The Panel acknowledges that the ability to claim Child and Dependent Carers' Allowances has a potentially significant impact on the ability of people to stand for election and work effectively as a Councillor, who might not otherwise be able to do so.

13.2 The Panel has made recommendations to increase these allowances to more realistic rates. A full EIA can be found at Appendix 2 of this report.

14 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.0 None associated with this report.

15 CRIME AND DISORDER REDUCTION IMPACT

15.0 None associated with this report.

16 HUMAN RIGHTS IMPACT

16.0 None associated with this report.

17 FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.0 None associated with this report.

CONTACT OFFICER:

Name: Daniel Bainbridge

Job Title: Group Head of Law and Governance (and Monitoring Officer)

Contact Number: 01903 737607

BACKGROUND DOCUMENTS:

Links to background papers mentioned in the report to be added here:

Audit & Governance Committee 28 February 2023 – Report

[Report](#)

Audit & Governance Committee 25 July 2023 - Report

[Scoping Report to Committee](#)

The Local Authority (Members' Allowances) (England) Regulations 2003

<https://www.legislation.gov.uk/id/uksi/2003/1021>

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**REPORT OF THE
INDEPENDENT REMUNERATION PANEL
ON
MEMBERS' ALLOWANCES
FOR
ARUN DISTRICT COUNCIL**

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1. Introduction

1. Under the Local Authorities (Members' Allowances) (England) Regulations 2003, the Council is required to establish and maintain an Independent Remuneration Panel (IRP). The purpose of the Panel is to consider and make recommendations to the Council about the allowances paid to Members under its Scheme of Allowances, hereafter referred to in this report as "the Scheme". The Council must make the final decision on its Scheme but in doing so it must have regard to the advice of the IRP before making any changes. See Appendix 1 for details.
2. The Panel has recommended separately that the 2023-24 Basic and Special Responsibility Allowances be increased by 5.72% based on the total average of the increase in Officer's pay (excluding Apprenticeships, Directors and the Chief Executives) and in line with the national LGA pay award.
3. The Panel accepts that its role is to make recommendations and it is for the Members to decide what to do with the Panel's recommendations.

2. The Independent Remuneration Panel (IRP)

The current IRP was appointed at Council in November 2018 and further extended in March 2023 by the Audit & Governance Committee. The Panel consists of five Members: John Thompson MBE (Chair), Alan Ladley, Andrew Kelly, Sarah Miles and Celia Thomson-Hitchcock. The Members of the Panel come with a wide range of experience. Their profiles are at Appendix 2.

3. Executive Summary

The Panel believes that access to democracy is an important objective - while people should not take on public office mainly for the allowances, good candidates should not be put off standing by financial pressures. If they are, then those who can stand for election come increasingly from unrepresentative groups. The Panel have tried to reflect this in its recommendations, while being mindful of the effects on the Authority's Budget.

The Panel met over a period of five months to conduct a wide-ranging review of Members' Allowances. It listened to Members and Officers and examined a broad range of written data. The Report contains a series of recommendations, which are set out on page 9. In arriving at these, the Panel considered a range of issues.

The Panel found that due to the ongoing effects of Covid, the financial crisis and the change in governance structure to a Committee system, the workload of Members has increased, so a modest increase in the Basic Allowance (BA) would be appropriate.

The Chairs of Service Committees SRAs were set before the workloads and levels of responsibility were known. It is now clear that these SRAs are too high when compared with Regulatory Committee Chairs. The Panel was advised that the Chairs have very limited decision-making responsibilities, with Members having an increased decision-making role, therefore it is right that the remuneration is re-allocated from the Chairs of the SRAs to all Members, via the BA, thus making the rise in the BA almost budget neutral.

The Panel considered carefully and in great detail the role of Vice Chairs and Deputies and have standardised their Allowance at 30% of the Chairs' and Leader's SRAs.

Both Members and the Panel are aware that the SRA payable to the Leader of the Council is one of the lowest in the Southeast, including the five Authorities in the Southeast operating service Committee arrangements. Therefore, the Panel recommends an uplift to ensure that applicants of sufficient calibre are attracted to the role.

The SRAs payable to the Chair and Vice Chair of the Authority are higher than average in the area. It does however include an allowance, which is taxed, for out-of-pocket expenses so the Panel recommends no change in the amount currently paid.

The Planning Committee has been identified as having a significantly higher workload and responsibility than others, so the Panel proposes a modest increase to the SRAs of the Chair and Vice Chair. Some minor changes to other SRAs are recommended. As is the introduction of a modest SRA for the Vice Chair of the Standards Committee.

Travel and Subsistence Allowances should continue to be paid at the current rate (the maximum allowed under HMRC guidelines).

The Panel has considered at length the need for realistic Allowances for Dependent Adults and Children. Current levels are found to be too low, so it is recommended they are increased, together with improved arrangements to further ensure the Allowances are well publicised, easily accessible and flexible while easily auditable. Additionally, the Authority is asked to consider arrangements for Maternity, Paternity and Adoption leave.

The Panel continues to recommend that a Member should be able to claim all SRAs to which they are entitled. Obviously, Members are free to renounce any SRA if they choose.

Parish Allowances were looked at; it is the decision of individual Parishes if any are paid, most do not. The Panel do not see any reason to recommend changes to the current arrangements.

The Panel has identified that the proposed changes to the Basic and Special Responsibility Allowances will increase costs in the region of £1,933 a very modest 0.443%, while assuring that Roles and Responsibilities are fairly and correctly rewarded.

Finally, the Panel recommends all allowances should be linked to any rises in Officers' Pay, so removing the anomaly of some allowances not being so linked. This keeps the allowances reasonably up to date in the four-year gaps between reviews. If workloads and responsibilities for which SRAs are payable change considerably during this period, a light touch review in the intervening period is recommended.

4. Investigation Methodology

The Panel carried out a full review of the Scheme of Allowances. Before starting work they met with the Audit and Governance Committee in July 2023. The Panel then held a well-attended open seminar for Members. (Ap 3) Following this, all members were invited to complete a detailed questionnaire and 25 responded: more than in previous years (Ap 4). A series of 12 interviews were held with selected Members; (Ap 5), Senior Officers' views were also obtained (Ap 5), Reference was made to comparisons with other West Sussex and Southeast Authorities (Ap 6&7). Additional, desk-based research was undertaken, examining Members' roles and responsibilities in ADC and comparisons with other Authorities, together with National and Local Policies (Ap 6)

The Panel also considered the outcomes following the previous Panel Report. This information was helpful and was used as a significant element of the evidence upon which the Panel has based its report and recommendations.

5. General Principles

1. With rising energy and other costs of living increases, the Panel is very aware that the Council is faced with great challenges in setting a balanced budget for 2024-25 and beyond.
2. Recruitment of Members has always been recognised as an important part of the Panel's consideration. The introduction of the current national Scheme in 2000 was driven by the need to make engagement in local governance more widely accessible.
3. The Panel reflected on the importance of the role of elected Members and the importance of clarity in identifying and setting out these roles.
4. Voluntary Service Element is a reduction in the BA paid to all Members to reflect that part of a Councillor's work should be voluntary and not remunerated. There is no statutory requirement to show a discount and only a third of Authorities covered by the Southeast Employers do so. The Panel and Members believe it is important that some element of the work of Members continues to be voluntary, ie, that some hours are not remunerated. This must be balanced against the need to ensure that financial loss is not suffered by elected Members, and further to ensure that, despite the input required, people are encouraged to come forward as elected Members and that their service to the community is retained. In Arun this is set at 30% a figure accepted by most Members.

5. The Panel advocates that Members' allowances should be based on an external benchmark, so ensuring Allowances are maintained at a level appropriate to the wider economic landscape, removing them from the political arena and local pressures. The Panel considered the Consumer Price Index (CPI) as a useful benchmark. There is universal support within the Members and the Panel that to continue to link the BA and Special Responsibility Allowances (SRAs) to Officers' pay is the best benchmark for the Authority.
6. The Panel also felt it is important that both current and potential future Councillors were able to easily access information on the requirements of the role, and to ensure that the Scheme of Allowances is consistent with the expectations of these roles. With this in mind, the Panel had access to ADC Member role profiles.

Findings

1. Feedback to the Panel was that due to the ongoing effects of Covid, (an increase in digital working has led to greater public involvement with the workings of the Council) the financial crisis (leading to more constituents' demands) and the move to the Service Committee system, a modest increase in the **Basic Allowance** would be appropriate. (Recommendation 1)
2. The **Chairs of Service Committees** SRAs were set before workloads and levels of responsibility were known. With some years of experience of how these Committees work, it is now clear to the Panel that these SRAs are too high and should be brought in line with Regulatory Committee SRAs. The Panel was advised that the Chairs have very limited decision-making responsibilities, with Members having an increased decision-making role, therefore it is right that the remuneration is re-allocated from the Chairs of the SRAs to all Members, via the BA. (Recommendation 4)
3. By the same argument **Vice-Chairs of Service Committees** should also be reduced and be set at 30% of the Chairs' SRA. Some Members expressed the view that SRAs should not be paid to Deputies and Vice-Chairs. The Panel focussed on this in interviews with Members and were convinced that the Vice Chairs played an important role in agenda setting and supporting the Chair; as well as deputising for the Chair. (Recommendation 5)
4. There was some support and justification for an increase in the **Leader's SRA**. The allowance paid to the Leader, even with the SRA as Chair of the Policy and Finance Committee added, is one of the lowest in the Southeast (41 out of 56). The allowance was set by removing the former Cabinet Member SRA from the Leader's SRA. Even before then the Leader's SRA had been in the lowest quartile of Southeast Leaders' SRAs. This SRA should be set at a reasonable level so that good candidates are attracted to applying when elections take place. The Panel therefore recommends an increase in the Allowance, noting it is still below the average SRA paid to Leaders in the Southeast (2nd lowest overall) and lowest by District population paid in West Sussex. (Recommendation 2)
5. The **Deputy Leader's** SRA is increased very slightly so that it is 30% of the Leader's Allowance. (Recommendation 3)

6. The SRAs paid to the **Chair and Vice Chair of the Council** are much higher than elsewhere in West Sussex. However, unlike other Authorities, their out-of-pocket expenses are included in the allowance, which means also they are subject to tax. Although administratively more difficult, out-of-pocket expenses could be paid as flat allowances per month, possibly with larger items claimed against an invoice. No recommendations are made: the Authority might compare their arrangements with other authorities.
7. The **Chair of the Planning Committee** SRA is clearly too low. This Committee meets twice as frequently as any other Committee, meetings can extend into a second day. The high profile and level of external scrutiny and challenge to the decision-making responsibility in a District with major housing building projects were taken into account by the Panel. The increase would take the SRA to near the top SRAs paid in West Sussex. (Recommendation 6)
8. The **Vice-Chair of the Planning Committee** should also be increased and set at 30% of the Chairs' SRA. (Recommendation 7). The Panel proposes no change to the SRAs paid to Members of the Planning Committee or named substitutes.
9. The Panel propose a new SRA for the **Vice Chair of the Standards Committee**. It corrects the anomaly of the Standards Committee being the only Committee where the Vice Chair does not receive an SRA, although they fill similar roles to Vice Chairs on other committees. In line with other Vice Chairs the SRA is set at 30% of the Chair's SRA. (Recommendation 8)
10. The SRA paid to the **Leader of the Opposition** who has limited decision-making responsibilities is in the Panel's view too high and should be reduced. It should be about 50% of the Leader's SRA and similar to the SRA for Chairs of Service Committees. (Recommendation 9)
11. Some Members expressed concern about a few Members' poor attendance at meetings and failure to undertake statutory training, particularly for planning and licensing. This does not fall within the remit of the review. However, the panel were reassured that Group Leaders recognised the importance of good attendance and behaviour.
12. Similarly, the Panel believes the SRA paid to **Panel Members and Co-optees Allowances** should increase by £5, to partly mitigate the effects of inflation, and from now on be linked to Officers' Pay. (The Panel declare an interest as they are remunerated at the rate paid to Co-opted Members). (Recommendation 10)
13. The Panel makes no recommendation to change any of the other SRAs currently in payment.
14. 33% of Districts & Boroughs in the South-East operate a **one SRA per Member policy**. This Council is amongst the majority who do not. The Panel's agrees strongly with Members that if a Member undertakes a responsibility, they should be remunerated for it. (Note that the split of the Leader's and Deputy Leader's SRAs from their constitutional responsibilities to lead the Policy and Finance Service Committee make the one SRA policy well-nigh impossible.)
15. The ability to claim **Child and Dependent Carers' Allowances** has a potentially significant impact on the ability of people to stand for election and work effectively as a Member, who might not otherwise be able to do so. Research shows current hourly rates are too low and should be set at levels that allow these costs to be met in full. The cost to the Council is low as there are few claimants. The panel has made

recommendations to increase the rates to more realistic maxima. The setting of annual limits is unrealistic as the need is usually ongoing and the Member may be disenfranchised. The Panel heard that claiming arrangements need to be both clearer and more flexible, whilst still ensuring that claims are properly evidenced. However, the Panel do not consider a Business receipt is always possible or indeed necessary. Councillors face particular challenges in finding babysitters or carers, as the demand is sporadic and often in the evening, where for example it is difficult to access nurseries or child minders. The Head of Paid Service should continue to arbitrate on claims made where there is uncertainty. (Recommendations 11 and 12).

16. There is a scheme covering **Adoption, Maternity and Paternity for Members** in line with a scheme for Officers. This should be reflected in the Scheme of Allowances and the Officers' scheme should be published on the Authority's public facing website. (Recommendation 13)
17. There were no demands to change the **Travel and Subsistence allowances**. The arrangement for claiming these allowances needs to be clearly communicated to Members. They remain linked to the rates payable to Officers (and are currently set at HMRC maximum).
18. No recommendations are made to change the list of approved duties for which allowances, etc may be claimed.
19. **Town and Parish Councils** were invited to complete a short questionnaire 7 did so. There was no desire to change the current arrangements whereby Town and Parish Councillors may be paid up to 10% of District Council's Basic Allowance. Few Councils chose to pay any allowance. Those who do, meet the cost from their own precept.
20. Continuing a **four-year review** process works well. Targeted reviews can be commissioned at any time.

Recommendations

Having considered the Scheme in line with the Terms of Reference laid out in Appendix 1 following the Methodology (Ap 3-7) and the General Principles above, the Panel's recommendation for each allowance paid are as follows:

Basic Allowance	
Recommendation 1:	The Basic Allowance be increased from £6,378 to £6,638 .
Special Responsibility Allowances (SRAs)	
Recommendation 2:	The Special Responsibility Allowance paid to the Leader of the Council be increased from £6,654 to £8,000 .
Recommendation 3:	The Special Responsibility Allowance paid to the Deputy Leader be increased from £2,355 to £2,400 .
Recommendation 4:	The Special Responsibility Allowance Service Committee Chairs be reduced from £5,667 to £4,000
Recommendation 5:	The Special Responsibility Allowance Service Committee Vice-Chairs be reduced from £1,869 to £1,200
Recommendation 6:	The Special Responsibility Allowance paid to the Chair of Planning be increased from £6,982 to £7,500
Recommendation 7:	The Special Responsibility Allowance paid to the Vice-Chair of Planning be increased from £2,305 to £2,500
Recommendation 8:	A Special Responsibility Allowance of £349 be paid to the Vice-Chair of Standards
Recommendation 9:	The Special Responsibility Allowance paid to the Leader of the Opposition be reduced from £4,559 to £4,000 .
Recommendation 10:	The Appeals Panel and Co-optees Allowances be increased from £60 per meeting to £65 per meeting and now be linked to Officers' Pay.
Recommendation 11:	That the hourly rate for Childcare be increased from £10 an hour to a maximum of £12 per hour for one child and £15 per hour for two or more children. That the annual limit be removed and the rules for claiming be clarified.
Recommendation 12:	That the Adults Dependant Care rate be raised to a maximum of £24.95 an hour. The rules be clarified, annual limit be removed, and that Head of Paid Service will decide on the rate be paid on a case-by-case basis.
Recommendation 13:	A scheme of allowances covering Adoption, Maternity and Paternity be adopted for Members in line with a scheme for Officers and the Officers' scheme be published on the Authorities public facing website.
Recommendation 14:	Town and parish Councils may pay up to 10% of the Authority's Basic Allowance to their own Members.

Effective Date for Changes

The Panel recommend that the effective date for changes to the Scheme be 1 of April 2024 for all Allowances.

Budget Impact

The net cost of these changes is £1,933 for both the Basic Allowance and Leader's SRA increases. The proposed increase to the Dependent Adults and Child Carers' Allowances is not expected to impact the budget, as the number of Members claiming this allowance is very small. The recommendations for 2024/25 represent a 0.443% increase to the 2023/24 cost for the Scheme of Allowances.

Renunciation

Any Member may, on notifying the Head of Paid Service, renounce all or part of any allowance to which they are entitled. The request must be made in writing and clearly state the period for which the reduction is to be applied.

Future Reviews

The Panel recommends a four-yearly cycle of full reviews, with a light touch review of SRAs in the intervening period.

Revocation of Previous Schemes

The previous scheme of Members' Allowances as approved by Council on 19 July 2019 is revoked with effect from 1 April 2024.

Acknowledgements

The Panel is grateful for the support and co-operation received from Members and Senior Officers and for the excellent assistance of Jane Fulton in Committee Services.

Appendix 1. Terms of Reference

The Independent Remuneration Panel's Terms of Reference are to consider and make recommendations:

- to the authority as to the amount of Basic Allowance that should be payable to its elected members
- to the authority about the responsibilities or duties which should lead to the payment of a special responsibility allowance and as to the amount of such an allowance
- to the authority about the duties for which a travelling and subsistence allowance can be paid and as to the amount of this allowance
- as to the amount of co-optees' allowance
- as to whether the authority's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and if it does make such a recommendation, the amount of this allowance and the means by which it is determined.
- on whether any allowance should be backdated to the beginning of a financial year in the event of the scheme being amended
- as to whether annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should run to make recommendations as to which members of an authority are to be entitled.

The Panel should also have regard to:

- the nature and type of role and responsibility of Elected Members and the level of commitment involved.
- the difference in responsibility and time commitment of Leading Members; Service Committee and statutory Committee Chairs and back-bench Members and the Chair and Deputy Chair of the Council.
- schemes operating in similar authorities elsewhere.
- the level of remuneration paid for other types of public duties.
- whether allowances should be payable to meet Members' out of pocket expenses
- the need to attract and retain Members of appropriate calibre and representative of the demographic make-up of the district.
- the need to ensure that the scheme is straight-forward; economic to operate and justified in terms of affordability (in the public's perception) and working within existing budgetary constraints.
- a scheme that aims to compensate for the time put into the roles and responsibilities undertaken – bearing in mind that there should be an element of public service.
- a scheme that encourages Councillors to work flexibly and to develop themselves and their role in the community.

Appendix 2. Members of the Independent Remuneration Panel

The Panel Members are:

- John Thompson MBE – has worked in the public, private and charity sectors. Has been on IRPs and an Independent Person for various Authorities since 2001. He was appointed to the Board of Governors of Chichester University in July 2022. He has been a School Governor for many years. He is Chair of the Avisford Medical Group Patient Participation Group.
- Celia Thomson-Hitchcock – Owns Head to Toe Beauty Salon. She was Chair of the Littlehampton Traders Partnership for eight years and continues to work closely with local businesses, veterans and the wider community promoting Littlehampton and good causes.
- Alan Ladely – has lived in West Sussex for nearly 50 years and was a police officer with Sussex Police for 36 years, serving in Horsham, Bognor Regis, Littlehampton and Chichester as well as the police HQ in Lewes. He retired in 2009 at the rank of Detective Superintendent. Subsequently he worked for six years for Sussex Police as the Force Information Manager, overseeing the forces' information assets as well as the management of Data Protection and Freedom of Information. Alan now lives in Bognor Regis and helps his wife who runs a retail business in the town.
- Andrew Kelly - has lived in West Sussex since the late 1980s. He is a Fellow of the Chartered Institute of Personnel and Development and has had a career in Human Resources spanning over 35 years. Initially he worked in the private sector -hospitality, food retailing and financial services, then as HR Director for several NHS Trusts and more latterly worked in local government. Now retired after operating his own HR consultancy business, he has continued with voluntary work for local organisations, currently as Chair of Trustees with Arun Counselling Centre in Littlehampton.
- Sarah Miles MBA- has worked in the academic, public, private and charity sectors. A former entrepreneur, University Lecturer at Portsmouth Business School, Business Improvement Director and private Business Consultant, she has recent experience as a Trustee at Mind (Brighton and Hove) and Dove Lodge (Littlehampton).

Appendix 3. Methodology- Seminar

The main points from Members were as follows, including the Panel's response:

- The Vice Chair of Standards Committee should receive an SRA – Recommended in the Panel's Report.
- Re Panel interviews with Members, can previous SRA holders and Members be interviewed as they will bring experience/views covering the years since the last review to the attention of the Panel? On advice the Panel decided not to interview former Members, even with recent changes there remained a wealth of experience and corporate knowledge that the panel was able to draw up on.
- How do we ensure that IRP members are independent and do not make political comments? The Panel relies entirely on the evidence, the process is clear and transparent -For example, the questionnaire is managed by Committee Services, the names of respondents are not known; the interviews are based on what interviewees

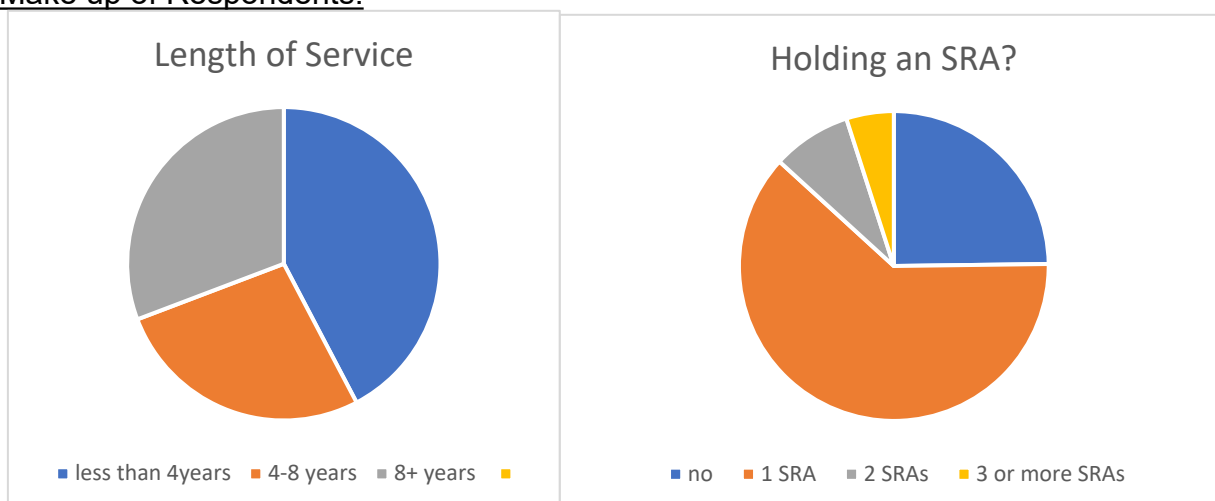
do, not which party they belong to. None of the Panel hold any political office in or without the District.

- How will interviews be organised? They were set up by the Committee Services Manager and wherever possible at least two members of the panel attended all meetings with Members and Officers.
- Can interviewees see the questions beforehand? All interviewees were sent a copy of questions before interview.
- Full Council resolved to look into reducing the number of Cllrs that the Council has. Would any revised Councillor numbers figure into what you are doing as this could affect workload? This review was conducted on the basis of the existing number of Members and structure of the Council. Should there be a reorganisation a Panel would be convened to consider the impact of the changes on responsibilities and workload.
- Have you spoken to any Councils who have an alliance as this could impact allowances paid? We have looked at other Authorities that operate a Committee system and to an authority where groups work in a similar way to Arun. We could find no near model to what was operating at Arun during the period of our review.
- Will you be interviewing members of the Planning Committee in terms of what that role is and what a Planning Committee Member does and does not do? The role is a massive responsibility. The Panel interviewed a Planning Committee Member and had hoped to interview the Chair. The Panel's report reflects the concerns expressed in the seminar.
- No requests were made for the data collected to be provided before interviews.
- What other data is used? The hours spent by members in all Council meetings form an important part of the review. The Panel also comments on attendance at meetings and training. Ward work responsibility was covered in the survey and interviews.

Appendix 4. Methodology- Questionnaire

All members were emailed a questionnaire to complete anonymously. 26 completed them (around 50%, a higher proportion than previously). The findings were valuable and helped to inform areas to explore at interview.

Make up of Respondents:

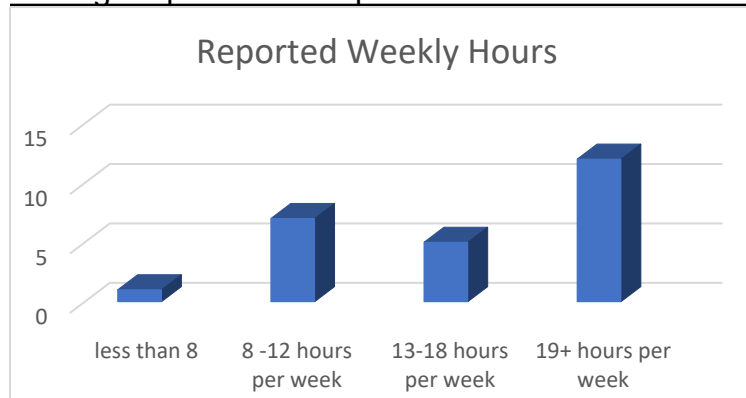


84% said they were happy with the Travel and Subsistence Allowance

60% thought the Childcare Allowance was too low.

4% said the BA was too high, the remaining 92% said about right or too low.

Average reported hours per week on Basic Members work:



Although not scientifically valid, the self-reported hours are a useful insight into the hours Members spend on Council work, not including any work that attracts an SRA. Note that the proposed increased allowance equates to approximately 18 hours a week for 45 weeks of the year x National Living Wage of £11.42, minus 30% PSE.

Appendix 5. Methodology- Interviews

The Panel met and/or corresponded with the following Members and Officers to explore any issues regarding allowances:

- Councillor Matt Stanley, Leader of the Council and Chair of the Policy & Finance Committee
- Councillor Carol Birch, Chair of the Housing and Well-being Committee; Member of the Policy & Finance Committee, Deputy Leader of the Green Group
- Councillor Billy Blanchard-Copper, Chair of the Licensing Committee; Member of the Planning Committee, Member of the Environment Committee,
- Councillor James Walsh, Chair of the Audit and Governance Committee; Vice-Chair of the Council; Vice-Chair of the Economy Committee, Member of the Housing & Wellbeing Committee
- Councillor David Huntley, Chair of the Standards Committee; Leader of the Independent Group; Member of the Planning Policy Committee;
- Councillor Shirley Haywood, Vice Chair of the Licencing Committee; Vice-Chair of the Housing & Wellbeing Committee; Member of the Audit & Governance Committee; Named Substitute for Planning
- Councillor Richard Bower, Member of the Planning Committee; former Chair of the Planning Policy Committee and Planning Committee; Member of the Corporate Support Committee;
- Councillor Francis Oppler, Chair of the Corporate Support Committee; Member of the Policy & Finance Committee; Member of the Audit & Governance Committee;
- Councillors Alison and Andy Cooper, Chair of the Council; former Chair of Housing & Wellbeing Committee; and former Chair of the Council; former Chair of the Licensing Committee and former Chair of the Economy Committee – current Member of the Policy & Finance Committee and Economy Committee and Licensing Committee

- Councillor Sue Wallsgrove – Leader of the Green Group; Chair of the Environment Committee; Vice-Chair of Planning; Member of the Audit & Governance Committee
- Councillor Mike Northeast – Leader of the Labour Group and Member of the Planning Committee and Economy Committee
- Daniel Bainbridge, Group Head of Law & Governance and Monitoring Officer
- Jane Fulton, Committee Services Manager
- The Corporate Management Team and Officers from the Finance Team

Several Councillors were unable to fix mutually convenient dates for interview.

Appendix 6. Information examined.

The Panel accessed the following:

- The Arun District Council Constitution
- The Arun District Council website
- Committee Memberships list
- The Municipal Calendar
- Copies of previous Independent Remuneration Panel Reports
- Extracts of Full Council and Committee Agendas and Minutes
- Annual Schedules of Payments to Members
- Southeast Employers' Survey of Allowances Paid to Members
- Details of the Basic and SRA Allowances in payment and increase due following the 2023 pay award to Officers.
- Other Authorities' Schemes of Allowances, particularly. Gosport, Runnymede, Spelthorne, Swale and Tandridge where Service Committee systems are operated.
- Various local and national Policies.

Appendix 7. SE Employers' Data

This data set provides some interesting but limited external comparisons. The only relevant comparisons are:

- Looking at West Sussex Districts and Boroughs the current rankings of key SRA holders in ADC are:
 - Leader 7th out of 7 authorities paying this SRA.
 - Deputy Leader 6th out of 6 – One authority did not report an SRA.
 - Service Committee Chairs – not reported and vary between the 5 authorities referred to at App 6.
 - Chair of Planning 3rd out of 7
 - Vice Chair of Planning 3rd out of 7
 - Chair of Audit 2nd out of 7
 - Chair of Licencing 2nd out of 7

- All authorities pay travel and subsistence (the majority pay the HMRC maximum of 45p a mile) and run schemes that allow claims for dependents and maternity, paternity and adoption. Most deal with these claims on a case-by-case basis.

EQUALITY IMPACT ASSESSMENT

Name of activity:	Tenth Review of the Members' Allowances Scheme	Date Completed:	18 January 2024
Directorate / Division responsible for activity:	Law & Governance	Lead Officer:	Jane Fulton
Existing Activity	N	New / Proposed Activity	Y
		Changing / Updated Activity	N

What are the aims / main purposes of the activity?

The review of the Council's Members' Allowances Scheme is undertaken by an Independent Remuneration Panel appointed by the Council's Audit & Governance Committee. The IRP is appointed and undertakes its reviews of the Council's Members' Allowances Scheme in line with The Local Authority (Members' Allowances) (England) Regulations 2003.

These Regulations confirm that an authority should review its Members' Scheme of Allowances every four years. As the last full review of the Members' Allowances Scheme was undertaken and approved by Council in July 2019, a full review has been undertaken.

The Panel has undertaken a review of the following parts of the Members' Allowances scheme:

- The Basic Allowance [paid to all 54 Councillors]
- Special Responsibility Allowances [paid to Councillors holding a position of additional responsibility for example Chairs and Vice-Chairs of Committees; the Leader and Deputy Leader of the Council; the Leader of the Opposition and Leaders of small minority groups]
- Co-opted Members and Members of the Independent Remuneration Panel; Members and Witnesses to Committees and Panels
- Carer's Allowance – the childcare allowance and Dependent Adult Allowance
- Arrangements for Adoption, Maternity and Paternity for Members in line with the scheme in place for Officers
- Travel and subsistence allowances
- Town and Parish Council allowances

What are the main actions and processes involved?

To fulfil the Council's obligations in ensuring that it complies with The Local Authority (Members' Allowances) (England) Regulations 2003 in approving its scheme of allowances.

Who is intended to benefit & who are the main stakeholders?

In fulfilling the Council's obligations and in ensuring that it complies with The Local Authority (Members' Allowances) (England) Regulations 2003 – the review of the Members' Allowances Scheme will:

- Ensure that access to democracy is open to all. That those wishing to stand as a Councillor at future elections or have been elected as a Councillor are not penalised financially in undertaking their role and to remove any barriers that might prevent anyone from considering standing as a Councillor
- Ensure that a realistic Carer's Allowance is paid covering childcare and the dependent adult allowance.
- Ensure that feedback from Town and Parish Councils in terms of the allowances that they are entitled to pay under the Regulations are also reviewed and updated.

The key stakeholders are:

- Arun District Councillors
- Town and Parish Councillors
- Independent Persons of the Standards Committee
- The Independent Remuneration Panel [IRP]
- Co-optees Members and witnesses to Committees and Panels
- The Officer team supporting the IRP – Committee Services Manager; the Group Head of Law & Governance and Monitoring Officer; the Finance Team

- South East Employers – using their benchmarking data
- Other authorities operating a Committee system form of governance

Have you already consulted on / researched the activity?

The Audit & Governance Committee received and noted a scoping report on 25 July 2023 setting out how the review would be undertaken; the timetable for the review; and the actions that would be undertaken in undertaking this exercise.

A Seminar for all Members of the Council was held on 4 September 2023 to introduce Members to the IRP and to explain the key components forming the review of the scheme.

A questionnaire was sent to all Members of the Council to complete asking questions on all aspects of allowances paid.

Interviews were held with Councillors and Officers over November and December 2023.

Town and Parish Councils were consulted on the proposals in December 2023.

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Impact on people with a protected characteristic (What is the potential impact of the activity? Are the impacts high, medium or low?)

Protected characteristics / groups	Is there an impact (Yes / No)	If Yes, what is it and identify whether it is positive or negative
Age (older / younger people, children)	Yes positive	The Members' Allowances Scheme can pay a Childcare Allowance or an Adult Carers Allowance to those that have childcaring or adult caring responsibilities.

Disability (people with physical / sensory impairment or mental disability)	Yes positive	The Council operates a travel and subsistence scheme. An assessment is undertaken with any Councillor who has physical/sensory impairment or a mental disability to ensure that they can undertake their role with the provision of suitable IT equipment and in terms of safely accessing and exiting either the Arun Civic Centre or Bognor Regis Town Hall.
Gender reassignment (the process of transitioning from one gender to another.)	No	There are no known implications.
Marriage & civil partnership)	No	There are no known implications.
Pregnancy & maternity (Pregnancy is the condition of being pregnant & maternity refers to the period after the birth)	Yes Positive	There is no known impact for Councillors due to pregnancy or maternity. The Local Government Act 1972, Section 85 confirms that a Councillor must attend a meeting to which they have been appointed to for a consecutive period of six months otherwise this would lead to their disqualification as a Councillor. The Council is able to approve a dispensation to allow an extended period beyond six months in certain circumstances. It is intended that pregnancy and maternity requests are dealt with in this way.
Race (ethnicity, colour, nationality or national origins & including gypsies, travellers, refugees & asylum seekers)	No	There are no known implications.
Religion & belief (religious faith or other group with a recognised belief system)	No	There are no known implications.
Sex (male / female)	No	There are no known implications.
Sexual orientation (lesbian,	No	There are no known implications.

gay, bisexual, heterosexual)		
Whilst Socio economic disadvantage that people may face is not a protected characteristic; the potential impact on this group should be also considered	No	There are no known implications.

What evidence has been used to assess the likely impacts?
The review of the Members' Allowances Scheme has been undertaken in line with the Local Authority (Members' Allowances) (England) Regulations 2003. It makes recommendations around the paying of allowances in line with legislation. This includes confirming the detail around areas such as childcare and adult caring responsibilities that Councillors may have and how the Council can assist Councillors in undertaking their responsibilities in these areas. It also makes recommendations around adoption, maternity and paternity options.

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Decision following initial assessment			
Continue with existing or introduce new / planned activity	Y	Amend activity based on identified actions	N

Action Plan			
Impact identified	Action required	Lead Officer	Deadline

Monitoring & Review

Date of last review or Impact Assessment:

This is the first time an EIA has been completed in reviewing the Members' Allowances Scheme

Date of next 12-month review:

If approved by Council on 13 March 2024, the recommendations will come into force from 1 April 2024

Date of next 3-year Impact Assessment (from the date of this EIA):

The scheme will be reviewed again in 2027 unless any changes to the governance structure of the council take place within this timeframe

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Date EIA completed:

18 January 2024

Signed by Person Completing:

Jane Fulton – Committee Services Manager

REPORT TO:	Audit and Governance Committee – 19 February 2024
SUBJECT:	Treasury Management Strategy Statement and Annual Investment Strategy 2024/25
LEAD OFFICER:	Antony Baden - Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor James Walsh
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION:	
The Council's Treasury Management Strategy Statement and Annual Investment Strategy for the 2024/25 financial year supports and promotes all the Council's corporate priorities.	
DIRECTORATE POLICY CONTEXT:	
The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS), including the Minimum Revenue Provision (MRP) policy statement, influences the activities of all Directorates across the Council.	
It is one of the most important reports considered by Audit and Governance Committee for the financial year (2024-25). It is forward looking and includes:	
<ul style="list-style-type: none"> • the capital plans (including prudential indicators), • the Minimum Revenue Provision policy statement, which sets out how capital expenditure funded from borrowing is charged to the revenue budget over time, • the Treasury Management Strategy, which explains how the Council's investments and borrowings are to be organised, (including treasury indicators), and, • the Annual Investment strategy (the parameters on how investments are to be managed). 	
FINANCIAL SUMMARY:	
The financial implications are explained throughout the report.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to present the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) for 2024/2025 and to enable the Audit and Governance Committee to scrutinise the report prior to taking it to Full Council on 13 March 2024.

2. RECOMMENDATIONS

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

2.1. Approve and adopt the Treasury Management Strategy Statement for 2024/25.

2.2. Approve and adopt the Annual Investment Strategy for 2024/25.

2.3. Approve the Prudential Indicators within the TMSS and AIS for 2024/25.

2.4. Approve an operational boundary borrowing limit of £78M for 2024/25 as shown in Appendix 2.

2.5. Approve an Authorised Borrowing Limit of £83M for 2024/25 as shown in Appendix 2.

3. EXECUTIVE SUMMARY

3.1. The report has been prepared to ensure that the content complies with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2021.

3.2. Section 12 of the Local Government Act 2003 Act provides local authorities with the power to invest for any purpose relevant to its functions, or for the purposes of the prudent management of its finances. Broadly speaking, this means that its cash resources must be invested under the 'SLY' principles of Security, Liquidity and then Yield.

4. DETAIL

4.1. CIPFA defines treasury management as follows:

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

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

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

4.4. The details of the TMSS, AIS and Prudential Indicators are included in Appendices 1 to 8. Appendix 9 contains the Council's Treasury Management scheme of delegation and Appendix 10 outlines the role of the section 151 officer. Appendix 11 has been included to illustrate the issues facing the Council with regards to the IFRS 9 override.

5. CONSULTATION

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

6. OPTIONS / ALTERNATIVES CONSIDERED

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

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

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

7.2. Another key function of the treasury management service is to manage the funding of the Council's Capital Programme. It determines borrowing needs in respect of longer-term cash flow planning so that the Council can deliver its capital plans. This involves arranging long and short-term loans as well as the use of cash flow surpluses. It can also involve restructuring existing debt if this reduces costs or risk exposure to interest rate increases.

7.3. The Treasury Management function looks to optimize interest income and reduce debt interest payments whilst ensuring that the Council has enough liquidity to meet all its spending commitments. Since cash balances generally consist of reserves and balances, it is paramount that investments are placed as securely as possible as any losses would have an adverse impact on the revenue budget.

7.4. The financial implications of both strategies are detailed throughout this report and in the Appendices.

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 treasury management practices, diminished interest returns, loss of capital invested and poor funds liquidity. The Council's strategies mitigate 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 Council including

securing effective arrangements for treasury management. There are no specific legal implications arising from this report.

10.HUMAN RESOURCES IMPACT

10.1. No direct implications.

11.HEALTH & SAFETY IMPACT

11.1. No direct implications.

12.PROPERTY & ESTATES IMPACT

12.1. No direct implications.

13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. No direct implications.

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.

14.2. Current Investments with CCLA (diversified fund and property fund) and Standard Chartered (Sustainable deposits) all have positive ESG factors.

14.3. Further options will be explored and considered.

15.CRIME AND DISORDER REDUCTION IMPACT

15.1. None.

16.HUMAN RIGHTS IMPACT

16.1. None.

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. None.

CONTACT OFFICER:

Name: Sian Southerton

Job Title: Senior Accountant (Treasury)

Contact Number: 01903 737861

BACKGROUND DOCUMENTS:

- The Local Government Act 2003 ([The Local Government Act 2003](#))
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2021) [unable to include document due to copyright]
- The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2021) [unable to include document due to copyright]
- MHCLG - [Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#)
- Link Asset Services Ltd TMSS Template 2024/25. [unable to include document due to copyright]

Treasury Management Strategy Statement and Annual Investment Strategy 2024/25

1.1 Background

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

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

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

CIPFA defines treasury management as:

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

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

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

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

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

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

This Capital Strategy is reported separately from the Treasury Management Strategy Statement, and non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under Security, Liquidity, Yield (SLY). This report will be considered at Policy and Finance Committee on 7 March 2024 for approval by Full Council on 13 March 2024.

1.2.2 Treasury Management Reporting

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

- 1) **Prudential and treasury indicators and treasury strategy** (TMSS - this report) - The first and most important report is forward looking (2024-2025) and covers:
 - the capital plans (including prudential indicators)
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
 - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an Annual Investment Strategy (the parameters on how investments are to be managed)
 - it also includes the third quarterly progress report to 31 December 2023.
- 2) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. This reports on the period up to 30 September 2024.
- 3) **An annual treasury report** – This is a backward looking review document (2023-2024) providing details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

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

- 1) TMSS – February 2024 meeting
- 2) Mid-year – November 2024 meeting
- 3) The annual report for 2023-24 – July 2024 meeting

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

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues

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

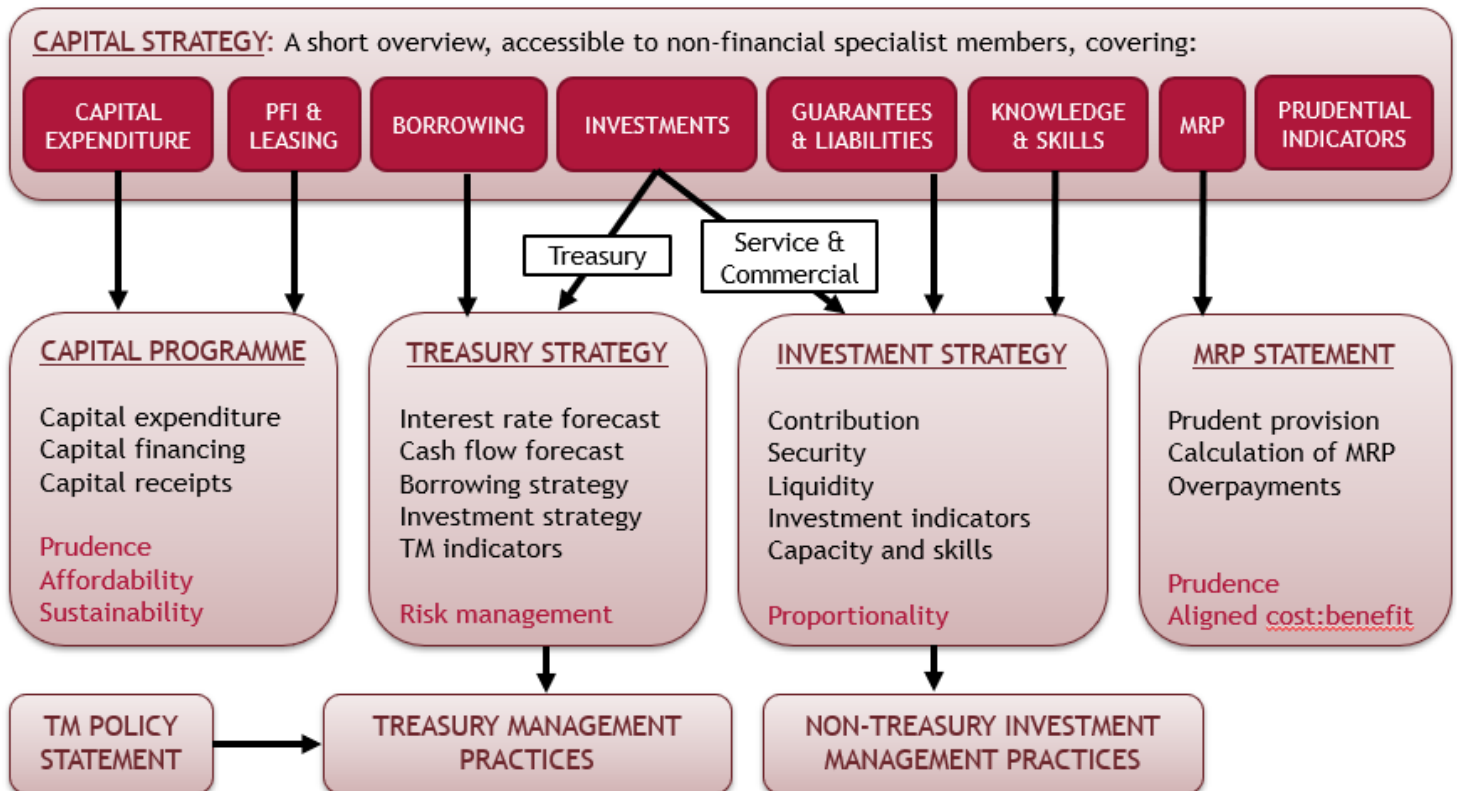
Treasury management issues

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

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

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

Strategy Reports: England



1.4 Training

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

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning sessions for treasury management officers and Council members.

- Request treasury management officers and Council members to undertake self-assessment against the required competencies:
- CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.
- Have communication with officers and Council members, encouraging them to highlight training needs on an ongoing basis.

All members were invited (22 members attended) to a Treasury Management training session held on 4 July 2023 presented by Link Group (Arun's treasury advisors) to:

- Gain an appreciation of what Treasury Management involves and how it is undertaken
- Understand the role of Officers and Members in Treasury Management decisions
- Understand the risks and opportunities in Treasury Management and how they should be managed
- Develop the skills and knowledge required to take Treasury Management decisions
- Review current integrated treasury management strategy
- Gain an understanding of the Council's balance sheet position including its asset base
- Gain a broad appreciation of the impact of the COVID-19 pandemic and subsequent inflation pressures on the economic outlook and Treasury Management decision-making
- Gain a high-level understanding of ESG factors potentially impacting future investment decisions

The training needs of treasury management officers are periodically reviewed, and officers attend courses provided by appropriate trainers such as Link and CIPFA.

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

1.5 Treasury management consultants

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

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

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

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

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

2 The Capital Prudential Indicators 2024/25 to 2026/27 (Appendix 2)

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

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Council's capital expenditure is considered as part of the budget setting process and a report for approval is going to Full Council on 21 February 2024.

Currently Arun's only borrowing relates to the HRA self-financing settlement. However, the Council has a significant capital programme including sheltered accommodation, HRA improvements and developments, Bognor Regis Arcade, and the Levelling Up project, plus smaller projects.

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

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

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

Capital Expenditure	Actual 2022/23 £'000	Budget 2023/24 £'000	Estimated outturn (Q3 forecast) 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Non HRA	7,024	14,457	10,721	24,020	6,466	2,735
HRA	6,442	16,007	9,598	15,151	7,107	5,516
Total	13,466	30,465	20,319	39,171	13,573	8,251
Financed by:						
Capital receipts (1-4-1)	1,589	3,212	3,275	552	0	0
Capital grants (inc S106)	2,693	10,245	6,971	16,440	1,580	1,580
Capital reserves	1,823	2,931	2,931	5,901	5,683	5,516
Revenue	1,344	1,715	1,694	0	0	0
	7,449	18,102	14,871	22,893	7,263	7,096
Net financing need for the year	6,017	12,363	5,448	16,277	6,310	1,155

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

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

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

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

The Council does not have any PFI schemes within the CFR but does have finance leases. The Council is asked to approve the CFR projections in Appendix 2 also shown below:

CFR	Actual 2022/23 £,000	Current Budget 2023/24 £,000	Estimated Outturn (Q3 forecast) 2023/24	Estimate 2024/25 £,000	Estimate 2025/26 £,000	Estimate 2026/27 £,000
Capital Financing Requirement						
Non HRA	(19)	996	744	6,451	9,925	11,012
HRA	52,876	61,132	54,469	60,538	66,263	64,123
Total CFR	52,858	62,128	55,212	66,989	76,188	75,135
Movement in CFR	4,768	9,270	2,355	11,776	9,199	(1,053)

	Movement in CFR represented by					
HRA unfinanced / Internally financed	6,369	9,709	3,046	7,877	8,065	0
GF unfinanced / Internally financed	293	2,576	2,324	7,330	4,886	1,155
Less MRP Leases	(529)	(1,650)	(1,650)	(1,715)	(1,508)	(168)
Less VRP	(1,365)	(1,365)	(1,365)	(1,716)	(2,244)	(2,040)
Movement in CFR	4,768	9,270	2,355	11,776	9,199	(1,053)

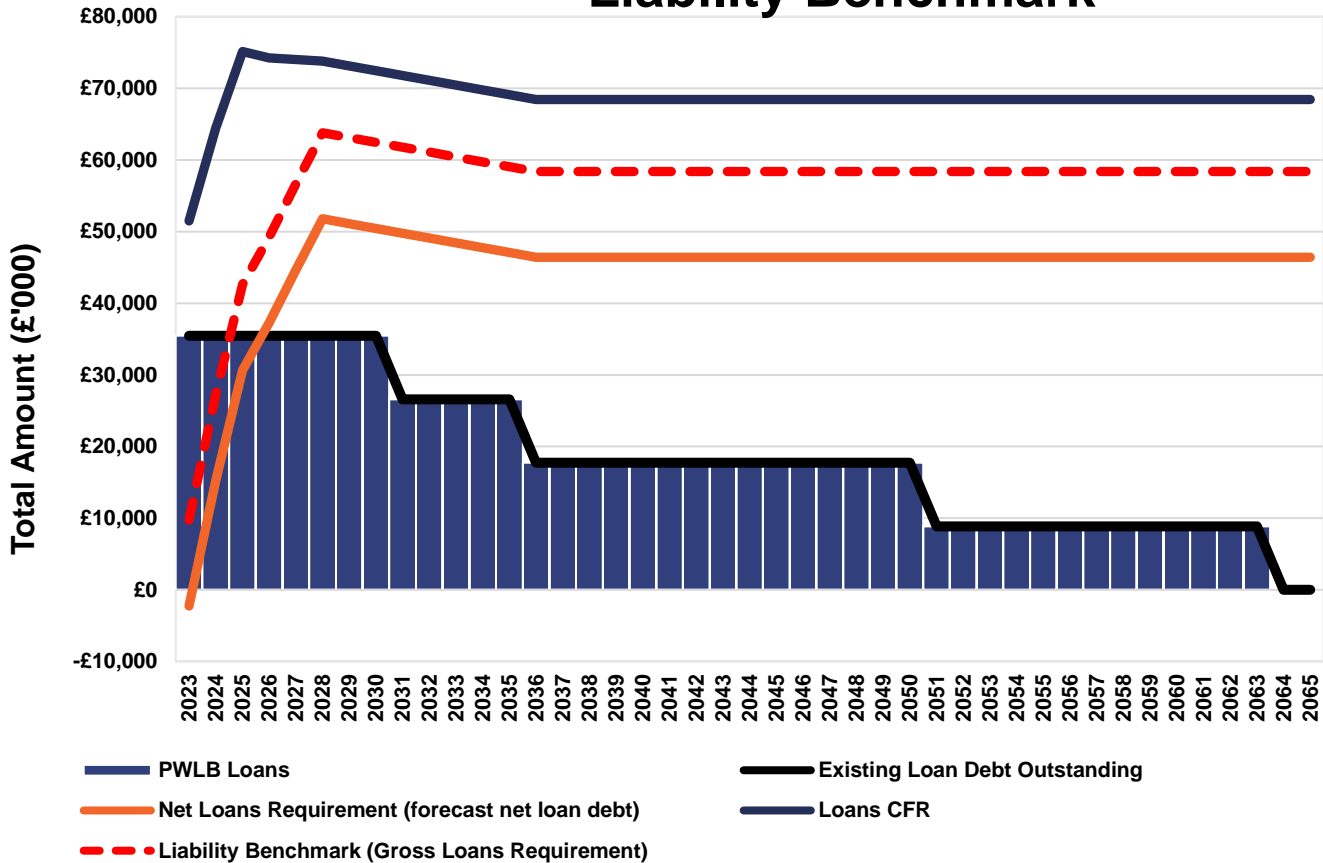
2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

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

Liability Benchmark



The above chart shows the liability benchmark for the Council for the year ended 2023 through to the year ended March 2065. An explanation of what this is showing is highlighted below:

- The Blue line (at the top) represents the Loans CFR, (based on only approved prudential borrowing and planned MRP). The gap between this and the liability benchmark line represents in part the treasury management investments held by the Council which are required for management of liquidity and cashflow.
- The Black line represents the existing load debt outstanding and tracks the existing debt balance.
- 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 good because it's lower than the CFR line.

2.4 Core funds and expected investment balances

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

Year End Resources £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Usable Revenue Reserves	25.80	21.24	17.05	14.77	9.74
Housing Revenue Account Balance	1.52	0.55	1.08	1.36	1.90
Housing Major Repairs Reserve	3.88	4.39	2.91	4.20	5.68
Capital Receipts	1.71	3.22	0.55	0.00	0.00
Capital Grants unapplied	1.67	0.00	0.00	0.00	0.00
Total core funds	34.58	29.40	21.59	20.33	17.32
Other cashflow sums	9.32	17.14	16.31	13.78	15.32
Expected investments	43.90	46.54	37.90	34.11	32.64

2.5 Minimum revenue provision (MRP) policy statement

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

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

The MRP policy statement requires Full Council approval in advance of each financial year. For expenditure incurred after the 1 April 2008 the Council is recommended to approve the following MRP Statement (detailed policy in appendix 3):

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

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

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

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

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

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

MRP Overpayments

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

2.6 Affordability Prudential Indicators

This report covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an **indication** of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator contained in Appendix 2.

Ratio of financing costs to net revenue stream.

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

	Actual 2022/23 %	Estimate 2023/24 %	Estimate 2024/25 %	Estimate 2025/26 %	Estimate 2026/27 %
Non-HRA	(5.45)%	*(6.51)%	(6.22)%	(4.67)%	(4.00)%
HRA	16.60%	18.19%	16.96%	15.39%	14.40%

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

3 Borrowing

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

3.1 Current Portfolio Position

The Council's Treasury Investment and debt portfolio position at 31 March 2023 and 31 December 2023 are summarised below;

	actual 31.3.23 £000	actual 31.3.23 %	current 31.12.23 £000	current 31.12.23 %
Treasury investments:				
Diversified Funds	2,000	5%	2,000	3%
Property Funds	5,000	11%	5,000	9%
In-house:				
Banks	32,740	75%	39,250	68%
Building societies - unrated	0	0%	0	0%
Building societies - rated	2,000	5%	1,000	2%
Local authorities	0	0%	4,000	7%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	2,190	5%	6,640	11%
Total treasury investments	43,930	100%	57,890	100%
Treasury external borrowing:				
PWLB	-35,460	97%	-35,460	97%
Finance leases	-1,034	3%	-1,034	3%
Total external borrowing	-36,494	100%	-36,494	100%
Net treasury investments / (borrowing)	7,436		21,396	

The investments held at 31st December 2023 are shown in Appendix 4.

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

£m	2022/23 Actual	2023/24 Estimated outturn	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Debt at 1 April	36.78	39.46	39.49	43.66	47.95
Expected change in Debt	(1.37)	1.68	5.88	5.80	(2.04)
Re-payments (HRA debt)	0.00	0	0.00	0.00	0.00
Expected change in long-term liabilities (OLTL)	4.04	(1.65)	(1.72)	(1.51)	(0.17)
Actual gross debt at 31 March	39.46	39.49	43.66	47.95	45.74
Capital Financing requirement – HRA	52.88	54.47	60.54	66.26	64.12
Capital Financing requirement - GF	(0.02)	0.74	6.45	9.93	11.01
The Capital Financing Requirement	52.86	55.21	66.99	76.19	75.13
Under / (over) borrowing	13.40	15.72	23.33	28.24	29.39

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council's only external borrowing relates to the HRA Self-Financing settlement which was initially £70.9m on 28/3/2012 now £35.46m. Prior to this borrowing being undertaken, the Council had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result, Arun's gross debt is not expected to exceed its CFR in 2024-25.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 The Operational Boundary.

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

The Council is requested to approve an operational boundary of £78M in Appendix 2 (2024/25).

3.2.2 The Authorised Limit for external debt.

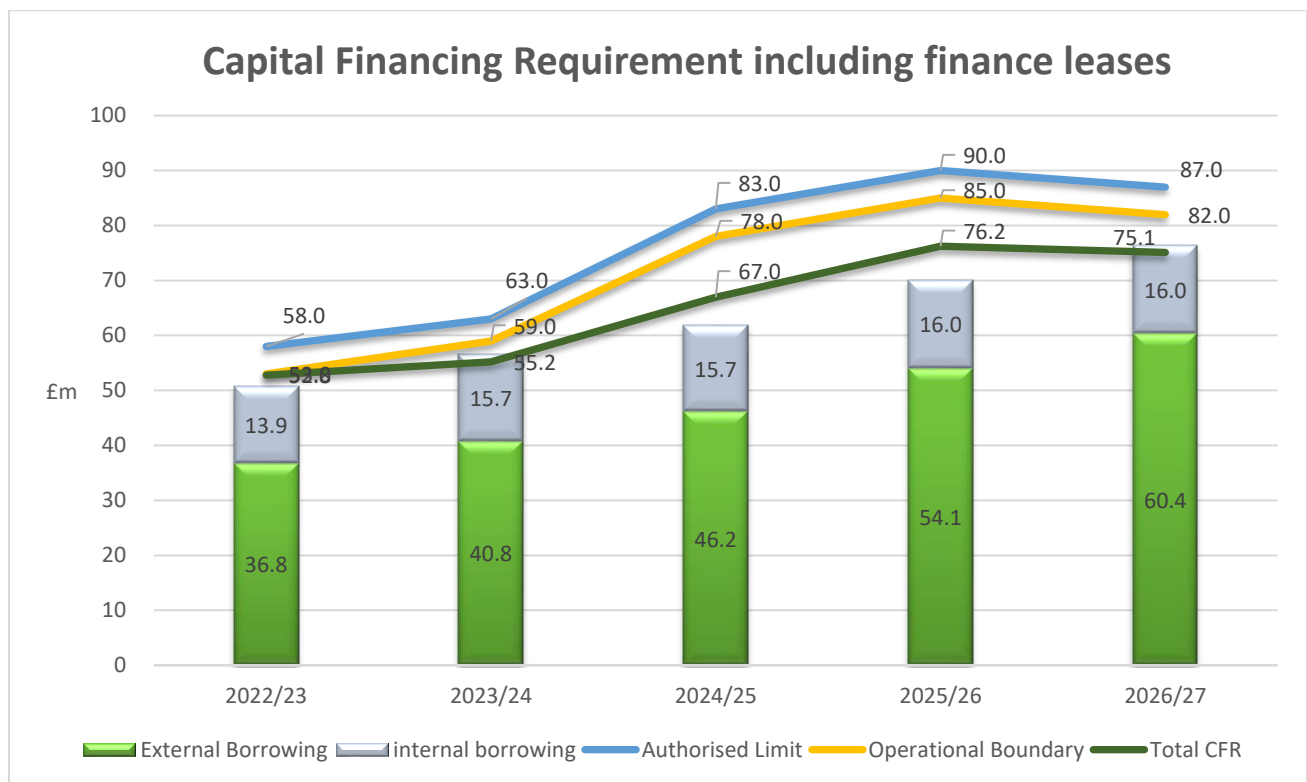
This is a key prudential indicator and represents a control on the maximum level of borrowing.

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

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

The Council is asked to approve an Authorised Limit of £83M appendix 2 (2024/25).

3.2.3 The chart below shows the Council's projection of CFR and borrowing forecast.



The bars in the chart above show the forecasted external debt and includes potential future borrowing and internal borrowing. The Authorised Limit and Operational Boundary factor in new potential borrowing which allows for expenditure on sheltered accommodation, HRA improvements and developments, Bognor Regis Arcade, and the levelling Up project, plus smaller projects.

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08 January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps, followed by their commentary.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Link Group's central forecast for interest rates was updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

3.4 Borrowing Strategy

3.4.1 The Council has a significant capital programme in 2024-2025 but reducing over the subsequent years. The 2024-25 programme consists of expenditure largely relating to the Levelling Up project, Alexandra theatre, Bognor Regis arcade, Alexandra Theatre, sheltered accommodation, Stock developments and housing improvements, Housing IT system, and smaller schemes.

The Council is currently maintaining an under borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Group Head of Finance will monitor interest rates in financial markets and information provided by the Council's Treasury advisors to adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

The level of expenditure expected within the HRA will almost certainly require additional borrowing which is reflected in the HRA 30-year financial model which will form an integral part of the Business Plan. The HRA business plan will include a programme of new build/stock acquisition, in addition to ongoing maintenance programmes. There are also

plans to borrow for General Fund purposes. The timing of any new borrowing has not been identified at the time of writing, but all borrowing and its sources will be assessed for viability and affordability before any action is taken.

Given the expected under borrowing position of the Council, the borrowing strategy will give consideration to the most appropriate source of funding from the following list:

- Internal borrowing, by running down cash balances and foregoing interest earned, as this is the cheapest form of borrowing:
- Weighing the short term advantage of internal borrowing against potential long term borrowing costs:
- PWLB loans up to 50 years (Certainty Rate is available to the Council at 0.2% below the normal terms):
- Local authorities (primarily shorter dated maturities):
- Other forms of borrowing where appropriate e.g., Municipal Bonds Agency or Bonds (Green or Local climate) where these offer better value than the PWLB.

Any decisions will be reported to the Audit and Governance Committee at the next available opportunity.

There may be an occasional need to borrow for liquidity purposes especially as the Council no longer has an overdraft facility. The facility was removed as banking costs made it very expensive and rather than incurring any costs for the facility, the treasury team will maintain approximately £200k in the Lloyds liquidity accounts (bank account or call account) on a daily basis. Both are available until the close of business each day.

3.4.2 Maturity structure of borrowing

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

The Council is asked to approve the treasury indicators and limits in Appendix 2 also shown below:

Maturity structure of fixed interest rate borrowing 2024/25			
	Actual at 31/12/23	Lower	Upper
Under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	25%	0%	60%
10 years and above	75%	0%	100%

The Council currently has no variable rate borrowing.

3.5 Policy of Borrowing in Advance of Need

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

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

3.6 Debt Rescheduling

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

Rescheduling of current borrowing may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

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

3.7 New financial Institutions as a source of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may also still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency who may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

This is a more complicated source of finance than the PWLB for two reasons. Firstly, borrowing authorities will be required to provide bond investors with a guarantee to refund their investment if the agency is unable to for any reason. Secondly, there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

- “Green Bonds” or “Local Climate Bonds”

Green Bond borrowing is usually only available for significant amounts and takes time to arrange due to a due diligence process to safeguard the Council. Local Climate Bonds may offer another alternative for funding carbon reduction projects.

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

4 Annual Investment Policy and Strategy

4.1 Investment Policy – Management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

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

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return) (SLY). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs, but to also consider “laddering” investments for periods up to 2 years with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 6 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments;** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Lending limits**, amounts and maturity, for each counterparty category will be set as shown in Appendix 6.
6. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (Appendix 2).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (Appendix 8). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut, but this will be done with caution.
8. The Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
9. All investments will be denominated in **sterling**.
10. The Council may invest in investments that are termed "**alternative investments**". These include, but are not limited to, things such as renewable energy bonds (Solar farms). These are asset backed bonds, offering good returns, and will enable the Council to enter new markets, thus furthering the diversification of our investment portfolio with secured investments and enhancing yield. Any investments entered into of this type will be subject to a full due diligence review prior to investment. (Category 7, Appendix 6)
11. The Council may invest in **Open Ended Investment Companies (OEICs)** such as diversified funds (currently the CCLA property fund and diversified fund) subject to some form of due diligence. These funds diversify the risk and offer enhanced returns (Category 10 & 11, Appendix 6)
12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Council will consider the implications of investment instruments (such as 10 and 11) which could

result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. A temporary override was put in place to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. In December 2022, a further extension to the over-ride to 31 March 25 was agreed by Government.

Consequently, any fluctuations in the value of the Councils' investments in the Property or diversified Fund will not be taken through the General Fund for the override period. Appendix 11 gives more details of the potential impact if the override was not in place at 31 December 2023.

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

The Council does not strictly adhere to the advisor's suggested lending list and durations, but does take account of the advice offered before making any investment decisions. The Council will take advantage of any attractive rates available from counterparties of high creditworthiness for longer periods while interest rates remain at these increased levels.

4.2 Investment Policy – Environmental, Social and Governance (ESG) and Ethical considerations

Environmental, Social and Governance (ESG) issues are increasingly significant for investors and investment managers. The Council will consider ESG factors when placing any investment with current or new counterparties. Where matters for concern are identified for any specific counterparty, alternative counterparties will be considered.

A process for ongoing monitoring is being explored and a methodology will be documented in the treasury management practices once established (TMP1).

To comply with treasury management guidance, the Council's investments will prioritise security, liquidity and yield in that order. The Ethical consideration thereby becomes a fourth consideration in the decision-making process.

Current Investments with CCLA (diversified fund and property fund) and Standard Chartered (Sustainable deposits) all have positive ESG factors.

4.3 Creditworthiness policy

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

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

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

The Group Head of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Full Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information (from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's) is supplied by Link Group, our treasury advisors, on all active counterparties. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.

The Council achieves a high credit quality by using a minimum rating criteria (where rated). It does not use the approach suggested by CIPFA of using the lowest common denominator method of selecting counterparties. The Council applies a majority rule where a counterparty would be removed immediately from the lending list if 2 or more rating agencies downgrade the counterparty below the minimum criteria. The Council's minimum criteria, time and monetary limits for each counterparty can be seen in Appendix 7.

Use of additional information other than credit ratings.

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the Council's rating criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional market information will be applied before making any specific investment decision from the agreed pool of counterparties.

These credit ratings are supplemented with:

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

Credit ratings and CDS spreads of the Council's approved counterparty list are monitored on a real time basis. Using Link's rating service, the Council is alerted to any changes to ratings of all three agencies electronically.

The Council's officers recognise that this external service and ratings should not be the sole determinant of the quality of an institution. In addition, it is important to continually assess and monitor the market data, market information and the economic and political environments in which they operate to help support its decision-making process.

The current list of approved counterparties is included in Appendix 7. Lloyds being the incumbent bank, has no limit however the Council will only invest up to the category limit that it falls in, for term deposits (currently category 2- £9M).

Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

4.4 Limits

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

- **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £30M (24/25) of the total treasury management investment portfolio.
- **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 8. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

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

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

Sector limits. The Council does not currently use sector limits e.g., banks v. building societies due to the limited number of quality counterparties available. The Council has a limit of between £4M and £10M (see Appendix 6 and 7 for investment categories) which can be invested with a single counterparty (or group) depending on the credit quality of the counterparty.

Building Societies. The Council includes building societies with assets greater than £10 billion (category 4). It recognises that this may carry a lower credit rating than the Council's other counterparties, therefore the lending limits are set at £4m for each counterparty in this category. (Nationwide is the exception as it fits into category 3 with a limit of £6m.)

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

4.5 Investment Strategy

In-house funds.

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed. For cashflow balances, the Council will seek to use Money Market Funds (MMF's), call accounts, notice accounts and short dated deposits to benefit from the compounding of interest.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25% and then gradually come down to 3%.

The average level of funds available for investment purposes is currently £48M (as at 31 December 2023). These funds are partially cash-flow derived and there is a core balance of approximately £30M which is available for investments over a year (maximum 5 years or 25 years for property funds). The core balance is comprised of funds that are available due to a number of factors including the setting aside of funds to repay the HRA loans for when they become repayable, the Earmarked Reserves, Capital Receipt, Capital grants unapplied, General Fund and HRA balances which were £20.8m, £1.71m, £1.67, £5m and £5.4m at 31 March 2023 respectively (as shown in table 2.4).

The Council's budgeted rate of return for 2024/25 is 3.89% based on a return of 5.36% for funds that are already invested; 4.5% for the property fund (£5M), 3.6% for the diversified fund (£2m), 4.0% for the remaining core balances; and 4.69% for short term cash flow derived balances. The total investment income budget for 2024/25 is £1.57m (compared to £1.54m in 2023/24).

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

MMFs are used for short term daily surpluses of cash as they provide instant liquidity with high quality counterparties. Current rates are around 5.3%.

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

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to

reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limits in appendix 2 (shown below):

Upper limit for principal sums invested for longer than 365 days			
£m	2024/25	2025/26	2026/27
Principal sums invested for longer than 365 days	£30m	£26m	£24m
Current investments as at 31/12/23 in excess of 1 year	£9m	£7m	£7m

The Council has the following spanning the financial year and there are no forward commitments (deals) for the financial year 2024/25;

- £5m invested in the CCLA property fund
- £2m invested in the CCLA diversified fund
- £1m invested with Goldman Sachs for 2 years (maturity – 6 January 2025).
- £1m invested with Close Brothers for 2 years (maturity – 6 November 2025).

Changes of investment strategy from previous year

- This report includes additions to the counterparty lending list (appendix 7), namely State Street Global Advisors Money Market Fund (MMF).
- The “List of Authorised Counterparties” (Appendix 7) has had 3 category limits reduced as below:
 - Category 1 has reduced from a limit of £12m to £10m
 - Category 2 has reduced from a limit of £11m to £9m and
 - Category 3 has reduced from a limit of £8m to £6m

This is because the average level of funds available to invest has reduced and it will encourage better diversification and spreading of any “risk of default”.

4.6 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of O/N SONIA (Sterling Overnight Index Average) compounded rate.

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

These benchmarks are simple guides to minimal risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the

benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change.

The Council has also subscribed to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios. Reports are received quarterly.

4.7 End of year investment report

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

4.8 External Fund Managers

The Council invests in externally managed pooled funds managed by CCLA (Churches, Charities and Local Authorities). £7m is currently invested split between: -

- £5m in a property fund and
- £2m in a diversified fund

The treasury officers receive regular reports and notifications of quarterly dividends payable on both funds.

A representative of CCLA gave a presentation at the members training evening on 18 July 2023 on the performance of the funds held with CCLA and 25 members attended.

4.9 Scheme of delegation

Please see Appendix 9.

4.10 Role of the section 151 officer

Please see Appendix 10.

Prudential and treasury indicators

APPENDIX 2

1. PRUDENTIAL INDICATORS	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27
Extract from budget and rent setting report	Actual	Budget	Q3 Forecast	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure						
Non – HRA	7,024	14,457	10,721	24,020	6,466	2,735
HRA	6,442	16,007	9,598	15,151	7,107	5,516
TOTAL	13,466	30,465	20,319	39,171	13,573	8,251
Ratio of financing costs to net revenue stream						
Non – HRA	(5.45)%	(6.51)%	(8.88)%	(6.22)%	(4.67)%	(4.00)%
HRA	16.60%	18.19%	19.06%	16.96%	15.39%	14.40%
Capital Financing Requirement as at 31 March						
Non – HRA	(19)	996	744	6,451	9,925	11,012
HRA	52,876	61,132	54,469	60,538	66,263	64,123
TOTAL	52,858	62,128	55,212	66,989	76,188	75,135
Annual change in Cap. Financing Requirement						
Non – HRA	4,423	1,015	763	5,707	3,474	1,087
HRA	345	8,256	1,592	6,069	5,725	(2,140)
TOTAL	4,768	9,270	2,355	11,776	9,199	(1,053)

2. TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Probable outturn	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	53,000	59,000	75,000	93,000	94,000
Other long term liabilities	5,000	4,000	8,000	6,000	4,000
TOTAL	58,000	63,000	83,000	99,000	98,000
Operational Boundary for external debt					
Borrowing	48,000	55,000	70,000	88,000	89,000
other long term liabilities	5,000	4,000	8,000	6,000	4,000
TOTAL	53,000	59,000	78,000	94,000	93,000
Actual external debt	35,460	35,460	35,460	35,460	35,460
Upper limit for total principal sums invested for over 365 days (£m)	24,000	36,000	30,000	26,000	24,000

The operational Boundary and Authorised Limit for external debt have been increase over the next 3 years due to expected expenditure on the following:

- Sheltered accommodation
- Housing new build programme & Improvements
- Bognor Regis Arcade
- Levelling up Project
- General Fund programme (smaller projects)

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 31/12/23	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%

Minimum Revenue Provision Policy

1. Introduction

- 1.1 DLUHC guidance on Minimum Revenue Provision (fourth edition issued in 2018) is currently out for consultation. It places a duty on local authorities to make a prudent provision for debt redemption. Where the Council finances capital expenditure by debt it must set aside resources to repay that debt in later years. The amount charged to revenue for the repayment of this debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by Council taxpayers.
- 1.2. From 2007/08 onwards there has been no statutory minimum and the requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance gives local authorities more freedom to determine what would be a prudent level of MRP.
- 1.3. The DLUHC guidance requires the Council to approve an annual MRP statement and recommends 4 options for calculating a prudent amount of MRP, for approval by Full Council in advance of the year to which it applies. Any subsequent revisions to that policy should also be approved by Full Council.

2. Details of DLUHC Guidance on MRP

- 2.1. The statutory guidance issued by DLUHC sets out the broad aims of a prudent MRP Policy as being "to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." It then identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.
- 2.2. The four MRP options available are:
 - **Option 1:** Regulatory Method - is the previous statutory method, which is calculated as 4% of the Council's General Fund Capital Financing Requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.
 - **Option 2:** CFR Method - Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DLUHC to provide a simpler calculation for those Councils for whom it would have a minimal impact, but the draft guidance does not expect it to be used by Councils for whom it would significantly increase MRP.

- **Option 3:** Asset Life Method – MRP is charged over the expected useful life of the asset either in equal instalments or using an annuity method whereby the MRP increases in later years.
- **Option 4:** Depreciation Method - MRP is charged over the expected life of the asset in accordance with depreciation accounting. This would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year.

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

- 2.3 Under the statutory guidance, it is recommended that local authorities use Options 3 or 4 for all prudential borrowing and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.
- 2.4. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also mentions that Option 3 could be used for this type of debt.
- 2.5 The guidance also allows authorities to take an MRP Holiday where assets do not become operational for perhaps 2 or 3 years or longer. It proposes that MRP would not be charged until the year following the one in which the asset became operational.
- 3. Details of Statute** - Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- 3.1 In deciding on the appropriate level of MRP to charge and the most appropriate method of financing the capital programme, the Council needs to have regard to the wider legislation regarding the use of capital receipts.
- 3.2 Statute gives local authorities the option to apply capital receipts to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.
- 3.3 Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years.
- 4. MRP Policy**

It is recommended the Council adopt the following MRP policy:

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

Appendix 4

Reference no.	Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate
863	Standard Chartered Bank - Sustainable Deposits	05/01/2023	05/01/2024	£1,000,000.00	4.650
897	Lloyds Bank	13/12/2023	10/01/2024	£1,000,000.00	5.380
867	Goldman Sachs International	27/04/2023	26/01/2024	£1,000,000.00	4.900
879	Development Bank of Singapore (DBS)	12/07/2023	05/02/2024	£1,000,000.00	6.010
880	Development Bank of Singapore (DBS)	07/08/2023	07/02/2024	£1,000,000.00	5.750
881	Close Brothers Limited	10/08/2023	12/02/2024	£1,000,000.00	5.800
883	National Westminster Bank PLC	07/09/2023	12/02/2024	£1,000,000.00	5.690
874	National Westminster Bank PLC (RFB)	14/06/2023	14/02/2024	£1,000,000.00	4.970
886	Goldman Sachs International	28/09/2023	28/02/2024	£1,000,000.00	5.560
887	Standard Chartered Bank - Sustainable Deposits	28/09/2023	28/02/2024	£2,000,000.00	5.440
895	Lancashire County Council	04/12/2023	04/03/2024	£3,000,000.00	5.650
871	Goldman Sachs International	15/05/2023	05/03/2024	£2,000,000.00	5.030
882	Goldman Sachs International	01/09/2023	05/03/2024	£1,000,000.00	5.850
885	Standard Chartered Bank - Sustainable Deposits	27/09/2023	05/03/2024	£1,000,000.00	5.450
877	Standard Chartered Bank - Sustainable Deposits	10/07/2023	06/03/2024	£1,000,000.00	6.150
873	Goldman Sachs International	07/06/2023	07/03/2024	£1,000,000.00	5.200
891	Goldman Sachs International	26/10/2023	26/03/2024	£1,000,000.00	5.470
878	Standard Chartered Bank - Sustainable Deposits	10/07/2023	05/04/2024	£1,000,000.00	6.260
884	Goldman Sachs International	15/09/2023	05/04/2024	£1,000,000.00	5.780
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
896	Lancashire County Council	13/12/2023	13/06/2024	£1,000,000.00	5.750
876	Nationwide Building Society	15/06/2023	14/06/2024	£1,000,000.00	5.120
890	DBS Bank Ltd	25/10/2023	25/07/2024	£1,000,000.00	5.620
892	Goldman Sachs International	01/11/2023	01/08/2024	£1,000,000.00	5.620
894	DBS Bank Ltd	15/11/2023	15/08/2024	£1,000,000.00	5.500
888	Standard Chartered Bank - Sustainable Deposits	18/10/2023	17/10/2024	£1,000,000.00	5.820
889	Goldman Sachs International	20/10/2023	18/10/2024	£1,000,000.00	5.750
865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	5.310
893	Close Brothers Limited	06/11/2023	06/11/2025	£1,000,000.00	5.350
44447	Lloyds Bank			£7,250,000.00	5.140
100500	CCLA (Churches, Charities and LA's) (MMF)			£10,000.00	5.3013
110000	Federated Investors LLP (MMF)			£4,000,000.00	5.3764
99999	Fidelity Fund Management Ltd (MMF)			£2,620,000.00	5.2853
130000	Deutsche Bank (MMF)			£10,000.00	5.2502
140000	CCLA (Churches, Charities and LA's) LAPF			£5,000,000.00	*4.92
140500	CCLA (Churches, Charities and LA's) DIF			£2,000,000.00	*3.25
				£57,890,000.00	

* rates at 31-12-23

MMF- Money Market Fund
LAPF - Local Authority Property Fund
DIF-Diversified Income Fund

Interest Rate Forecast 2023- 2026

APPENDIX 5

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 19th November 2012.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

	specified	non-specified	Minimum Credit Criteria Fitch (and equivalent) / Minimum Criteria	Maximum Investment per Institution	Max. maturity period
Term deposits – Local Authorities (category 1)	✓	✓	--	£10M	5 years
Term deposits – banks and building societies (category 1)	✓	✓	Short-term F1+ Long-term AA-	£10M	5 years
Term deposits – banks and building societies (category 2)	✓	✓	Short-term F1 Long-term A+	£9M	3 years
Term deposits – banks and building societies (category 3)	✓	✓	Short-term F1 Long-term A-	£6M	2 years
Term deposits – building societies (Category 4)	✓	✓	Assets in Excess of £10 billion	£4M	1 year
Council's bank (for term deposits use appropriate category 1 to 3) (category 5)	✓	✓	n/a	No limit <i>Although category limit for term deposits</i>	As category 1 to 3
Callable deposits	✓	✓	As category 1,2,3,4, and 5	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5
Forward deposits	✓	✓	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5	As category 1,2,3,4 and 5

Debt Management Agency Deposit Facility (DMADF) – UK Government (category 8)	✓	✓	--	No limit	Liquid (max is set by DMO - Debt Management Office of HM Treasury)
Bonds Issued by multilateral development banks (category 9)		✓	Long term AAA	£4M	5 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV, LVNAV & VNAV) Government Liquidity Fund (Category 6)	✓	✓	AAA	£4M	liquid
Alternative Investments	✓	✓			
• Ultra-Short dated Bond Funds (Category 7)	✓		--	£4M	liquid
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority (FCA), such as the Local Authorities' Property Fund (Category 10)		✓	--	£6M	These funds do not have a defined maturity date
Multi-Asset Funds – such as the Local Authorities' Diversified Fund (Category 11)		✓	--	£6M	These funds do not have a defined maturity date

LIST OF AUTHORISED COUNTERPARTIES**Category 1 - Limit of £10 million for each institution - Maximum investment period - 5 Years**

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	AA- Aa3 AA-	F1+ P-1 A-1+
All Local Authorities			
Australia & New Zealand banking Group Ltd (ANZ - AUS)			
Bank of Nova Scotia (CAN)			
Development Bank of Singapore Ltd (DBS-SING)			
Handelsbanken Plc (UK)			
National Australia Bank (AUS)			
Oversea-Chinese Banking Corp Ltd (OCBC-SING)			
JP Morgan Chase (USA)			
United Overseas Bank Ltd (UOB - SING)			

Category 2 - Limit of £9 million for each institution - Maximum investment period - 3 Years

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A+ A1 A+	F1 P-2 A-1
Barclays Bank plc (RFB & NRFB) (UK)			
Bank of Scotland PLC (RFB) (Lloyds Banking Group-UK)			
Goldman Sachs International Bank (UK)			
HSBC Bank plc (RFB & NRFB) (UK)			
National Bank of Canada (CAN)			
National Westminster Bank PLC (RFB) (UK)			
Natwest Markets Plc (NRFB) (UK)			
Santander (UK)			
Standard Chartered Bank (UK)			
The Royal Bank of Scotland PLC (RFB) (UK)			

Category 3 - Limit of £6 million for each institution - Maximum investment period - 2 Years

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A- A3 A-	F1 P-2 A-1
Nationwide Building Society (UK)			
Close Brothers (UK)			

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

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

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £9M term deposit)

Lloyds Bank Plc (RFB) (Cat 2 for Term deposit limit)

Lloyds Bank Corporate Markets Plc (NRFB) (Cat 2 for Term deposit limit)

**Collective Investment Schemes structured as Open Ended
Investment Companies (OEICs)**

Category 6 - Money Market Funds (MMF's)

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

Limit of £4million for each institution

	<u>Fitch</u>	<u>NAV</u>
Aberdeen Standard (GBP)	AAA	LVNAV
CCLA Public sector deposit fund (PSDF)	AAA	LVNAV
Deutsche Banking Group	AAA	LVNAV
Federated Investors Ltd	AAA	LVNAV
Fidelity (GBP)	AAA	LVNAV
State Street Global Advisors	AAA	LVNAV
Northern Trust	AAA	

Category 7 - Alternative Investments - No defined maturity date

Maximum investment £4 million

Ultra-Short dated Bond Funds

Category 8 - Debt Management Agency Deposit Facility (DMADF)

NO LIMIT (UK Govt)

Debt management Office (DMO)

Category 9 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

AAA

Category 10 – Property Funds - No defined maturity date

Maximum investment £6 million

CCLA - Property Fund

Category 11 - Multi-Asset Funds - No defined maturity date

Maximum investment £6 million

CCLA - Diversified Income Fund

Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest of 2 or more rating agencies).

AAA

- Australia
- Canada (Fitch AA+)
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- France (Fitch AA-)

AA-

- Belgium (S&P AA)
- **U.K.** (S&P AA)

Consideration will be given to other factors, including Ethical, Environmental, Social and Governance standards when considering investments in Non-Uk destination.

As such, countries with an appropriate sovereign rating will not be used where matters identified do not align with the respective Council's values.

As detailed in 4.1 (7) it has been determined that the UK will remain an approved country for investments regardless of its sovereign rating if after careful consideration, it is deemed appropriate to do so.

Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual Treasury Management Strategy Statement and Annual Investment Strategy;
- approval of MRP Statement.

(ii) Policy and Finance Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee (responsibility for scrutiny)

Receiving and reviewing the following and making recommendations to Full Council (the responsible body).

- the Treasury Management Strategy Statement (TMSS) and regular monitoring reports on compliance with the Treasury Management Strategy, practices and procedures.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Removal of IFRS 9 Override - Impact Assessment

1.0 Background

IFRS 9, (International Financial Reporting Standard 9), is an accounting standard issued by the International Accounting Standards Board to address the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. It enhances the financial reporting of financial instruments, fostering a more consistent and relevant representation of an entity's financial position and performance.

Local authorities have expressed concerns to Department for Levelling Up, Housing, and Communities (DLUHC) regarding the impact of IFRS 9, particularly on pooled investment funds. This transition to the new IFRS 9 requirements for collective investment vehicles has raised nationwide implications and added complexity and prompting scrutiny of its potential effects on the statutory duty to set a balanced budget. Currently, an override is in effect, exempting the Council's financial statement preparation from IFRS 9.

Following a consultation by DLUHC in Autumn 2022, the override was extended for an additional two years. As a result, IFRS 9 is anticipated to be applicable to the Councils' financial statements from April 2025.

2.0 Changes in Accounting for Pooled Investment Funds

- 2.1 The Council currently has investments in the CCLA Local Authorities Property Fund (LAPF) and the CCLA Diversified Income Fund (DIF). As the override comes to an end, these funds will adhere to the standard accounting provisions, potentially resulting in their categorisation as financial assets at fair value through the revenue account. This reclassification signifies that fluctuations in the fair value of these pooled investment funds will directly affect the revenue account of the Council. In simple terms, a decrease in value during the fiscal year will be treated as expenditure, while an increase in value will be regarded as income.
- 2.2 The tables below give some further information on the current position of the funds, and information on the income over the life of the holding so that a full assessment of the performance of these investments can be made.

Local Authorities Property Fund Holding				
Initial Investment	31/12/2023 Valuation	Movement	Dividends To 31/12/2023	Net Gain (over the life of the investment)
£5,000,000	£4,663,691,000	(£336,309.00)	£1,619,397.82	£1,283,088.82
Diversified Income Fund				
Initial Investment	31/12/2023 Valuation	Movement (£)	Dividends To 31/12/2023	Net Gain (over the life of the investment)
£2,000,000	£1,974,042	(£25,958)	£192,389.67	£166,431.67

2.3 If IFRS 9 was applied to these investments as at 31st December 2023 the result would be a realisation of a loss (akin to an expense in the revenue account) of £365,256 which has the potential to have a significant impact on the Councils' budget as the capital loss to date will need to be realised in full in financial statements for the year ended 31st March 2026. Moving forward this movement should only be year on year and assuming relatively stable fund values can be managed via a reserves provision.

3.0 Action Points

The option remains for the Government to review the adoption of IFRS 9 or to review the expiry of the current override but recent comments by Ministers indicates that this is not the intention. With careful consideration to the Councils' revenue position, officers will explore options to manage the risks associated with this change in regulation. This will include, but not be limited to, discussion with CCLA as the fund manager, Ernst & Young as the external auditor and Link Group (treasury management advisors).

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