



Public Document Pack

Arun District Council
Civic Centre
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Littlehampton
West Sussex
BN17 5LF

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19 December 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 8 January 2025 at 6.00 pm** in the **Council Chamber, at the Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** to transact the business set out below:

A handwritten signature in black ink, appearing to read "Dawn Hudd".

Dawn Hudd
Chief Executive

PLEASE NOTE:

Any members of the public wishing to address the meeting during Public Question Time, will need to email Committees@arun.gov.uk by **5.15 pm on Tuesday, 24 December 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 - 24)

To approve as a correct record the Minutes of the last Meeting of the Council held on 6 November 2024, which are *attached*.

7. CHAIR'S ANNOUNCEMENTS

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

8. URGENT MATTERS

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

OFFICER REPORTS

There are no Officer Reports for this meeting.

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

9. AUDIT & GOVERNANCE COMMITTEE - 3 DECEMBER 2024 (Pages 25 - 54)

The Chair of the Audit & Governance Committee, Councillor Stanley, will present recommendations from the meeting of the Audit & Governance Committee held on 3 December 2024.

The minutes from the meeting are attached. The recommendations for the Council to consider can be found at Minute 322 [Treasury Management – Interim Report (Quarter 2) 2024/25]. The Officer's report with appendices is attached.

10. POLICY & FINANCE COMMITTEE - 11 DECEMBER 2024 (Pages 55 - 72)

The Chair of the Policy & Finance Committee, Councillor Lury, will present a recommendation from the meeting of the Policy & Finance Committee held on 11 December 2024.

The minutes from the meeting are attached. The recommendation for the Council to consider can be found at Minute 333 [Local Authority Housing Fund]. The Officer's report is attached.

11. MOTIONS

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

12. QUESTIONS FROM MEMBERS

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

13. COMMITTEE MEMBERSHIPS

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

14. REPRESENTATION ON OUTSIDE BODIES

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

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

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

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Public Document Pack Agenda Item 6

Subject to approval at the next Full Council meeting

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**MINUTES
OF A
MEETING OF THE ARUN DISTRICT COUNCIL
HELD IN THE ARUN CIVIC CENTRE
ON 6 NOVEMBER 2024 AT 6.00 PM**

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

[The following Members were absent from the meeting during consideration of the matters referred to in the Minutes indicated:-
Councillor Jones - Minute 242 to Minute 243 (Part) and Minute 258 to Minute 261, Councillors Goodheart, Bower, Mrs Bower, Elkins and Bence - Minute 258 (Part) to Minute 261 and Councillors Warr, Batley, Madeley and Stainton - Minute 259 (Part) to Minute 261].

242. WELCOME

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

243. FORMER AND EXISTING STAFF MEMBERS, FORMER COUNCILLORS AND HONORARY ALDERMAN ENGLISH

The Chair stated that it was with great sorrow that he had to commence the meeting by announcing so much sad news. He confirmed that there were five tributes that needed to be made and that he would be making these in the order in which the sad passings of those concerned had taken place.

The first tribute was to announce that former Councillor Pat Dillon has passed away on 22 July 2024 following a long period of illness. Pat had become a Councillor on 7 May 2015 serving the Pevensy ward until May 2019. During that time Pat had sat on many Committees and would also be remembered as a Bognor Regis Town Councillor and former Mayor of Bognor Regis. Pat had also been Vice-Chair of this Council from 2018 to 2019 and had been a popular and dedicated servant to the local community including roles as Trustee of the Regis Centre and Bognor Regis Shopmobility as well as the Bognor Community Action Network.

The Chair confirmed that Pat would be greatly missed, and he extended the Council's condolences to Pat's family and friends. Tributes were then paid to Pat by Councillors Bence, Goodheart, Greenway, Stanley, McDougall, Cooper, Brooks and Stainton.

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In recognition of Pat's commitment to the Alexandra Theatre, a request was made for a feature or room to be dedicated to Pat on the completion of the regeneration works.

The Chair then announced the death of former member of staff Cliff Robinson who passed away on 6 August 2024. Cliff had been responsible for the area planning office at Bognor Regis from 1974 until it merged with the Littlehampton office in 1987. This sad news had been confirmed by the Council's former Chief Executive Ian Sumnall who had been a great friend of Mr Robinson's and his family. On behalf of the Council, the Chair extended its condolences to Cliff's family and friends. A tribute was paid to Cliff by Councillor Bower.

The Chair then announced, with great sorrow, the death of staff member Charlotte Hardy whose very sudden and unexpected passing had come as the most dreadful shock to all her colleagues here at the Council. Charlotte or Charlie as she had been known passed away on 24 September 2024. She had been a member of the Planning Policy team; had been the Council's Senior Environmental Assessment Officer had been with the Council for over 12 years. For that time, Charlie had been dedicated in assisting with the preparation of the current Local Plan and would be massively missed by her immediate colleagues and all the staff at the Council. The Chair extended the Council's thoughts and prayers to Charlie's family and friends at this very sad time. Councillor Lury, as Leader of the Council, and the Vice-Chair of the Planning Policy Committee, paid tribute to Charlie and her work undertaken.

The Chair confirmed that it was with sorrow that he had to announce the death of former staff member Chris Lawrence who passed away on 22 October following a long period of ill health. Chris had joined Arun on 13 November 1978 as a Finance Assistant in the Treasurer's Department before moving into the world of IT as an IT Advisor. He became Assistant Head of Technology on 23 October 2009 before moving up to IT Manager in 2013. He left Arun due to ill health on 20 July 2017 having given 39 years of service. The Chair extended the Council's thoughts and prayers to Chris' family and friends at this very sad time. Councillor Northeast paid tribute to Chris in recognition of his long service given to the Council.

The Chair confirmed that with the greatest sorrow he needed to report that having fought bravely for a long time, Honorary Alderman and former Councillor Paul English had sadly lost his fight and passed away in hospital on Sunday, 27 October 2024. Paul had been a district councillor since 2005 serving the residents of Felpham East. Paul had sat on a range of Committees here at Arun and would be fondly remembered for his passionate chairing of the Standards Committee and the former Overview Scrutiny Committee and also as a Member of the Constitution Working Party. Paul also served as a Member of Felpham Parish Council for 36 years and had been Chair of that Council on numerous occasions. Paul had been given the honour of becoming an Honorary Alderman of Arun District Council on 29 November 2023 in recognition of his long and elite service to the Council and the District of Arun.

As a Council, the Chair asked those present to extend thoughts and prayers to Councillor Joan English and to their family and friends at this very sad time. Tributes to Alderman English were then made by Councillors Gunner, Bence, Goodheart, Lury, Stanley, Andy Cooper and Northeast,

The Council then conducted a minute's silence to the memory of all who had passed.

244. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Blanchard-Cooper, English, Hamilton, Nash and Pendleton.

Apologies for Absence had also been received from the Council's Honorary Alderman Mr Dingemans.

245. 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	Aldwick and WSCC
Councillor Paul Bicknell	Angmering
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
Councillor Keir Greenway	Bersted and WSCC
Councillor Thomas Harty	Felpham
Councillor June Hamilton	Pagham
Councillor Shirley Haywood	Middleton-on-Sea
Councillor David Huntley	Pagham
Councillor Anita Lawrence	Aldingbourne
Councillor Lesley-Anne Lloyd	Rustington
Councillor Jill Long	Littlehampton
Councillor Martin Lury	Bersted
Councillor Maralyn May	Littlehampton

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Councillor George O'Neill	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 Guy Purser	Aldwick
Councillor Matt Stanley	Bognor Regis
Councillor Freddie Tandy	Littlehampton
Councillor Sue Wallsgrove	Barnham and Eastergate
Councillor James Walsh	Littlehampton and WSCC
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

Councillor Bence declared a Personal Interest in relation to Agenda Item 15 [Motions – Motion 2] as a Member of West Sussex County Council.

246. PUBLIC QUESTION TIME

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

- 1) From Mr Burt to the Chair of the Planning Committee, Councillor McDougall regarding the Council's involvement in persuading owners of empty/derelict properties to improve them and in relation to three sites in Bognor Regis. This question was read out by the Committee Services Manager on the questioner's behalf;
- 2) From Mr Chester to the Leader of the Council and Chair of the Policy & Finance Committee, Councillor Lury regarding the estimated annual revenue costs of the two top ups of £3m in respect of the Alexandra Theatre in Bognor Regis. This question was read out by the Committee Services Manager on the questioner's behalf;
- 3) From Mr Chester to the Leader of the Council and Chair of the Policy & Finance Committee, Councillor Lury regarding the likely annual rent to be paid by Arun Arts on completion of the Alexandra Theatre project. This question was read out by the Committee Services Manager on the questioner's behalf;
- 4) From Mr and Mrs Smith to the Chair of the Planning Committee, Councillor McDougall asking the Council to explain why it has taken so long to decide not to prosecute the case outlined in the question;
- 5) From Mr and Mrs Smith to the Chair of the Planning Committee, Councillor McDougall asking why the Council has decided not to prosecute the case mentioned in the question.

The Chair confirmed that in line with the Council Procedure Rule 12.4, he would not be allowing supplementary questions to be asked with regard to questions 5 and 6 in view of the fact that they related to live planning applications.

The Chair then drew Public Question Time to a close.

(A schedule of the full questions asked, and the responses provided can be found on the Public Question Web page at: [Arun District Council](#))

247. QUESTIONS FROM MEMBERS WITH PECUNIARY/PREJUDICIAL INTERESTS

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

248. PETITIONS

The Chair confirmed that no petitions had been received.

249. MINUTES

The minutes from the last Meeting of the Council held on 17 July 2024 were approved by the Council as a correct record, subject to the very slight amendment below:

Under those listed as present, to remove the reference to Councillor Batley being absent from the meeting during consideration of matters referred to in Minutes 129 to 133.

The Chair confirmed that he would sign the minutes at the conclusion of the meeting.

250. CHAIR'S ANNOUNCEMENTS

The Chair confirmed that he had attended the following events since the last Full Council Meeting held on 17 July 2024:

- 14 September - Littlehampton Town Show
- 19 September - WSCC Chairman's Reception, Mannings Heath, Horsham
- 11 October - West Sussex Armed Forces Covenant briefing Horsham. (AM) and Sussex Judges Annual Service, Chichester Cathedral (PM)
- 13 October - Rustington Parish Council Annual Civic Service and Awards
- 19 October - Arun Choral Society Concert, Arundel Cathedral
- 26 October - Littlehampton Bonfire Society Judging floats and procession
- 30 October - Southeast Reserve Forces and Cadet Association Presentation and Awards evening, Lancing College Chapel

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- 4 November - NSPCC Annual General Meeting and Awards, Arundel Castle

The Chair confirmed that he wished to conclude his announcements by reminding everyone that this Sunday was Remembrance Sunday and that on Monday, 11 November it was Armistice Day. To mark these two key dates of remembrance, at the conclusion of the meeting, a video compiled by Councillor Turner, the Council's Armed Forces Champion, Dawn Hudd, as Chief Executive and Cathryn French, the Council's Safeguarding Officer would be played mark these most special events and the signing of the Armed Forces Covenant.

251. URGENT MATTERS

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

252. AUDIT & GOVERNANCE COMMITTEE - 23 JULY 2024

The Chair, Councillor Stanley, presented recommendations following the meeting of the Audit & Governance Committee held on 23 July 2024.

Councillor Stanley referred Members to recommendations at Minute 159 [Treasury Management Annual Report 2023/2024] which he duly proposed. The recommendations were then seconded by Councillor O'Neill.

The Council

RESOLVED – That

- (1) the actual prudential and treasury indicators for 2023/24 contained in the report be noted;
- (2) the annual treasury management report for 2023/24 be noted; and
- (3) the treasury activity during 2023/24 which has generated interest receipts of £2.43m (4.94%). Budget £1.54m (3.2%), be noted.

253. PLANNING POLICY COMMITTEE - 26 SEPTEMBER 2024

The Chair, Councillor Yeates, presented recommendations following the meeting of the Planning Policy Committee held on 26 September 2024.

Councillor Yeates referred Members to a recommendation at Minute 243 [Community Infrastructure Levy [CIL] Infrastructure Investment Plan (IIP 2025-2027)] which she duly proposed and urged Members to support its publication to the Council's web site. The recommendation was then seconded by Councillor Lury.

In debating the recommendation, a question was asked relating to the length of time involved in implementing the Littlehampton Fire Station replacement project as it was felt that this should be considered as a priority. Councillor Yeates confirmed that she was not able to provide any further update on this since this item having been raised at the Planning Policy Committee on 26 September 2024. An update was also requested on the Aldwick cycling route with Councillor Yeates confirming that she would ask the Interim Head of Planning Policy to provide further information.

The Council

RESOLVED

That The Arun Infrastructure Investment Plan (for the period 2025-2027) be agreed by Full Council before publication on the Council's website.

(During the discussion on this item, Councillor Walsh declared a Personal Interest as a Member of West Sussex County Council).

254. AUDIT & GOVERNANCE COMMITTEE - 3 OCTOBER 2024

The Chair, Councillor Stanley, presented recommendations following the meeting of the Audit & Governance Committee held on 3 October 2024.

Councillor Stanley referred Members to recommendations at Minute 257 [Treasury Management – Quarter 1 Report 2024/25] which he duly proposed. The recommendations were then seconded by Councillor O'Neill.

The Council

RESOLVED – That

- (1) the Quarter 1 treasury management report for 2024/25 be noted;
- (2) the treasury activity for the quarter ended 30 June 2024, which has generated interest receipts of £563,000 (5.15%) against a budget of £1,896,310 (4.63%), be noted; and
- (3) the quarter 1 prudential and treasury indicators for 2024/25 contained in the report be noted.

255. STANDARDS COMMITTEE - 17 OCTOBER 2024

The Chair, Councillor Huntley, presented a recommendation from the meeting of the Standards Committee held on 17 October 2024.

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Councillor Huntley referred Members to a recommendation at Minute 204 [Recruitment of Independent Persons]. In formally proposing the recommendation Councillor Huntley informed Members that following a recruitment process undertaken by the Group Head of Law & Governance and Monitoring Officer, in full consultation with the Standards Committee, interviews had been held on 4 October 2024 with the interview panel consisting of himself, as Chair of the Committee, Councillor May as Vice-Chair and Councillor Turner as a volunteer from Committee. Sandra Prail, who would be stepping down as an Independent Person, on 6 November 2024 had also made up the interview panel.

Councillor Huntley confirmed that at the Standards Committee on 17 October, Members had been asked to approve recommending to Full Council that John Thompson, MBE John Cooke and Alan Ladley be appointed as independent persons to the standards committee for a period of 4 years from 7 November 2024.

Councillor Huntley in recommending the appointments to Council confirmed that he wished to thank Sandra Prail for her work as an independent person over recent years and that he was happy to welcome back John Thompson and John Cooke for another term. The recommendation was then seconded by Councillor May.

The Council

RESOLVED

That Alan Ladley, John Cooke and John Thompson, MBE be appointed as Independent Persons for the period of 4 years from 7 November 2024.

256. CONSTITUTION WORKING PARTY - 21 OCTOBER 2024

The Chair, Councillor Yeates, presented recommendations following the meeting of the Constitution Working Party held on 21 October 2024.

Councillor Yeates referred Members to the first recommendation at Minute 7 [Recommendation from the Special Meeting of the Economy Committee held on 12 September 2024] which she formally proposed. This recommendation was then seconded by Councillor Haywood.

The Council

REOLVED

That the frequency of meetings for the Economy Committee in each municipal year be increased from 4 to 5 meetings with this taking effect from the Annual Council Meeting on 21 May 2025.

Councillor Yeates then drew Members' attention to the next recommendations at Minute 8 [Updates to the Council's Constitution] which she duly proposed with Councillor Haywood then seconding the recommendations.

In debating these recommendations, a request was made for the voting on the recommendations to be undertaken separately. This was because there were Councillors who could not agree to accepting the first recommendation regarding the West Sussex Business Rates Pool. There had been much debate on this when this had been discussed at the Policy & Finance Committee and there were Councillors who strongly disagreed with the delegation that had been given to the Group Head of Finance and Section 151 Officer and the Chief Executive Officer. As the Business Rates Pool held tens of millions of pounds of taxpayers money, which had not always been spent, Councillors felt that the spending of any money from the pool should be decided by the Policy & Finance Committee. There was also a debate to be had in terms of the Council's future membership of the pool.

The Group Head of Finance and Section 151 was invited to comment. He reminded Members that the decision to delegate authority to himself and the Chief Executive to decide future participation in the West Sussex Business Rates Pool had already been made by the Policy & Finance Committee meaning that the delegation referred to in Recommendation (1) already existed and was in place. This recommendation was to formally include and confirm that delegation within the Council's Constitution. A report on the West Sussex Business Rates Pool could be brought to a future meeting of the Policy & Finance Committee if requested. There were other Councillors who spoke airing concerns about the West Sussex Business Rates pool generally. This was because it was felt that the district did not benefit greatly from the pool, though it had recently. Councillors confirmed that they needed to see more benefit for communities within Arun arising from the pool and acknowledged that if the Council ceased to be a member of the pool, this would mean that business rates collected would automatically be returned to Central Government. This was a strong reason for the Council to remain in the pool.

Following further discussion,

The Council

RESOLVED – That

- (1) The delegated Authority given to the Section 151 Officer and Chief Executive Officer in consultation with the Chair of the Policy & Finance Committee to decide future participation in any West Sussex Business Rates Pool be formalised within the Council's Constitution as part of the Chief Finance Officer delegations within the Officer Scheme of Delegation at Part 7, Section 2 (delegations to the Group Head of Finance); and
- (2) The Joint Staff Consultative Panel be disbanded and any reference to it removed from the Constitution.

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Councillor Yeates then referred to the last set of recommendations at Minute 9 [Protocol for Councillor Contact with Applicants, Developers, Contractors, Agents and Investors] which she duly proposed. The recommendations were then seconded by Councillor Haywood.

The Council

RESOLVED – That

- (1) It endorses and approves the 'Protocol for Councillor contact with Applicants, Developers, Contractors, Agents and Investors' with the Protocol being included within the Council's Constitution; and
- (2) Future reviews of the Protocol are conducted by the Standards Committee.

257. POLICY & FINANCE COMMITTEE - 24 OCTOBER 2024

The Leader of the Council and Chair of the Policy & Finance Committee, Councillor Lury, presented recommendations from the meeting of the Policy & Finance Committee held on 24 October 2024, which had been circulated separately to the agenda as a supplement pack and uploaded to the Council's web site on 31 October 2024.

Councillor Lury drew Members' attention to the first set of recommendations at Minute 230 [Environment Committee – 19 March 2024 – Minute 720 Combined Cleansing Services Contract] which he formally proposed. The recommendations were then seconded by Councillor Stanley, in the absence of the Vice-Chair of the Committee, Councillor Nash.

In discussing the recommendations, a question was asked as to whether the Council should stall approving adding the £1.82m to the Capital Programme until such a time that the Council received the grant funding from DEFRA. The Chief Executive responded providing reassurance that the Council would receive the amounts set out in both recommendations back from DEFRA, however, to purchase the food waste receptacles, the amounts needed to be included within the Council's capital programme.

This response was queried, as this was new news to Councillors, and it was confirmed that the amount that the Council could receive back from DEFRA would be to cover the £1.82m in recommendation (1), it would not include the £1.2m referred to in the second recommendation. This would be funded from borrowing if the Council was unable to secure further funding.

Varying concerns were expressed by Councillors over borrowing and the provision of a bin to all residents, as many would already have them. It was confirmed that at the meeting of the Environment Committee in March 2024, and at the briefing held for Members in advance of that meeting, an opt-out scheme could be offered. Reassurance was sought that an opt-out clause would be in place. The Group Head of Finance and Section 151 Officer highlighted that in terms of the £1.2m that would be funded from borrowing, the expectation was that the contract specification had been written to minimise budgetary risk and the savings achieved by the new contract should ensure that the new contract would be cost neutral. The food waste collections would achieve cost savings, and funding would be received from DEFRA.

Discussion returned to the provision of an opt-out clause and that if this was rolled out money could be saved if there was not the need to provide new bins to everyone. Councillor Lury reminded Councillors that the recommendations before them were to approve adding amounts to the Council's Capital Programme in 2025/26, the decisions relating to the Combined Cleansing Services Contract and the detail of the new contract had already been made by the Environment Committee. The Chief Executive reinforced this message confirming that the new contract's specification had been set to meet the requirements of new legislation which was the Environment Act 2021. The size of the bin to be provided had been based upon being able to facilitate a fortnightly residual collection service and had been based upon recycling targets. She confirmed that all HMOs and flats would have bespoke needs which would be assessed. These and some properties in Arundel would have options allowing them to opt out. This had been discussed in depth at the meeting of the Environment Committee in March 2024.

Councillors asked for complete clarity as to whether an opt-out clause would be added as this was a commitment that had been given. Having had further questions raised over the provision of 180 litre bins, the Chair of the Environment Committee, Councillor Wallsgrove provided some clarity. She confirmed the reasoning behind the Committee's decision to opt for 180 litre bins and that the Committee had received assurance that an opt-out clause would be provided.

Following further discussion,

The Council

RESOLVED – That

- (1) It approves the addition of £1,820,000 to the Capital Programme in 2025/26 to fund the purchasing and delivery of food waste receptacles and purchasing of vehicles necessary to provide the weekly food waste collection service as part of the CCSC to be funded by a grant received from DEFRA; and

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- (2) It approves the addition of £1.2 million to the Capital Programme in 2025/26 to procure and roll out 180 litre residual bins for residents to facilitate a fortnightly residual collection service. This will be funded from borrowing if the Council is unable to secure further funding.

Councillor Lury then alerted Members to the next recommendations at Minute 239 [The Regeneration of the Alexandra Theatre, Bognor Regis – Progress Report] which he formally proposed. The recommendations were then seconded by Councillor Stanley.

The Chair invited debate which saw varying Councillors raising concerns. Although Councillors were keen to see the project delivered, it could not be ignored that this was another project that was running late in terms of its delivery and would be significantly over budget and not for the first time either. If Council chose to approve the additional £3m spend, and the Council spent the full £2m contingency this equated to a project spend of £18.8m. In the absence of any alternative options clarifying how the project could be brought back to within its budget coupled with concerns over financing the additional costs, this was difficult to support and would subject the Council to a lifetime of borrowing.

Questions were asked as to how and why the project had exceeded its original budget. The financial challenges associated with delivering the project were explained with Members being reminded that the economy had weathered major challenges which had massively impacted capital projects. A request was made to continue to liaise with specialists in the theatre industry field to ensure that the project could be completed.

Although Members expressed disappointment at the decisions that were needing to be made, there were comments made that the project must proceed. Concerns were also raised in terms of having a professional team in place who would know how to promote the theatre and attract visitors.

Although the financial pressures were of concern, many Councillors confirmed that they were happy to support the theatre and its ability to deliver something uniquely special for Bognor Regis and the wider area. Mention was made again to the substantial rises in the cost of construction materials which could increase further and before any work commenced on site. It was felt that the variation in costs must be reviewed as the Council could not continue to use its finances in this way. A review in terms of what the other options and opportunities were should be undertaken as the Council had a duty to reassure its residents that it was fiscally responsible in terms of all that it did. There was some anxiety expressed about spending further money when there could be no guarantee that further funding might be needed further down the line. The Chief Executive explained that the project had received significant Government funding and that there was a window of opportunity to spend that money. The Council had already drawn money down from the LUF funding received. In view of spending

timescales, the project could not afford any further delay without risking losing the funding and needing to borrow more money. Significant value engineering had been undertaken to bring costs down resulting in limited alternatives for the Council without changing the project significantly resulting in the Council then not meeting the objectives laid down in LUF funding agreement.

The Group Head of Finance and Section 151 Officer provided information around the project totals and the cost of borrowing if the remaining amount was to be funded in this way over a period of 50 years and if the full amount was borrowed. He stated that it would be unlikely that the Council would seek to borrow the full amount as it used its reserves and cashflow balances to fund expenditure until there was a need to use those monies for their designated purposes. The Council's robust treasury management practices and policies were also referred to and he urged Members to familiarise themselves with the regular Treasury Management reports provided to the Audit & Governance Committee confirming the Council's borrowing position and as this would provide assurance that all practices were underpinned by code of practice requirements and local government finance statutes.

Further concerns were aired over value engineering being applied to the project and whether the same results and outcomes would be achieved using this method. Equally, the Council had to assess the costs of not approving the additional funding required in terms of paying back LUF money to Government and the cost of returning the theatre back to an operational state. In terms of the debate on borrowing, it was acknowledged that interest rates were likely to reduce further, but there was also risk that rates could increase in response to global events. Councillors were torn in terms of wanting to the project to proceed versus the financial responsibility of doing so.

Councillor Stanley, as seconder to the recommendations spoke. He reconfirmed the advice provided by the Group Head of Finance and Section 151 Officer in terms of addressing concerns and nervousness over borrowing. He stated that robust measures were in place in terms of spending the additional £3m out of which £2m of contingency would only be used to fund contingency related costs and not increases in the scope of the project. Time constraints were in place in respect of spending the £12m of LUF funding. Councillor Stanley felt that the question was simple, did Councillors want a theatre in Bognor Regis or not? He focused on how wonderful it would be to have a high tech theatre on the seafront that would benefit the entire district. The concerns over project delays had been well debated with many of these being national and global issues not relative to just Arun. He urged Members to approve the recommendations.

Councillor Lury, as the proposer of the recommendations, reinforced what he had said at the meeting of the Policy & Finance Committee in that the people of Bognor Regis would not thank the Council if it chose to abandon the project. He accepted that this was a difficult decision for Members to make and he reminded them of the national circumstances that had developed leading to the situation the Council now found itself in.

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A recorded vote had been requested. Those voting for the recommendations were Councillors Ayling, Batley, Bence, Bicknell, Birch, Mrs Bower, Bower, Brooks, Butcher, Edwards, Goodheart, Greenway, Harty, Haywood, Huntley, Jones, Lawrence, Long, Lury, Madeley, May, McDougall, Needs, Northeast, O'Neill, Oppler, Partridge, Patel, Penycate, Stainton, Stanley, Tandy, Turner, Wallsgrove, Walsh, Warr, Wiltshire, Woodman, Mrs Worne, Miss Worne and Yeates [41]. Councillor Gunner voted against the recommendations [1]. Councillors Cooper, Mrs Cooper, Elkins, Kelly, Lloyd, McAuliffe, and Purser abstained from voting [7].

The Council

RESOLVED – That

- (1) An additional budget provision of £3 million be included in the capital programme for the Regeneration of the Alexandra Theatre project; and
- (2) The Council retains control of the contingency sums for the project and thus retains responsibility for funding any matters that fall outside of the agreed construction contract.

The Chair then called a ten minute adjournment.

258. MOTIONS

The Chair confirmed that two Motions had been submitted for this meeting.

The Chair confirmed that with the approval of Council he wished for Motion 2 to be heard first. This was approved.

The Chair invited Councillor Bower, as proposer, to present his motion, which is set out below:

This Council therefore agrees to request that the Leader, on behalf of the Council:

- (1) Writes to the Prime Minister expressing the gravest concern of the Council and local businesses regarding the cancellation, including the lack of consultation and alternative measures to alleviate the issues caused by the lack of capacity on the A27 at Arundel.*

(2) Requests a meeting between the District Council and other parties with the Highways Minister in order to discuss Government plans to provide real and lasting improvements to enable a long term resolution to congestion and safety issues on the A27 at Arundel and protect the character and environment of the villages and communities around the A27 from threats such as increased rat-running. This Council is to make it clear to the Minister and the Government that Arun District Council is open to any viable route that will alleviate the issues at Arundel.

Councillor Bower outlined that Council had discussed the reasons and needs for the A27 Arundel Bypass on numerous occasions as the district's economy was under tremendous strain due to severe congestion. Any incident on the A27 resulted in traffic redirecting onto the A259 causing significant delays. This overbearing volume of traffic was destroying Arun's economy, which would steadily worsen without the enhancements to the bypass taking place. Councillor Bower explained how necessary his motion was and that this was because many people do not know that heavy goods vehicles travelling to and from the Ford area had an agreement with West Sussex County Council (WSCC) that their route should be via the A259 travelling east along that road and then moving up through Wick to reach the A27 or the A280 at Angmering. Much work had been progressed in passing the Local Plan in place precepting that the Arundel Bypass would be delivered. The Government's decision to withdraw progression of the scheme had portrayed a message to West Sussex that it did not care about the future viability of the area. Of concern was the result of a survey which showed that driver's perception was that the A27 was the second most dangerous road in the country after the A12 and so this provided additional evidence as to why the urgency of the enhancements needed to be urgently reinstated, especially as the congestion impacts were felt well beyond Arundel from Polegate through to Chichester. This meant that the Council had a duty of responsibility in ensuring that the Government were aware of the economic impacts for the district which could only be resolved by the bypass being reinstated within the roads programme. Councillor Bower stated that he had heard suggestions that active travel should be incorporated within this option, however, he had to disagree as active travel was a local and not a national issue and was funded by Community Infrastructure Levy and Section 106 contributions.

All the concerns and issues presented due to a lack of the bypass were issues that were much wider than this. The increasing amounts of traffic using villages around the A27 as rat-runs to avoid using the A27 around Arundel needed to be addressed. Councillor Bower stated that the Council had been fighting hard for the bypass for many years and he urged Councillors to continue in pushing this fight forward by supporting the motion.

The motion was then seconded by Councillor Cooper.

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The Chair then invited debate. The first to speak was Councillor McAuliffe who confirmed his view that the motion proposed was not forward looking and did not address the needs of the district in the future. He outlined that the wards he represented did not want a dual carriage that would decimate the Binsted valleys and parts of other villages. His constituents were asking for realistically deliverable solutions that would keep traffic flowing at the well-known pinch points allowing residents to be able to access the A27 from villages without congestion and avoiding the need to use minor roads as rat runs. Councillor McAuliffe hoped that all Councillors could agree on that fact. He repeated the point that residents wanted alternatives to access villages; they wanted safe active travel; many were elderly with no access to a car and needed alternatives which this motion did not provide. More public transport was needed and more independent and active travel. In response to the points raised, Councillor McAuliffe confirmed that he wished to make some amendments to both parts of the motion to address these gaps and he hoped that their inclusion would assist in finding much needed solutions.

The amendments have been shown below with additions shown in **bold** and deletions shown using strikethrough :

- (1) Writes to the Prime Minister expressing the gravest concern of the Council **its desire to consult with Ministers** and local businesses regarding the cancellation, including the lack of consultation and **on** alternative measures to **that alleviate congestion** the issues caused by the lack of capacity on the A27 at Arundel, **including options that expand active travel and public transport.**
- (2) Requests a meeting between the District Council, **local stakeholders**, and other parties **and** with the Highways Minister, in order to discuss Government plans to provide real and lasting improvements on **to** the A27 at Arundel to enable **that address** congestion and safety issues and enable a long term resolution to congestion and safety issues on the A27 at Arundel **whilst protecting** the character and environment of the villages and communities around the A27 **in Arun** from threats such as increased rat-running, **pollution and significant ecological harm.** This Council is to make it clear to the Minister and the Government that Arun District Council is open to any viable route that will alleviate the issues at Arundel.

Councillor Wallsgrove then seconded the motion.

The Chair invited debate on the amendment. The first to speak was Councillor Bence who provided key background facts surrounding the A27 and moves for a bypass. Those supporting the amendment explained that it would push for a positive way forward for the A27 addressing the concerns expressed by residents that the original motion would not achieve. Other Councillors speaking in support agreeing that it sought to achieve what was needed with enhancements. Reference was made to the deferment of the A27 scheme from the highways programme with much needed funding being used to address other highways issues such as the repair of potholes and rectifying the state of highways. Areas that the public wanted to see improved to reduce spend on damage to vehicles as a result of potholes and making highways safer for all to use.

Other Councillors spoke confirming that they had some concerns with the changes proposed. This was because active travel was not a National Highways issue. It was a local issue supported by local councils. The concern expressed was that by removing the words 'gravest concern' watered down the strength of feeling and message to Central Government. The message that needed to be delivered was that the A27 Arundel Bypass be reinstated and plans to address the much needed improvements confirmed.

Following further debate, Councillor Gunner confirmed that he wished to make a small amendment to the first part of Councillor McAuliffe's amendment to the motion as follows:

Additions have been shown using **bold** with deletions using strikethrough

- (1) Writes to the Prime Minister expressing the gravest concern of the Council **its desire to consult with Ministers** and local businesses regarding the cancellation, including the lack of consultation and **on** alternative measures to **that alleviate congestion** the issues caused by the lack of capacity on the A27 at Arundel, **including locally complemented options that expand active travel and public transport where feasible.**

Councillors McAuliffe and Wallsgrove confirmed that they were happy for this further change to be added to their amendment.

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

Councillors confirmed that they were of the view that the changes made to the motion watered down its true meaning and that firmer language was required. The concern expressed by many residents in the district was that the A27 Arundel Bypass was needed urgently to ease congestion and to prevent over usage of the A259 which was the alternative route available. It was also highlighted that the motion was not just to address the concerns and needs of residents but also businesses in the district. It had to be accepted that the A27 scheme had not been deferred it had been cancelled. The words 'gravest concerns' in the original motion should have remained to reflect the strength of feeling.

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Councillor Gunner then raised a Point of Order in relation to Part 5 – Rules of Procedure (Meetings), Section 1 – Council Procedure Rules – Rule 11 – Duration of Meeting in that as it was nearly 9.00 pm, he proposed to extend the meeting by 30 minutes to 9.30 pm. This was seconded by Councillor Tandy, and this being put to the vote it was declared CARRIED.

Councillor Cooper then spoke as seconder to the amendment. He confirmed that as the motion had now been watered down, it was important to ensure that the Council did all it could to get the A27 enhancements back on track for the benefit of the entire district. Urgent action was needed to get traffic moving around the district to enhance economic growth. If this meant that it would be necessary to look again at route options again, then so be it, the point being strongly made was that action was required now and so he hoped that all Councillors would support the motion.

Councillor Bower, as proposer of the motion, outlined that he was delighted that the sentiment of the motion which was for the council to continue to push as best it could for an enhanced A27 bypass would be supported, having listened to the debate. This scheme needed to be reinstated, discussed and considered by national government. As a district the Council could not afford to see this not being delivered. All Councillors had a responsibility to listen to residents and their pleas to improve the district's economy. Councillor Bower pledged that he would continue to bring this matter before council until action was forthcoming.

The Council

RESOLVED – That

- (1) It writes to the Prime Minister expressing its desire to consult with Ministers on alternative measures that alleviate congestion on the A27 at Arundel, including locally complemented options that expand active travel and public transport where feasible;
- (2) It requests a meeting between the District Council, local stakeholders and the Highways Minister, in order to discuss real and lasting improvements to the A27 at Arundel that address congestion and safety issue whilst protecting the character and environment of the villages and communities around the A27 in Arun from threats such as increased rat-running, pollution and significant ecological harm.

(During the course of the debate Councillor Bence redeclared his interest made at the start of the meeting.)

(Councillor Elkins declared his Personal Interest as a Member of West Sussex County Council).

The Chair then invited Councillor Gunner to present his motion. The wording of the motion is set out below:

Council Notes:

- The Labour Government's recent decision to restrict the Winter Fuel Payment to only pensioners in receipt of means-tested benefits like Pension Credit, as announced by Chancellor Rachel Reeves, which impacts up to 32,000 people in Arun.
- The estimated impact of this decision, which Age UK says will mean 2 million pensioners who badly need the money to stay warm this winter will not receive it.
- The significant role that Winter Fuel Payments play in helping older residents of Arun and across the UK afford heating during the coldest months, thereby preventing 'heat or eat' dilemmas and safeguarding health.
- The criticism from Age UK, the Countryside Alliance and other charities, highlighting the social injustice and potential health risks posed by this sudden policy change.
- The additional strain this decision will place on vulnerable pensioners, many of whom do not claim Pension Credit despite being eligible, further exacerbating their financial hardship.
- That three of the four MPs whose constituencies include all or parts of Arun, voted in Parliament on 10 September 2024 to stop the removal of the Winter Fuel Allowance, but that one did not - the Labour MP for Worthing West.

Council believes:

- That the Winter Fuel Payment has been a lifeline for many older people across the UK and that restricting its availability solely to those on Pension Credit risks leaving many pensioners in financial hardship.
- While some pensioners currently in receipt of the Winter Fuel Payment may not require it, many thousands across Arun sit just above the cut-off for Pension Credit and will now lose their allowance.
- The decision to means-test Winter Fuel Payments, especially with such short notice and without adequate compensatory measures, is deeply unfair and will disproportionately affect the health and well-being of our poorest older residents.
- The Government's approach fails to consider the administrative barriers and stigma that prevent eligible pensioners from claiming **Pension Credit, leaving many without the support they desperately need.**

Council resolves to:

- Bring forward a Council-led local awareness campaign to alert those eligible of Pension Credit which in some respects will help access to the Winter Fuel Payment for those most in need.
- Request that the Leader of the Council write to the Chancellor of the Exchequer, urging a review of the decision to means-test the Winter Fuel Payment and asking the Government to ensure that vulnerable pensioners, particularly those who do not claim Pension Credit, are protected from fuel poverty.

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- Commit the Council to signing the 'Save the Winter Fuel Payment for Struggling Pensioners' petition being run by Age UK, with the Leader signing on behalf of the Council, and write to all members offering them the opportunity to sign the petition themselves.
- Encourage local efforts to promote Pension Credit uptake through council services and partnerships with local charities and community organisations to ensure that all eligible pensioners in Arun are supported in claiming their entitlement.

Councillor Gunner presented his motion stating that it was with great sorrow that he had felt the need to present and propose it to Council. He outlined that everyone knew that results of the General Election would result in changes being made by the new Government, however, the decision to restrict winter fuel payments to only pensioners in receipt of means-tested benefits like Pension Credit had too much of an impact that could not go unchallenged. This change had been unforeseen, and it would have devastating impacts with Age UK and other charities already reporting that millions of pensioners who were badly needing to receive the payments would no longer receive them and would struggle to not only stay warm but to stay fed. Such charities had reported an unprecedented increase in enquiries where pensioners were looking for support to offset their increasing cost of living.

Councillor Gunner reminded Members of the district's large elderly population out of which many would be losing this much needed income. He hoped that the Council could come together to provide support and help and enhance its promotion of alerting eligible pensioners on how to apply for Pension Credit which would provide a step forward in claiming the winter fuel allowance.

The motion was then seconded by Councillor Greenway.

The Chair then invited debate on the motion. Mention was made of the work already undertaken by the Council in promoting pension credit and how this could be applied. Media releases had been issued and benefits staff had all received training to assist with increases in applications and the help that would need to be given to those that required it.

Partnership work was also taking place with Age UK and the Citizens Advice Bureau to further promote this work. Debate also focused on the previous Government who could have enhanced its approach to addressing winter fuel allowance issues. Fuel poverty had been in existence for many years it was confirmed that this was not a new issue.

Although this motion and the last had been well intended and the issues raised could be generally supported, there were Councillors who confirmed concern that both motions were draped in national politics. The point was made that motions before Council should be reserved to areas that the Council was responsible for.

Councillor Greenway, as seconder to the motion, emphasised that some good discussion points had been raised and especially in terms of the good work that the Council was already doing to promote pension credit and in assisting those that needed it in applying for it. He asked if the Council's communications could include reference to the West Sussex Community Hub that administered the Household Support Fund as part of the Council's overall awareness campaign. Councillor Greenway urged Councillors to support what he saw as a factual motion that did affect a large part of the district of Arun.

Councillor Gunner, as proposer of the motion, referred to the need to protect Arun's overwhelming elderly population which had been massively and negatively affected by the changes. In concluding Councillor Gunner stated that the Motion was directed to protecting this sector of the community within Arun.

The Council

RESOLVED – To

- Bring forward a Council-led local awareness campaign to alert those eligible of Pension Credit which in some respects will help access to the Winter Fuel Payment for those most in need.
- Request that the Leader of the Council write to the Chancellor of the Exchequer, urging a review of the decision to means-test the Winter Fuel Payment and asking the Government to ensure that vulnerable pensioners, particularly those who do not claim Pension Credit, are protected from fuel poverty.
- Commit the Council to signing the 'Save the Winter Fuel Payment for Struggling Pensioners' petition being run by Age UK, with the Leader signing on behalf of the Council, and write to all members offering them the opportunity to sign the petition themselves.
- Encourage local efforts to promote Pension Credit uptake through council services and partnerships with local charities and community organisations to ensure that all eligible pensioners in Arun are supported in claiming their entitlement.

(During the course of the debate on this item, Councillor Greenway declared a Personal Interest as a Member of West Sussex County Council).

259. QUESTIONS FROM MEMBERS

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

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The Chair confirmed that as the questions and responses had been circulated to the meeting, in view of time constraints, that they be noted and taken as read. Councillor Greenway was invited to submit his supplementary questions in writing outside of the meeting.

The schedule of questions would be updated to include the responses provided to the Council's web page within ten working days of the meeting, in line with the Council's Constitution.

The questions have been summarised below:

Question (1) To the Chair of the Environment Committee – Councillor Wallsgrove regarding the dredging of the Aldingbourne Rife.

Question (2) to the Chair of the Policy & Finance Committee – Councillor Lury regarding a range of concerns at the Trees Estate.

260. COMMITTEE MEMBERSHIPS

The Chair confirmed that there were no changes to Committee memberships to report to this meeting.

261. REPRESENTATION ON OUTSIDE BODIES

The Chair invited the Leader of the Council, Councillor Lury, to confirm any changes to representations on Outside Bodies to the meeting.

- Councillor Lury proposed that:

Councillor Wallsgrove, as Chair of the Environment Committee, be this Council's nominated representative on the Portsmouth Water Customer Scrutiny Panel, a new outside body for the council; and

Council notes that the following Outside Bodies will be or have been disbanded:

- Keystone Centre Management Committee will be disbanded on 30 November 2024;
- Bognor Regis Regeneration Board;
- Bognor Regis Regeneration Steering Committee;
- Coastal West Sussex Partnership Board;
- Rural West Sussex Partnership

- Councillor Lury then proposed that these changes to representation to Outside Bodies be approved. The changes were then seconded by Councillor Stanley:

The Council

RESOLVED – That

- (1) Councillor Wallsgrove, as Chair of the Environment Committee, be this Council's nominated representative on the Portsmouth Water Customer Scrutiny Panel, a new outside body for the council; and
- (2) Council notes that the following Outside Bodies will be or have been disbanded:
 - Keystone Centre Management Committee will be disbanded on 30 November 2024;
 - Bognor Regis Regeneration Board;
 - Bognor Regis Regeneration Steering Committee;
 - Coastal West Sussex Partnership Board;
 - Rural West Sussex Partnership

In concluding the meeting, a short video was played to mark Remembrance Sunday, Armistice Day and the Council's signing of the Armed Forces Covenant.

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(The meeting concluded at 9.34 pm)

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Public Document Pack Agenda Item 9

Subject to approval at the next Audit and Governance Committee meeting

395

AUDIT AND GOVERNANCE COMMITTEE

3 December 2024 at 6.00 pm

Present: Councillors Stanley (Chair), O'Neill (Vice-Chair), P. Bower, Goodheart, Jones, May, Oppler and Turner

[Councillor Jones was absent from discussion at all or part of Minute number 309 - 314. Councillor Oppler was absent from discussion at all or part of Minute number 320 - 323]

309. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Haywood and Purser.

310. DECLARATIONS OF INTEREST

Councillor Stanley declared a Personal Interest in agenda item 14 as an employee of Nationwide Building Society.

311. MINUTES

The Minutes of the meeting held on 03 October 2024 were approved by the Committee. These would be signed after the meeting.

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

The Chair explained that he had received a request from Southern Internal Audit Partnership to make a change to the published order of the agenda, by moving Item 11 [Implementation of the Global Internal Audit Standards] to before Item 10 [Internal Audit Progress Report September 2024]. The Committee agreed this change by a show of hands.

313. PUBLIC QUESTION TIME

No public questions had been submitted.

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314. EXTERNAL AUDIT COMPLETION REPORT FOR THOSE CHARGED WITH GOVERNANCE - 2022/23

Upon the invitation of the Chair, Simon Mathers, External Audit Partner from Ernst and Young LLP (E&Y) presented the report to the Committee. He reminded Members that at the last meeting he had appraised Committee of the backlog in local public audit, and the arrangements being introduced by government to address the backlog. Legislation had been passed at the end of September that allowed for the clearance of old open audits by set statutory backstop dates. The backstop date for old open audits up to and including 2022/23 was 13 December 2024. At the last meeting he had explained E&Y's intention to disclaim the opinion on the Council's 2022/23 financial statements to ensure delivery by the backstop date. The Audit Completion Report set out the work completed in 2022/23 and work done in order to be able to disclaim opinion on the financial statements. The executive summary on page 11 set out reasons for the backlog in local public audit. This report confirmed E&Y would disclaim the opinion on the 2022/23 financial statements. This was not attributed to any issues at Council, but to the national pervasive issues. He did however, state that the Council did not file the Accounts for 2022/23 and 2023/24 by the target established in the regulations. The Leadership team were aware, and actions were being taken to ensure this did not happen again.

The External Audit Partner highlighted page 19 of the agenda, which showed the 2022/23 Work Plan. Page 26 set out the results and findings of those procedures, and there were no particular findings he needed to draw Members' attention to. This also set out the draft auditors report including the basis for the disclaimer, which was the national context and not any particular issue at the Council. Page 32 set out the Value for Money Work that had been completed. This had been presented to Committee in July. There were no changes to the conclusions, and they had not identified any risks of significant weaknesses, and no actual significant weaknesses.

The Chair invited questions, and it was asked how the land and buildings were valued, and whether this was based on current use or potential use. The External Audit Partner explained that each year the valuation of land and buildings was a significant risk as it was an accounting estimate. The estimate would be based on both current use and potential use based on factors such as whether planning permission had been granted. This had not been tested in the 2022/23 year, however it had been tested in the 2023/24 year, and would be presented to Committee at the next meeting. The Group Accountant confirmed he would provide Members with an update on exactly how the valuations were carried out, and whether additional information was provided to the external valuers by the Council.

It was asked whether the External Audit Partner could provide assurance that the next audit would take place without any problems. The External Audit Partner was unable to confirm that any audit would not detect issues or problems. He explained it would take time to get back to the point where E&Y were able to issue an unmodified audit report. This was because the 2023/24 audit would have no assurance in relation to the brought forward balances because of the disclaimed 2022/23 audit, therefore no assurances in relation to the majority of in-year movements, and no assurance in

relation to some closing balances. That would impact the next 3 years. For 2023/24 they will have undertaken a programme of work consistent with what E&Y would normally undertake in an audit. They would be very clearly presenting to Members in the audit results report for 2023/24, those balances where they had full assurance, those balances where they had partial assurance due to the brought forward issues, and those balances that they would not yet be able to give assurance. If errors were found this would be reported and managers would be requested to adjust where necessary. The Committee would then consider the management's judgement regarding whether to adjust or not, as usual.

The Chair sought confirmation that a full audit would be undertaken for 2024/25. The External Audit Partner explained that a full audit would now be undertaken each year. He highlighted the guidance that had been issued from the Financial Reporting Council and the National Audit Office, which set out the timeline for recovery. He expected that the 2023/24 audit would be a disclaimer, the 2024/25 audit would be a disclaimer, the 2025/26 audit would be a modified opinion, but not a full disclaimer, the 2026/27 audit would be back to the position of being able to issue an unmodified audit report. He gave assurance that E&Y would be undertaking a full programme of work in each of those years and the findings would be reported to the Committee.

The Group Head of Finance and Section 151 Officer confirmed that he had circulated a letter from the Ministry of Housing, Communities and Local Government (MHCLG) to the Committee Members the previous week. This expressed the government view that it was not expected local authorities would be judged unfairly for receiving a disclaimer opinion.

One Member was concerned that a recent press article had grouped together all Councils that had not produced full audited accounts with those Councils that were in financial difficulty. He felt there was a real reputational risk for all Councils in the same position as Arun over the next 3 or 4 years, until the normal audit process had resumed. The Group Head of Finance and Section 151 Officer explained the issue was not that the Accounts had not been ready, and was down to the issues experienced nationally. He could only offer assurances to Members based on communication received from central government.

The External Audit Partner reiterated that the audit report made it clear that the basis for the disclaimer only related to the statutory backstop dates and the inability to complete the audit on time. He explained that for other authorities with other factors that led to the disclaimer, this was very clear in the basis for disclaimer. In authorities where there had been financial failure that was clear by exception in Value for Money. He therefore felt there was a clear distinction in the reporting between those authorities where other issues had led to the disclaimer, or whether it was due to the statutory backstop date.

The Chair asked whether there had been any movement around the complexity and regulatory pressures that had been placed on external audit. The External Audit Partner explained the statutory backstop dates were a necessary correction that needed to happen, there now needed to be systematic changes to affect a sustainable

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recovery. He felt the financial reporting framework needed to be simplified, which in turn would make the profession more attractive.

The Committee noted the report.

315. STATEMENT OF ACCOUNTS 2022/23 AND LETTER OF REPRESENTATION

Upon the invitation of the Chair, the Group Accountant presented the report to the Committee. The Statement of Accounts for 2022/23 had been prepared in accordance with the Chartered Institute of Public Finance and Accounting Code of Practice for 2022/23. He explained that due to a change requested by Ernst & Young LLP, he had a verbal update in relation to the Statement of Accounts for 2022/23. As the Statement of Accounts for 2021/22 were signed off by Ernst and Young LLP, it was deemed unnecessary to include the restatement wording within the paragraphs and tables. Therefore, some amendments had been made to the published agenda pages contained in Appendix 1 as follows: The word restated had been removed from page 75 (at the end of the narrative in the paragraph referring to the 2021/22); the word restated had been removed from the tables on pages 77, 78, 81, 83, 105, 107, 108, 123, 126, 127 - Grant Receipts in Advance, 140 – Housing Revenue Account, Income and Expenditure, 140 – Movement on the HRA Statement, HRA adjustments between accounting basis; the paragraph at the bottom of the table on page 78 had been removed; the title on page 80 had been amended to just 2021/22 and the paragraph underneath had been removed; on page 82 the paragraph below Balance Sheet (continued) had been removed; on page 83 the paragraph at the bottom had been removed; on page 139, Prior Period Adjustments had been removed.

These changes had not altered the figures within the Statement of Accounts. The Council's usable reserves remained at £39.5m at 31 March 2023, and the Council's net assets increased by £65.4m to £395.3m at 31 March 2023, which was largely due to the increase in Pension Assets.

Some Members expressed their concern that so many changes had been made to the document at such a late stage, and they felt it difficult to approve the recommendations due to this. It was asked how the changes impacted the Council's Letter of Representation. The Group Accountant confirmed there was no impact on the Letter of Representation. The Group Head of Finance and Section 151 Officer explained the Letter of Representation was confirmation of the accuracy and completeness of information provided to the auditors. The updated changes did not alter any of the actual figures, and did not materially change the decision required or substantive content of the accounts. A revised version of the Statement of Accounts would be sent to Members.

One Member believed the business rates (page 103) went into a pool held by West Sussex County Council (WSSCC), and was unclear how this affected Arun District Council (ADC). The Group Head of Finance and Section 151 Officer explained that ADC did keep a share of the business rates, and the growth levy went into the pool held

by WSCC. Most Councils had to return that money back to central government, however WSCC had been given dispensation to set up the pool and so were able to keep an amount.

The total expenditure (page 105) appeared to have reduced and it was asked whether this was correct. The Group Head of Finance and Section 151 Officer explained this would be due to technical accounting adjustments and would not be additional money available. He would provide further information on this to Members after the meeting.

Page 124 showed Officer's remuneration, and it was asked whether these were new appointments. The Group Head of Finance and Section 151 Officer confirmed those in the finance department were not new positions, and he did not believe the others to be either.

Page 126 appeared to show that the cost of external audit had reduced. The External Audit Partner explained the final fee for the 2022/23 year had yet to be determined by Public Sector Audit Appointments.

The Committee Manager confirmed that recommendation a) was to approve the Statement of Accounts 2022/23, contained in Appendix 1, as amended by the Group Accountant during the meeting.

The recommendations were proposed by Councillor O'Neill and seconded by Councillor Oppler.

The Committee

RESOLVED that

- a) It approves the Statement of Accounts 2022/23, contained in Appendix 1, as amended by the Group Accountant during the meeting.
- b) It approves the Management Letter of Representation on behalf of the Council as set out in Appendix 2 and authorises the Chair of the Audit and Governance Committee to sign on behalf of the Committee.

316. DRAFT STATEMENT OF ACCOUNTS 2023/24

Upon the invitation of the Chair, the Group Accountant presented the report to the Committee. The Statement of Accounts for 2023/24 had been prepared in accordance with the Chartered Institute of Public Finance and Accounting Code of Practice for 2023/24. He highlighted the Council's total usable reserves reduced by £3.5m, from £39.5m at the beginning of the year to £36.0m at 31 March 2024. The Council's net

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assets at 31 March 2024 reduced by £39.8m to £355.6m, which was largely due to the reduction in pension assets.

There were no questions or comments from Members.

The recommendations were proposed by Councillor O'Neill and seconded by Councillor Oppler.

The Committee

RESOLVED that

- (a) It approves the draft Statement of Accounts 2023/24, contained in Appendix 1, which is subject to the completion of the audit, with any resulting changes delegated to the Section 151 Officer, in consultation with the Chair of the Audit and Governance Committee, for resolution.
- (b) It authorises the Chair of the Audit and Governance Committee to sign off the final 2023/24 Statement of Accounts, after the audit, subject to there being no material changes to the draft approved by the Committee under recommendation 2.1 (a).
- (c) It authorises the Chair of the Audit and Governance Committee to sign the Management Letter of Representation 2023/24 on behalf of the Committee.

317. FINAL ANNUAL GOVERNANCE STATEMENT 2023/24

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. The Annual Governance Statement was a mandatory document to accompany the annual accounting statements. The draft Annual Governance Statement had been noted by the Committee at the July 2024 meeting and published on the Council's website. The Committee was requested to approve the final version to be provided for audit and published alongside the 2023/24 Accounts presented to the Committee in the last item. As it related to the 2023/24 year, it had been signed by the (then) Interim Chief Executives as well as the Leader. There had been no additional governance issues that would relate to the 2023/24 period, so no changes had been made between the draft and final versions.

The Chair invited questions and it was asked what the Council gained by being a member of the Greater Brighton Economic Board, and how much this cost ADC. Officers confirmed that the Director of Growth would be bringing an update to the Economy Committee in January at the request of that Committee.

The recommendation was proposed by Councillor May and seconded by Councillor Oppler.

The Committee

RESOLVED that

The final version of the Council's Annual Governance Statement for 2023/24 be approved.

318. IMPLEMENTATION OF THE GLOBAL INTERNAL AUDIT STANDARDS

Upon the invitation of the Chair, Antony Harvey, Audit Manager for Southern Internal Audit Partnership (SIAP), presented the report to the Committee. The report provided a brief overview of the new Global Internal Audit Standards, which were required to be adopted by April 2025. Since the implementation in 2013, the Council's internal audit function had been required in accordance with the Accounts & Audit Regulations, to comply with the Public Sector Internal Audit Standards which were based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF). In January 2024 the IIA published a significant revision of their IPPF in the form of the Global Internal Audit Standards (GIAS). The revised framework was to take effect within the public sector from April 2025 (effective from January 2025 in the private sector). Some of the changes had been outlined in paragraph 4.5, page 304 of the agenda pack. In order to bridge the gap between public and private sector, consultation was underway. It was important to note that there were some additional requirements from the Council, and these arrangements must be in place for the forthcoming year. SIAP had completed a gap analysis and drawn up an action plan to implement the required changes by April 2025. If the result of the consultation changed the requirements, they would keep the Committee updated.

There were no questions from Members.

The Committee noted the report.

319. INTERNAL AUDIT PROGRESS SEPTEMBER 2024

Upon the invitation of the Chair, Nick Barrett, Audit Manager for Southern Internal Audit Partnership (SIAP), presented the report to the Committee, the purpose of which was to update on internal audit progress. The report had been presented to the Corporate Leadership Team on 22 October 2024. He highlighted Section 3 - the Performance Dashboard, and updated that the figures in the report were slightly incorrect with the correct ones being 17% completed, 35% work in progress and 48%

yet to commence. These figures were more positive than the figures reported. Whilst the report showed SIAP were slightly behind the curve with delivery, he highlighted Section 7 and the rolling programme and explained the reviews had moved on since production of the report. The final report on the UK Prosperity Fund review had been issued with a substantial opinion and the Parks and Greenspaces review was now complete with a substantial opinion. The Accounts Payable and Housing Benefit reviews were at draft report stage and they were agreeing the final report wording for both with Officers. The close of audit meeting for the payroll review had been held and the draft report was due to be issued later that week. The close of audit meeting for the Environmental Health and Protection review had taken place earlier that day and the draft report had been issued. There were a number of other reviews now under way, which included Community Safety, Responsive and Emergency Repairs, Neighbourhood Services Tenancy Management, Climate Strategy and Fees and Charges within Technical Services. With regard to the ICT reviews, the Disaster Recovery review was also under way. It had been agreed that the Cleansing Services reviews that had been moved into quarter 3, would not go ahead at this time as the government changes to recycling had not yet come in, and the main contract had been covered last year.

The Audit Manager also highlighted action tracking. SIAP were comfortable as there were not many actions running over the target dates, and actions overdue on Cyber Security, Accounts Receivable, Business Continuity and Risk Management had all completed since the progress report was prepared. Where actions were overdue, SIAP were comfortable with the reasons. There were very few actions to complete from the first year of SIAP internal audit, and a very small number from last year.

There were no questions from Members.

The Committee noted the report.

320. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Insurance, Risk and Procurement Manager presented the report to the Committee, which highlighted the updates to the Corporate Risk Register. The new report template had now been adopted, with one of the aims being to make the entries more succinct, and to focus on the key mitigations and further actions. The review of all risks had been undertaken by the Corporate Leadership Team on 15 October 2024. The risk register summary was attached as appendix 3 on page 319 of the agenda.

The Chair then invited the Chief Executive to give her update on CRR2 (Organisational capacity and transformation). This was currently a medium risk on the Corporate Risk Register, and an update had been provided to the Corporate Support Committee in January this year.

The Chief Executive explained that absence and turnover were both monitored on a monthly basis by the Corporate Leadership Team, and were presented to the Corporate Support Committee and Policy and Finance Committee in the quarterly KPI reports. Regarding sickness absence, quarter 2 KPIs for 2024/25 showed that for the rolling year 01 October 2023 to 30 September 2024 3.34% of working time was lost due to sickness absence. Recorded absence showed that whilst overall absence recorded as stress related accounted for 0.7% of working time lost, 0.6% was recorded as personal and 0.1% as work related. Stress was the largest cause of sickness absence of all sickness absence reasons, with the majority of this being long term absences.

The following actions had been taken to address stress related absence:

- An employee Assistance programme was available to all staff which provided confidential counselling and support services across a range of topics (relationships, childcare, finance, stress and anxiety, family issues)
- Occupational Health provided more specialist mental health support options for staff with complex needs.
- Staff had free Freedom Leisure membership, access to health MOTs and 1 to 1 sessions with the Wellbeing Team. Encouraging positive physical health was important to mental health resilience
- There had been training for managers on mental health awareness to better support their teams and ADC had trained mental health first aiders available to provide initial support. Stress risk assessments were carried out when required
- There were employment policies which encouraged and supported work-life balance, enabling flexible working arrangements to support personal commitments alongside work
- Human Resources (HR) continuously monitored sickness absence, providing advice and guidance to managers where necessary. Managers were required to stay in touch with staff and conduct 'return to work' interviews to understand the causes of absence and better support recovery.
- Culture change and initiatives to encourage positive staff engagement.

Recruitment and Retention was a regular topic for discussion at both the Corporate Support and Policy and Finance Committee meetings when KPIs were reported. A moderate level of turnover was healthy for an organisation as it brought in fresh perspectives and new skills. The Councils current target and performance of 14% was around the national average for similar Local Authorities. Turnover needed to be considered in a wider context of organisation wide initiatives such as staff engagement, career development and progression, which were some of the reasons that staff left an organisation – this was inevitable with a smaller/medium size employer and was an increasing problem as overall staff levels had decreased.

ADC was having difficulty recruiting into a number of more specialist technical posts. This was being addressed as follows:

- Reward Strategies/pay levels – A review was being carried out of where ADC sat in relation to other local government employers across a range of roles. It was

recognised that ADC had always been in competition with the private sector for some technical roles.

- Some roles in difficult to recruit areas such as Planning and Building Control attracted a market supplement, but even this was not sufficient in areas of national shortage.
- ADC had always been in competition with neighbouring local authorities with staff regularly moving for promotion etc as many authorities were within easy travelling distance. This had been exacerbated following covid, now that hybrid working was an option for most roles, reducing travel to work, which also helped our own recruitment. Workers were much more mobile and there was strong evidence to suggest that many workers would not move to an employer that did not offer significant flexibility. This also helped us to retain staff whose personal circumstances might have changed.
- ADC's career paths had been reviewed and training continued to be provided with technical staff, with apprenticeships in areas such as Finance and Planning.
- Organisation wide culture change initiatives to encourage positive staff engagement had been implemented. Being happy in the workplace was not only about reward, but also general working conditions, relationships and feeling valued.

The Chair then invited questions from Members regarding the update on CRR2. It was asked how many people were in the Wellbeing Team, or whether it was something staff in other areas took on as an additional responsibility. The Chief Executive explained there was one dedicated Wellbeing Officer in the HR team, although she stated it was the responsibility of all, especially those in the Senior Leadership Team, and should be embedded in the organisation as part of the culture. There had recently been a health and wellbeing week which staff engaged with and included fun activities.

The Chair felt that from a Member's perspective the culture in the Council had changed significantly since the last election. He felt this Committee was a positive representation of cross party working. He felt Members could have a direct impact on how the Council was seen and the wellbeing of staff, with how they conducted themselves in meetings and whilst in public. He believed a lot of people would go into the public sector for the whole package such as pension, sick pay, policies, and not necessarily the salary. He was particularly Interested in hybrid working, and asked for further information around whether people's locations could impact whether or not they could apply to work for ADC, or whether there were some restrictions around hybrid working. The Chief Executive explained this needed to be looked at on a case by case basis depending on the role, as there were some roles where staff needed to be physically present, for example Planning Officers carrying out site visits. She also highlighted that some people did not like working at home. Some staff now lived a considerable distance from ADC, but had been recruited into positions because they were the right people for the job. Hybrid working would be reviewed as part of the accommodation review.

Questions were then invited around the rest of the report. One Member had more questions around CRR7 (Climate Change) and CRR11a (Major Project – Alexandra Theatre). He had been in touch with the risk owners around these.

One Member had submitted a question in advance of the meeting which was around the requirement that all "BCPs and other critical information are indeed stored in a separate server to enable access in case of IT failure and that Managers retain up-to-date paper copies" and he asked whether this was successfully validated on the exercise due to have been conducted in November 2024. The Group Head of Finance and Section 151 Officer confirmed that Business Continuity Plans (BCPs) and other critical information were stored on a separate server, and that paper copies were held. The exercise undertaken in November was very useful and tested the robustness of the BCPs, and he felt some lessons had been learnt.

It was asked whether there was an intention to involve Members in emergency planning. The Chief Executive explained emergency planning fully sat within the remit of Officers, however Officers should communicate to the Leader and Group Leaders in the event of an emergency situation. The role of Members in an emergency would be to share relevant information with constituents. The Member suggested that Councillors be updated annually on the work that Officers were doing regarding emergency planning.

It was asked whether there was an update on CRR19 (Littlehampton Harbour Board). The Group Head of Finance and Section 151 Officer confirmed a conclusion was nearing, but it was not known when the outcome would be received.

In relation to CRR1, local government funding had been moving to speculative pots of grants rather than sustained long-term funding, and it was asked whether there was any indication from government that there would be a move to more sustainable funding. The Group Head of Finance and Section 151 Officer explained that the early indication was positive, and he would know more when the local government finance settlement was received on 19 December 2024.

The Committee noted the report.

321. UPDATED RISK MANAGEMENT FRAMEWORK

Upon the invitation of the Chair, the Insurance, Risk and Procurement Manager presented the report to the Committee. The Council's Risk Management Framework was reviewed and updated each year, taking into account changes in legislation, government initiatives, best practice and experiences gained within the Council. The Audit and Governance Committee had oversight responsibility for risk management. The updated Risk Management Framework was included as appendix 1 in the agenda, and the changes were highlighted for ease of reference.

There were no questions from Members.

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The Committee noted the report.

322. TREASURY MANAGEMENT – INTERIM REPORT (QUARTER 2) 2024/25

[Councillor Stanley re-declared his Personal Interest in this Item as an employee of Nationwide Building Society]

Upon the invitation of the Chair, the Group Head of Finance and Section 151 Officer presented the report to the Committee. Page 383, paragraphs 4.6 – 4.9 contained a general economic outlook. There was a base rate change in November from 5% to 4.75% and a further cut was anticipated in March 2025 to 4.5% (shown in the table in 4.13). Investments continued to perform very well, and page 391 showed they were performing just above the Council's benchmark. Paragraph 1.13 (page 391) showed the outturn was expected to achieve around £2.3m in investment income, which was an over achievement of over £400k (Budget £1.9m). The table in paragraph 1.3 (page 388) showed the investments on 30 September 2024 at £50.22m and was broken down into the total amount in various sectors. There was only £42.77m on 31 March 2024 and the increase from March to September was more to do with the timing of payments such as precepts which were paid on 07 October 2024. There had been no change regarding borrowing in quarter 2. The main changes to prudential indicators were shown in the table on page 394. Capital expenditure had reduced from quarter 1 by just under £6m due to some expenditure on the Alexandra Theatre and Bognor Regis Arcade not happening until 2025/26. Arun internally borrowed around £2m worth of capital expenditure, and running balances were used to offset the need to borrow for as long as possible until those funds were needed elsewhere, this meant an under-borrowed position.

The Group Head of Finance and Section 151 Officer explained there had not been a Treasury Management Member Briefing prior to this meeting, as there had been a briefing on Accounts instead, however he would endeavour to provide one in advance of the next Committee meeting.

The Chair invited questions and it was asked whether the easing in wage growth (paragraph 4.6) would likely be sustained given the national insurance changes, or whether public sector would be immune from that. The Group Head of Finance and Section 151 Officer did not yet know how this would impact ADC. They had estimated the cost of the national insurance increase to £350k, however the policy statement released the previous week stated those costs would be covered. It was unknown whether this would be adequately covered by the grant and a permanent adjustment, or whether this would just be for 2025/26, or deducted from other grants received by government to cover this.

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

The Committee

RECOMMEND TO FULL COUNCIL that

1. the Quarter 2 (mid-year) treasury management report for 2024/25 be noted;
2. the treasury activity for the quarter ended 30 September 2024, which has generated interest receipts of £1.2m (5.15%) against a budget of £1.9m (4.63%), be noted; and
3. the quarter 2 prudential and treasury indicators for 2024/25 contained in the report, be noted.

323. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 7.36 pm)

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Arun District Council

REPORT TO:	Audit and Governance Committee – 3 December 2024
SUBJECT:	Treasury Management – Quarter 2 report 2024-25
LEAD OFFICER:	Antony Baden - Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Cllr Matt Stanley
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION:	
The Treasury Management function is required by regulation and has an effect on all Directorates of the Council.	
DIRECTORATE POLICY CONTEXT:	
This report supports the Annual Treasury Management Strategy Statement (TMSS). It is the Treasury Management mid-year report (Quarter 2) 2024-25. This report is an update report and summarises: <ul style="list-style-type: none">• Investment position (Appendix 1)• Borrowing position (Appendix 2) and• Prudential Indicators (Appendix 3)	
FINANCIAL SUMMARY:	
The financial implications arising from this report are detailed in Appendices 1 to 3. Some of the figures contained in this report are draft, and subject to external audit but they are not expected to change significantly. Any such changes will be reported to this Committee.	

1. PURPOSE OF REPORT

- 1.1. To note the Treasury Management activities for the second financial quarter ending 30th September 2024. Also, it enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

2. RECOMMENDATIONS

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

- 2.1. note the Quarter 2 (mid-year) treasury management report for 2024/25;
- 2.2. note the treasury activity for the quarter ended 30 September 2024, which has generated interest receipts of £1.2m (5.15%) against a budget of £1.9m (4.63%); and
- 2.3. note the quarter 2 prudential and treasury indicators for 2024/25 contained in the report.

3. EXECUTIVE SUMMARY

- 3.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2024/25 Treasury Management Strategy states this report will go to the Audit and Governance Committee around December time. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 3.2. During the second quarter to 30 September 2024, the Council complied with its legislative and regulatory requirements, including confirmation that the authorised limit was not breached.

4. DETAIL

- 4.1. Treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return and 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 the Council can meet its capital spending operations.
- 4.2. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

- 4.3. The Council has also implemented the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance in producing these regular reports.
- 4.4. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties. This report focuses on the 2024/25 financial period ending 30 September 2024 and is based on the data available at the time of writing.

4.5. The detail can be found in appendices 1 to 3.

4.6. Economic update

The second quarter of 2024/25 financial year (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August but then reducing to 1.7% in September;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August then dropped to 3.2% in September;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

4.7. The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months.

4.8. The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts.

4.9. November saw a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

4.10. Interest rate forecasts

4.11. PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

4.12. The latest forecast, updated on 11th November, sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

4.13. Below is Link group's Interest rate view at 11 November 2024.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

5. CONSULTATION

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

6. OPTIONS / ALTERNATIVES CONSIDERED

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

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

- 7.1. The 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 optimise 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 parameters guiding our approach to treasury management are set out in the Council's approved Treasury Management and Annual Investment strategies and the financial

implications and detail arising from our Treasury Management activities are outlined in appendices 1 and 2.

8. RISK ASSESSMENT CONSIDERATIONS

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

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

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

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

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

10. HUMAN RESOURCES IMPACT

10.1. None direct

11. HEALTH & SAFETY IMPACT

11.1. None direct

12. PROPERTY & ESTATES IMPACT

12.1. None direct

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. None

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. Best practice is taken when reviewing investment options to ensure that they are with companies or banks that are actively looking to reduce their impact on the environment and increase sustainability.

14.2. Current Investments with CCLA (better world cautious fund and the property fund) and Standard Chartered (Sustainable deposits) have positive ESG (Environmental, Social and Governance) factors.

14.3. Further options will be explored and considered.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. None

16. HUMAN RIGHTS IMPACT

16.1. None

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. None

CONTACT OFFICER:

Name: Sian Southerton

Job Title: Senior Accountant (Treasury)

Contact Number: 01903 737861

BACKGROUND DOCUMENTS:

- The Local Government Act 2003 ([The Local Government Act 2003](#)).
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2021) (*Link not available as copyright*).
- The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2021) (*Link not available as copyright*).
- MHCLG Guidance on Local Government Investments
[Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#)-
- Link Asset Services Ltd Annual Treasury Management review Template 2023/24. (*Link not available as copyright*).
- 2024/2025 Strategy:
[\(Public Pack\)Agenda Document for Audit and Governance Committee, 19/02/2024 18:00 \(arun.gov.uk\)](#)

Arun District Council

Investment Position

1. Investment and Strategy review

1.1. The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Council on **13 March 2024**. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being (SLY):

- Security of capital
- Liquidity
- Yield

1.2. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 2 years with high credit rated financial institutions to achieve the best yield possible but with SLY at the forefront.

1.3. The table below shows a £50.22m investment portfolio at 30 September 2024 and percentage in each sector.

INVESTMENT PORTFOLIO	31.3.24 Actual £000	31.3.24 Actual %	30.9.24 Actual £000	30.9.24 Actual %
Treasury investments				
Banks	15,800	37%	30,120	60%
Building Societies - rated	1,000	2%	0	0%
Building Societies - unrated	0	0%	0	0%
Local authorities	6,000	14%	4,000	8%
Money Market Funds	12,965	30%	9,100	18%
Total managed in house	35,765	83%	43,220	86%
Property funds	5,000	12%	5,000	10%
Diversified funds	2,000	5%	2,000	4%
TOTAL TREASURY INVESTMENTS	42,765	100%	50,220	100%

1.4. A full list of these investments held are shown in the following table:

Reference no.	Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate
903	Goldman Sachs International Bank	08/04/2024	07/10/2024	£1,000,000.00	5.2750
906	Lloyds Bank Plc (RFB)	18/04/2024	14/10/2024	£2,000,000.00	5.2300
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
918	Overseas Chinese Bank (OCBC)	26/07/2024	25/10/2024	£3,000,000.00	5.150
909	Goldman Sachs International Bank	09/05/2024	19/11/2024	£1,000,000.00	5.2800
908	City of Bradford Metropolitan District Council	02/05/2024	20/11/2024	£2,000,000.00	5.3800
865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	4.645
919	National Westminster Bank PLC (RFB)	29/07/2024	27/01/2025	£1,000,000.00	5.0900
913	Goldman Sachs International Bank	05/07/2024	05/02/2025	£1,000,000.00	5.1900
914	DBS Bank Ltd.	05/07/2024	05/02/2025	£1,000,000.00	5.2100
915	DBS Bank Ltd.	10/07/2024	05/02/2025	£1,000,000.00	5.200
911	National Westminster Bank PLC (RFB)	20/06/2024	20/02/2025	£2,000,000.00	5.1800
922	National Westminster Bank PLC (RFB)	26/09/2024	26/02/2025	£5,000,000.00	4.8000
921	Goldman Sachs International Bank	12/09/2024	04/03/2025	£3,000,000.00	4.8450
912	Goldman Sachs International Bank	27/06/2024	07/04/2025	£1,000,000.00	5.2050
916	DBS Bank Ltd.	22/07/2024	07/04/2025	£3,000,000.00	5.110
917	DBS Bank Ltd.	25/07/2024	23/05/2025	£1,000,000.00	5.080
920	Lancashire County Council	20/09/2024	19/09/2025	£2,000,000.00	4.7500
893	Close Brothers Limited	06/11/2023	06/11/2025	£1,000,000.00	5.350
44447	Lloyds Bank			£120,000.00	4.880
100500	CCLA (Churches, Charities and LA's) (MMF)			£1,080,000.00	4.9933
110000	Federated Investors LLP (MMF)			£4,000,000.00	5.0267
120000	Aberdeen Standard (MMF)			£4,000,000.00	5.0079
99999	Fidelity Fund Management Ltd (MMF)			£10,000.00	4.9663
130000	Deutsche Bank (MMF)			£10,000.00	4.8760
140000	CCLA (Churches, Charities and LA's) LAPF			£5,000,000.00	**5.21
140500	CCLA (Churches, Charities and LA's) B'WCF			£2,000,000.00	**3.80

** Average rate of return

MMF - Money Market Fund

LAPF - Local Authority Property Fund

B'WCF - Better World Cautious Fund

- 1.5. Investment rates have remained elevated during the second quarter of 2024/25 but are expected to fall back through the third quarter of 2024.
- 1.6. Creditworthiness - The UK's sovereign rating has proven robust through the first half of 2024/25. There have been few changes to credit ratings over the quarter under review, however, officers continue to monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.
- 1.7. Investment counterparty criteria - The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.
- 1.8. Investment balances - The average level of funds available for investment purposes during the quarter was just shy of £46m. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.
- 1.9. The table below shows the total useable reserves compared to the investment balances at 31 March 2024 and updated for Quarter 2 (end of September 2024). The figures contained in this table are draft, and subject to revisions and external audit.

Usable Reserves	31-3-24	30-9-24 P6	change
	£m	£m	£m
Usable Revenue Reserves	19.677	18.075	-1.60
Housing Revenue Account Balance *	0.481	0.981	0.50
Usable Capital Receipts	1.103	1.103	0.00
Housing Major Repairs Reserve	4.209	2.874	-1.34
Capital Grants Unapplied	10.560	9.281	-1.28
Total	36.030	32.314	-3.72
S106 / CIL	8.067	10.200	2.13
ADC acting as Agents for grants	1.188	1.178	-0.01
Reserves + S106/CIL + Grants to repay	45.285	43.692	-1.59
<i>Investments</i>	<i>42.765</i>	<i>50.220</i>	<i>7.46</i>
<i>Lloyds Bank current account</i>	<i>0.295</i>	<i>0.227</i>	<i>-0.07</i>
<i>Investments & Bank</i>	<i>43.060</i>	<i>50.447</i>	<i>7.39</i>

- 1.10. The usable reserves and the above other elements will never match exactly to cash & investments, due to timing differences, but also there are other cash movements which are not captured in the table above.

1.11. Investment performance for quarter ended 30 September 2024

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
Average O/N *Sonia	5.12%	4.63%	5.15%	£1,199,913

** 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.*

1.12. As illustrated, the Council is outperforming the budgeted interest return and the benchmark rate (%). The Council's budgeted investment return for 2024/25 is £1.9m and performance for the year to date is £1.2m.

1.13. The estimated outturn is currently around £2.3m showing an over achievement of over £400k. This enhanced return is largely due to rates applied to investments being higher than expected plus more principal available to invest, in some cases due to large payments being delayed as works not completed.

1.14. The CCLA property fund continues to increase the returns the Council is achieving on its investments and currently £5M is invested in this fund achieving an average rate of return of approx. 4.95%, however the Capital value is down around 8.7% (at 30 September 2024). This is a long-term investment, and values will rise and fall over the years.

1.15. IFRS 9 - following the consultation undertaken by the Ministry of Housing, Communities and Local Government (MHCLG), the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

1.16. The Council had the following valuations at 30 September 2024 for the CCLA pooled funds:

- CCLA property fund - £4,564,965 (£5m invested)
- CCLA better world cautious fund - £1,983,026 (£2m invested)

1.17. This would have had an adverse impact of £452,008 on the Council's revenue budget if the IFRS 9 override was not in place. In September 2024, £250k was transferred into an Earmarked reserve to lessen this impact. This was funded by an overachievement on investment income in the first half of the year.

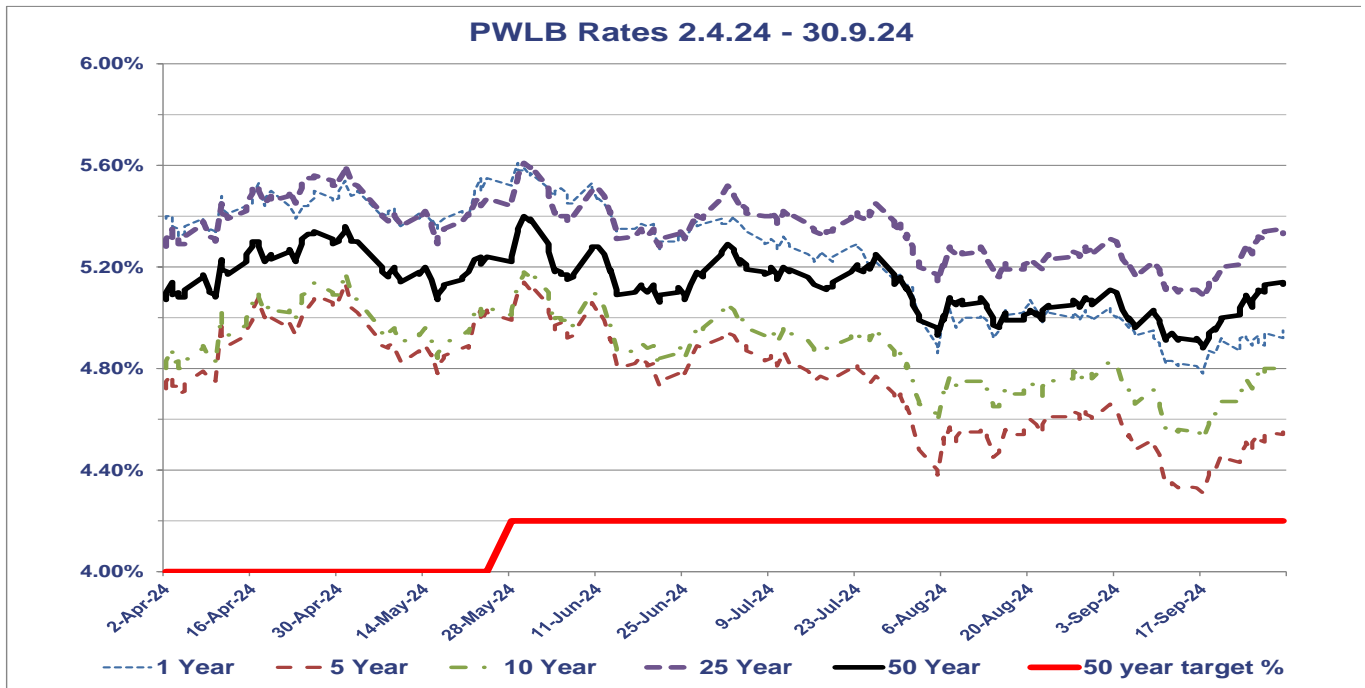
1.18. Approved limits - Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2024.

1. Borrowing position

- 1.1 The Council's capital financing requirement (CFR) for 2024/25 is £61.9m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing).
- 1.2 No borrowing was undertaken during the quarter ended 30th September 2024.
- 1.3 The Council has no immediate plans to borrow externally for capital expenditure in the current financial year, although funding will need to be arranged for approved schemes. We will look to borrowing internally for these in the first instance, until interest rates reduce further.
- 1.4 Currently Arun's only borrowing relates to the HRA Self-Financing settlement (£35.46m), summarised in the table below:

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

1.5 PWLB rates 2 April to 30 September 2024 are shown in the chart below:



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

1. Treasury and Prudential Indicators

- 1.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following Treasury Management Prudential Indicators.
- 1.2. The borrowing activity is controlled by prudential indicators for net borrowing, the Capital Financing Requirement (CFR), and by the authorised limit which is summarised in the table below and in 1.6.

Prudential Indicators	*31 March 2024 Actual £'000	**2024/25 Original Forecast £'000	2024/25 Q1 (June) Forecast £'000	2024/25 Current Forecast £'000
Capital Expenditure:				
Non - HRA	7,224	24,020	31,302	***25,509
HRA	7,114	15,151	26,897	26,897
TOTAL	14,338	39,171	58,200	52,406
Ratio of financing costs to net revenue stream:				
Non - HRA	(8.37)%	(6.22)%	(7.14)%	(7.61)%
HRA	18.25%	16.96%	17.91%	17.57%
Capital Financing Requirement (CFR):				
Total opening CFR	52,858	55,212	51,884	51,884
<u>Closing CFR</u>				
Non - HRA	119	6,451	6,640	3,625
HRA	51,765	60,538	58,304	58,288
TOTAL	51,884	66,989	64,944	61,913
Annual change in CFR:				
Non – HRA	138	5,707	4,915	3,506
HRA	(1,111)	6,069	8,145	6,522
TOTAL	(973)	11,776	13,060	10,028
Unfinanced capital expenditure	2,654	16,277	25,724	****22,708

- (*) Some of these figures have been amended since the annual report was presented at the July 2024 meeting as there have been changes to the 23-24 accounts.
- (**) As per the 2024-25 Treasury Management Strategy Statement (TMSS) presented at the February 2024 meeting.
- (***) This has reduced in quarter 2 due to some expenditure on the Alexandra Theatre and Bognor Regis Arcade not required till 2025-26.
- (****) Of the £52.4m capital expenditure - £22.7m is currently funded from internal balances.

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

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

1.4. In the table in 1.2, all "unfinanced capital expenditure" results in a financing or borrowing need which will come from either internal or external borrowing.

1.5. The ratio of Financing Costs to the Net Revenue Stream is estimated to be (7.61)% by the end of the financial year (non-HRA) which is a change of (1.39)% on original forecast. This is largely due to better than expected interest rates.

1.6. The treasury Indicators are shown in the table below:

Treasury indicators	31 March 2024 Actual £'000	2024/25 Original £'000	Septemer 2024 Position £'000
Authorised Limit for External Debt:			
Borrowing	59,000	75,000	75,000
Other long-term liabilities	4,000	8,000	8,000
TOTAL	63,000	83,000	83,000
Operational Boundary for External Debt:			
Borrowing	55,000	70,000	70,000
Other long-term liabilities	4,000	8,000	8,000
TOTAL	59,000	78,000	78,000
Gross External Debt (Actual)			
Non – HRA	0	0	0
HRA	35,460	35,460	35,460
TOTAL	35,460	35,460	35,460
Remaining Authorised Limit for External debt:	27,540	47,540	47,540
Total Investments	42,765	40,000	50,220
Net borrowing (Net debt)	7,305	4,540	14,760

1.7. There is one treasury borrowing related prudential indicator against the maturity structure of the Council’s borrowing portfolio. Gross upper and lower percentage limits are set to limit exposure to large sums falling due for refinancing.

1.8. The current limits are shown in the table below:

Maturity structure of borrowing – upper & lower limits:	Actual fixed borrowing 30 September 24	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%

1.9. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30 September 2024, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2024/25 (table in 1.6). The Group Head of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

Public Document Pack Agenda Item 10

Subject to approval at the next Policy and Finance Committee meeting

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POLICY AND FINANCE COMMITTEE

11 December 2024 at 6.00 pm

Present: Councillors Lury (Chair), Nash (Vice-Chair), Birch, Cooper, Greenway, Gunner, Huntley (Substituting for Councillor Brooks), Pendleton and Stanley.

[Note: Councillor Stanley was absent from the meeting during consideration of the matters referred to in the following minute – Minute 324 to Minute 331 (Part)].

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

324. APOLOGY FOR ABSENCE

An Apology for Absence had been received from Councillor Brooks.

325. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

326. MINUTES

The minutes from the last Meeting of the committee held on 24 October 2024 were approved as a correct record and were signed by the Chair at the conclusion of the meeting.

327. 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 the Committee to consider.

328. PUBLIC QUESTION TIME

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

329. CARBON EMISSION UPDATE - 2023-2024 FINANCIAL YEAR

The Climate Change and Sustainability Officer presented his report updating Members on the emissions (Scope 1, 2 and 3) of the Council for the 2023-2024 financial year. He provided some background to the report reminding Members that in October 2021 the Council adopted its Carbon Neutral Strategy 2022-2030 and the Climate Action and Biodiversity Work Plan 2022-2023 in February 2022. Written within the Action Plan had been a commitment to continue to monitor the emissions generated by the Council on a yearly basis to ensure that the Council could effectively monitor

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how its activities were impacting those emissions and to ensure that reductions were taking place in line with the 2030 carbon neutral target. This included Scopes 1, 2 and 3 as detailed below:

- Scope 1 – emissions directly attributed to burning of fuels for heating council buildings and running its fleet
- Scope 2 – indirect emissions from the purchase of electricity and directly controlled by the Council
- Scope 3 – from the activities of the Council but from sources not owned or directly controlled by the Council, such as purchased goods and services [procurement], staff commuting, business travel and waste generated by the Council.

It was explained that this update report provided the Committee with an overview in terms of where the Council's emissions were sitting for the 2023-2024 financial year as well as providing a comparison to the current baseline year set for the 2020-2021 financial year.

Members' attention was drawn to the Appendix figures providing detail for all previous years of monitoring, including the 2023-24 financial year. A brief overview of the results for each of the scopes was provided and it was explained that all emissions were displayed as tonnes of carbon dioxide equivalent or tco2e which was the standard unit for measuring emissions regardless of whether they were from carbon dioxide or another greenhouse gas such as methane allowing all greenhouse gases to be compared using the same unit.

In terms of the results and comparisons to the current baseline year, Scope 1 and 2 had seen a drop from 392 tonnes of co2 equivalent in the baseline year to 137 in the 2023/24 financial year meaning that Scope 1 and 2 were now sitting at roughly 0.83% of the Council's total emissions in 2023-2024. Scope 3 continued to make up most of the Council's emissions and sat at roughly 99%, with the largest single emitters remaining the same as previous years being the purchase of goods and services at 91% and the leisure centres at 6%. Scope 3 had seen a reduction in emissions dropping from 27,382 tonnes of co2 equivalent to 16,255. Looking at all three scopes together an overall reduction from 27,774 to 16,118 tonnes could be seen which was positive news. The Council had, and would continue to, undertake work around reducing emissions further and would look at improving data collection for the annual carbon audit. It was highlighted that it was extremely challenging to measure emissions, and this should very much be used to help with the direction of travel and to highlight hotspots rather than being used as an exact science.

The Committee was advised that the Climate Change and Biodiversity Action Plan would be revised in accordance with the updated results along with updates to specific actions. The updated Action Plan would be brought to the Committee's meeting to be held on 13 March 2025. At that meeting, Councillors would receive information on projects that had been undertaken to assist the Council with its emission reduction and general sustainability.

The Chair then invited questions from Members. In terms of the figures that had been provided and looking at the 41.4% decrease it was questioned if offsetting would be needed to ensure that the Council's target would be reached, and as the report had mentioned that dialogue was already underway with West Sussex County Council (WSSC) and other West Sussex District and Boroughs to determine the best offsetting option. The Climate Change and Sustainability Officer was asked to provide further detail on this. It was explained that conversations had taken place with the South Downs National Park and the Polladium Group and that the Council was working with them to determine what the total price would be for offsetting emissions. The viewpoint of WSSC, Arun and other District and Boroughs was that it was likely that Councils would need to have to bulk buy offset credits due to the minimum purchase requirements. The Climate Change Officer highlighted further that there would also be a possibility to offset some emissions using tree plants on land currently owned by the Council, if it would be certified by the Woodland Trust. Having received this response, it was queried whether sufficient research had been undertaken regarding the value of offsetting. It was explained that the Council's approach would be to reduce as many emissions as possible so that the offsetting requirement would then be as low as it could be. With most of the emissions coming from the Council's purchasing of goods and services, it would be very challenging to reduce these to zero by 2030 as this work would be reliant upon the Council's suppliers reducing their emissions. The Climate Change and Sustainability Officer confirmed that he was aware of the challenges surrounding offsetting and that if this was relied upon too heavily, it could result in little being progressed. He was asked how the Council was able to influence suppliers to reduce emissions and if any positive results could be seen from such work. He confirmed that the strongest way in which the council could move forward was by incorporating methods to reduce emissions into new contracts as a requirement, this included reporting Arun's specific emissions as well as incorporating sustainability. This had been the case in procuring the Council's Combined Cleansing Services Contract which included strong sustainability aspects within it. He was also liaising with suppliers in terms of what they could and could not report and what sustainability actions they could confirm they were undertaking.

A query was raised in relation to the 41.4% reduction figure mentioned earlier in that it was not an accurate like for like comparison and that the correct figures was 9.7%, could this be confirmed? It was explained that this was correct when looking at the current baseline for the 20/21 financial year where different methodology had been used. It was more accurate to compare the 2022/23 to the 2023/24 financial years which was why looking the baseline year would be updated to the 2023/24 financial year.

330. CONSOLIDATED COUNCIL AND POLICY & FINANCE COMMITTEE BUDGET MONITORING REPORT TO 30 SEPTEMBER 2024

The Group Head of Finance and Section 151 Officer introduced his Budget Monitoring Report covering Quarter 2 for the financial year 2024/25 and the period up to 30 September 2024, appraising the Committee of the Council's consolidated General Fund Revenue, Capital and Housing Revenue Account forecast against the 2024/25 budgets approved by Council on 21 February 2024. The Committee was being asked to consider the report and provide Officers with any comments.

The first part of the report presented the Quarter 2 forecast for the financial year 2024/25 and included a consolidated Revenue Budget summary; Housing Revenue Account (HRA) summary; and Consolidated Capital Programme summary. The Committee's financial report as of 30 September 2024 for the Quarter 2 period had been attached to the report at Appendix 1.

The following highlights were reported:

- The anticipated contribution from reserves was forecast lower than budget by £165k in the current financial year, however, Councillors were reminded that it would still be necessary to draw down £3.4m from reserves.
- The net forecast below did show some slight improvement and included some budget pressures around homelessness and savings that had been built into the forecast.
- The forecast end of year HRA reserve balance showed an increase to £981k from an operating position of £482k. Appendix A to the report provided a detailed summary. It was stated that the HRA was starting to experience more stability with regards to the inhouse repairs and maintenance service and that volatility around that forecast was starting to steady.
- The General Fund Capital programme showed a reprofiled capital programme and no changes in the budget totals. The additional funding of £3m approved by Full Council on 6 November 2024 for the Alexandra Theatre had not been included due to timings as this quarter 2 report included everything up to the end of September 2024. This would be added to the Quarter 3 report.
- Pages 8 to 9 provided more detail about the reprofiled capital budgets against the forecast figures. This did not include the original budgets, but did include a commentary on capital slippage
- On the HRA capital programme - £6.7m had been moved from the stock development budget. Members would be advised later as to how that money would be spent.
- The Sheltered Housing and Decarbonisation schemes had all been moved into future years to align with new commencement dates.

- On the consolidated revenue budget summary - £165k less drawdown from usable reserves was a positive sign and had been due to having additional unexpected income from business rates. A further £100k had been received from non ring-fenced grants for new burdens funding received in year. On the cost of service, the forecast outturn suggested a £163k overspend against budget including pressures around temporary accommodation and approved savings, which were forecast to be £564k less than anticipated.
- The savings progress by Committee had been provided at Page 6 of the appendix. It was reported that there were some areas of concern, but it was anticipated that most of these would be delivered in the 25/26 budget
- The HRA reserve forecast showed an increase to £989k from £482k. The expectation was to achieve a surplus of around £1m which should be realistic as the main risk areas were settling down.
- General Fund capital programme – the 24/25 programme forecast expenditure was £14.2m against a reprofiled budget of £13.8m. Details had been included in Appendix A.

The Chair before inviting questions from Members, stated that the Council was eagerly awaiting the Local Government Finance Settlement which was due on 19 December 2024. He had attended a recent webinar with the Ministry of Housing Communities and Local Government [MHCLG] but could not confirm the likely settlement figure that the Council would receive. The Settlement would be discussed as part of the next item on the agenda.

The Chair then invited questions from Members. The first question related to the presentation of the forecast figures being listed as budget for 2024/25. Looking at sheltered accommodation for 2024/25, no figure had been provided. Concern was expressed that Councillors had approved that £2m would be spent during 2024/25 on these schemes and this had not taken place. Concern was also expressed over the fact that some projects required feasibility studies to be undertaken to allow those projects to be profiled. This meant that the figures should have never been in the budget in the first place as the feasibility work had not been undertaken to do them.

Reference was again made and concerns raised over project slippage. This was a concern that had been repeatedly raised covering the last few cycles of meetings and the Interim Chief Executive Officer had confirmed that this was untrue. There had been multiple projects that had run over time and budget and so confirmation was sought that the concerns that had been raised were legitimate. The Chair agreed that some projects had not progressed at the speed they should have and that there were sound reasons to explain that and, in some instances, this had been due to circumstances that were beyond the Council's control. The Section 151 Officer stated that he accepted the points that had been made in terms of how the budget figures had been illustrated within the report but referred Members to Page 7 of the Appendix which was a new page designed to capture this information and to make the report easier for Members to

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understand. He confirmed that if Members decided that they wished to have more information added regarding original budgets, he would be happy to incorporate the request in producing the Quarter 3 budget monitoring report.

The Chief Executive in contributing to the debate on project slippage and budget overspending stated that she agreed with the comments made by the Chair recognising that projects did sometimes slip and often that this was beyond the Council's control or was because the Council had insufficient resources available to take a project forward. The Councillor who had raised this as a concern stated that it was important to discuss so that Councillors had full understanding in setting the budget. He also added that it had been disappointing to be told the concern raised had not been accurate, but it was pleasing to have on record that the correction had been made.

Approval was given by the Committee for a non-Committee Member to address the meeting. Concern was expressed regarding the savings progress made by committee and in relation to the Environment and Housing & Wellbeing Committees. The first concern was over car parking income as this showed an underperformance of £196k in terms of income targets. The second related to the fact that £205k temporary accommodation savings were unachievable. They stated that these were startling under achievements and warranted further investigation and scrutiny.

In response, the Group Head of Finance and Section 151 Officer confirmed that he would happily provide a detailed response outside of the meeting. He also reminded Members that when the savings were presented, he was clear that there was a level of risk around the delivery of some savings.

331. MEDIUM TERM FINANCIAL FORECAST 2025-26 TO 2029-30

The Group Head of Finance and Section 151 Officer presented to Members his report providing an update on the Council's Financial Forecast for 2025/26 to 2029/30 and economic prospects arising from the main issues affecting the Council and their impact. As identified as part of the discussion on the last item, there was much uncertainty around the budget figures at this time due to the pending Local Government Finance Settlement.

The report was also asking Members to note the financial parameters for the preparation of the 2025/26 revenue budget, and it provided updates on the public budget consultation, Members Budget Working Group and future participation in the West Sussex Business Rates Pool.

The main highlights brought to the attention of Councillors by the Group Head of Finance and Section 151 Officer were:

- The detail surrounding the 2025/26 budget which was still work in progress

- The Council was looking at a £2.5m deficit which was anticipated to peak to around £6.5m by 2028/29 if the Council took no further action in cutting costs. It was emphasised that this was unlikely to happen, but that it was necessary to continue to outline the dangers and that this strong warning needed to be highlighted.
- After 2025/26 it was expected that some external funding would reduce substantially
- The provisional Local Government Finance Settlement announcement was due on 19 December 2024. This included a range of unknowns which had been detailed in Paragraphs 4.3 to 4.10 of the report for Members to review.
- The major items to be aware of were; Employers' National Insurance contributions to increase by 1.2% and the threshold at which NICs would be payable would reduce from £9.1k to £5k which would add a cost of around £350k to the Council's revenue budget.
- Having attended the Webinar referred to earlier by the Chair, the MHCLG had confirmed that it would cover those costs, but no details had been provided whether the funding would be sufficient. Confirmation as part of the Settlement was awaited.
- An additional £1.3 billion had been allocated to local government of which £600 million would be allocated to authorities responsible for adult and social care provision. The other £700m would be allocated to councils on a deprivation-based approach. No further information about what this meant had been provided and so the Section 151 Officer, stated that caution needed to be applied as it could be the case that Arun might not receive any of that funding.
- The Government had confirmed that it would commence the Fair Funding Review which would impact 2025/26 budgets to begin with and then implementing further resource redistribution in future years to address an imbalance in Local Government funding. It was not clear if there would be any transitional funding to soften any reduced impact for the Council.
- The broad principles for setting the budget for 2025/26 had been illustrated in paragraphs 4.10 to 4.28 of the report. It was confirmed that all assumptions in the report would remain under review until the budget was completed.
- An assumption of an annual increase of 2% for staff pay awards had been forecast for future years from 2025/26, this would be kept under review
- The table at paragraph 4.13 set out the forecast net changes in grant allocations against the 2024/25 base budget. Current modelling assumptions showed that the Council's grant share would increase by £462k but this needed to be confirmed following the webinar referred to earlier as this had made an inference that those figures might be frozen.
- There was a firm assumption that New Homes Bonus (NHB) would disappear after 2025/26 and there was no confirmation that there would be anything to replace it.

- The Funding Guarantee Grant also provided a degree of uncertainty as current modelling assumed that it would reduce without anything to replace it
- In terms of council tax, the same referendum principles as in previous years applied to Arun as a district council with a maximum increase of 3% or £5 permitted. The MHCLG had indicated that they would consider bigger increases but only by exception which was unlikely to apply to this Council as it had a good level of reserves.
- The Council would continue with its participation in the West Sussex Business Rates Pool for 2025/26
- Appendix B to the report set out the impact on the Council's Usable Revenue Reserves based on the updated forecasts. As mentioned earlier, if the Council failed to deliver the objectives of its Financial Strategy, it would exhaust these by 2028/29.
- The table at Paragraph 4.25 set out the impact of recent decisions by Members in terms of foregone income opportunities. The Section 151 Officer stated that he understood the difficulty for Councillors in making some of those decisions but had to re-emphasise the point that it was very necessary to make those difficult decisions at some point in the future
- Another headline item not featured within the report, was an announcement that had been received following agenda publication regarding extended producer payments where the Government would charge producers the costs of disposal associated with packaging. The Council would receive a guaranteed payment of £1.4m in 2025/26 which was good news albeit there were caveats attached to this receipt which would be closely monitored when confirmed.
- In finalising his presentation, the Section 151 Officer explained again the highlighted risks being the impacts from the fair funding review remaining as the most serious concern. The view was that the council's share of business rate income would reduce even though there was no detail to confirm that at this point. Continuing cost increases around temporary accommodation and what, if anything, would replace NHB minimum funding guarantee grants remained as significant concerns.

The Chair thanked the Group Head of Finance and Section 151 Officer for his detailed presentation. He stated that what was of real concern with the Fair Funding Review where funds would be allocated on a deprivation-based account. It was the Chair's view that the South-East was not just an area of prosperity, and he hoped that the Government would take note and listen to this as it needed to be recognised that there were pockets of severe deprivation in the Arun district.

The Chair then invited questions and comments from the Committee. One observation expressed with the report and the Fair Funding Review was that levels of deprivation in some areas of Littlehampton and Bognor Regis were very high and compared with deprived areas in the north of England and this could be positive for the Council. There was a great deal of uncertainty attached to planning the Council's budget for 2025/26 and so the settlement next week was eagerly awaited. Paragraph

4.24 of the report accurately summarised the Council's position and it was acknowledged that the budget for 2025/26 would be a "standstill" budget for valid reasons and emphasised that budget decisions going forward would be unpleasant to make and would mean that unpopular cuts and savings would need to be addressed soon.

A level of criticism was made towards this "standstill" budget. Great mention had been made of the need to think about and make difficult decisions but there were no proposals to do this within the forthcoming budget. In response, the Group Head of Finance and Section 151 Officer noted the comment made. In the report he had explained the assumptions around Council Tax and increases and that his advice as Section 151 Officer was that there was a large structural budget deficit and that he could not say with any certainty that this would reduce. Councillors could vote to include uncommitted growth into the budget; however, it was his strong advice to not do this for all the reasons already outlined.

Debate continued with queries relating to Council Tax premium and the formation of a Budget Working Group. It was also queried how this budget monitoring report might be affected by the Settlement announcement next week and as this report did draw a concerning picture for the future. The Section 151 Officer confirmed that a further Members' Briefing would be held before the next meeting of the Committee in February 2025 to explain the key headlines confirmed by the settlement.

Further discussion took place on plans to establish a Budget Working Group and why there were no firm proposals to consider its establishment in planning ahead for the 2026/27 budget. The Chair reminded the Committee that the Section 151 Officer had been requested to assess the feasibility of setting up such a group, he had not been instructed to establish one. In response, the Section 151 Officer provided an explanation, reminding Councillors that this Committee had requested that he examine and consider proposals to establish a Working Group. The report presented explained why this was not proposed at this time. Looking ahead the Section 151 Officer would continue to explore ways in which engagement with Members within the budget setting process could be enhanced.

Input from other Members of the Committee praised the budget process that had been put into place under the Committee system as this had resulted in Councillors receiving more information as well as being presented with more opportunity to discuss the budget than ever before. Public consultation had been introduced for the 2023/24 budget and repeated this year receiving a significant improvement in feedback and responses compared with the previous year. In preparing the budget, Members were reminded that each Service Committee received its budget in detail providing ample opportunity for Councillors to submit proposals or suggest amendments. In addition to that, Members were also invited to attend budget briefings allowing them to shape budgets. Sadly, this was often an opportunity that Councillors just did not take ahead of the budget Policy & Finance Committee in February and then ultimately Full Council. There were Councillors who thanked the Section 151 for his caution and wished to confirm that good progress had been made in terms of the financial position of the council. The Financial Strategy had been approved in January 2024 and measures from

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that would be implemented over the coming months. This highlighted that progress in ensuring that the council was on a financially sustainable footing had been made.

A final question was asked which was what the process would be in establishing a Working Group following this year's budget for the 2025/26 budget. The Group Head of Finance and Section 151 Officer confirmed that he would inform the Committee of further proposals in due course.

332. ITEMS PUT FORWARD FROM SERVICE COMMITTEES

The Chair confirmed that there was a recommendation for the Committee to consider from the Housing & Wellbeing Committee as detailed below.

333. HOUSING & WELLBEING COMMITTEE - 21 NOVEMBER 2024

The Committee received the minutes from the meeting of the Housing & Wellbeing Committee held on 21 November 2024. The Chair drew Members' attention to a recommendation at Minute 292 [Local Authority Housing Fund] and he alerted Members to the Officer Report that had been provided accompanying the minutes.

The Chair confirmed that this Committee was being asked to recommend to Full Council to include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

Prior to commencing debate on this item, Councillor Birch proposed the recommendation which was seconded by Councillor Nash.

The Committee in debating the recommendation questioned the legality of what had been resolved by the Housing & Wellbeing Committee at resolution c). This read "Approve use of £630k affordable housing S106 receipts, subject to the Group Head of Housing, Communities and Wellbeing confirming that the use of S106 receipts for temporary accommodation was lawful". There were some Councillors that wished to receive this confirmation, and the Director of Environment & Communities was asked if she could update the Committee. She stated that she could not provide this confirmation but that she would be happy to provide this outside of the meeting.

Further debate took place in terms of whether this was necessary; or whether this Committee should amend the recommendation to Council, pending receipt of this information. Disappointment was expressed by some Members of the Committee as this matter had been queried and the information requested some time ago and as it was felt to be crucial in determining whether recommendation g) should be forwarded to Council. Could this be done if taking the £630k from Section 106 was not legally allowable as previously identified by Councillors and prior to this meeting. Further advice was sought in terms of how to progress the recommendation.

Following further debate, the Director of Environment and Communities then confirmed that she had since received confirmation from the Group Head of Housing, Communities and Wellbeing, that the use of S106 receipts was lawful and he had communicated this, and that several councils were using commuted sums to prop up their LAHF delivery, which was what this scheme was.

Councillor Birch, as proposer of the recommendation, outlined that this would be an excellent use of money that would reduce the Council's temporary housing accommodation costs for the future.

The Committee

RECOMMEND TO FULL COUNCIL

To include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

334. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

The Chair provided a verbal update to the Committee reporting on the success of a visit made by the Department of Trade and Industry, organised through the Greater Brighton Economic Board, to a business in Littlehampton called GB Electronics.

335. WORK PROGRAMME

In receiving and noting the Committee's Work Programme for the remainder of the Municipal Year 2024/25, a request was made by Councillor Gunner to have added to it a report that would allow the Committee to debate the advantages and disadvantages for the Council in being a member of the Greater Brighton Economic Board and following this request being made at the last meeting of the Committee.

The Chair confirmed that the Committee's work programme had been updated following its last meeting to show that a report would be submitted to the next meeting of the Committee on 13 February 2025.

Following on from this, it was noted that there was real possibility that the Greater Brighton Economic Board could be disbanded in the future because of devolution and pending receipt of the Government's White Paper. As discussions were regularly taking place on the matter of Devolution, and in anticipation of the formation of Unitary Authorities for the region, a request was made for a Member Workshop to be organised early in 2025 to discuss the content of the White Paper and to allow all Councillors the opportunity to confirm their views.

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In response, the Chair confirmed that he would look to get this organised and he stated that having received advice from the Committee Manager in terms of available dates in the Committee Calendar, due to other meetings and briefings, that this might be difficult to arrange for early in the New Year and possibly not until early March 2024.

(During the course of the discussion on this item, Councillor Pendleton, declared a Personal Interest as a Member of West Sussex County Council).

In concluding the meeting, the Chair extended Season's Greetings to all those in attendance.

(The meeting concluded at 7.29 pm)

Arun District Council

REPORT TO:	Housing and Wellbeing Committee - 21 November 2024
SUBJECT:	Local Authority Housing Fund
LEAD OFFICER:	Jayne Knight, Housing Options Manager
LEAD MEMBER:	Councillor Carol Birch, Chair of Housing and Wellbeing Committee
WARDS:	All
<p>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</p> <p>The Local Authority Housing Fund will support the following aims of the Arun District Council Vision.</p> <p>Improving the wellness of Arun</p> <ul style="list-style-type: none"> • Support those who are homeless, street homeless or at risk of homelessness in emergency or temporary accommodation to improve health outcomes. <p>Delivering the right homes in the right places</p> <ul style="list-style-type: none"> • Support households with complex needs to secure suitable accommodation. • Ensure the existing housing stock in the district (private sector and council owned) is maintained to a high standard. • Continue to bring empty homes back into use for the benefit of the community. 	
<p>DIRECTORATE POLICY CONTEXT:</p> <p>The Local Authority Housing Fund (LAHF) (3) will provide funding towards the cost of purchasing seven temporary accommodation homes and three Afghan resettlement homes, of which one must be a four-bedroom home.</p> <p>These additional homes will be new, high standard properties that provide better than value than the alternative, which is expensive emergency accommodation.</p>	
<p>FINANCIAL SUMMARY:</p> <p>The Ministry of Housing Communities and Local Government have granted £1,783,052 to the council ringfenced to the acquisition of seven additional temporary accommodation homes to fulfil our statutory homeless duties, and three additional properties to be used for the Afghan Resettlement Scheme. The grant is split £1,771,000 capital and £12,052 revenue. The funding is being received in four tranches; the first tranche has been received.</p>	

This capital grant will be used towards the purchase of seven two-bedroom homes for temporary accommodation, two three-bedroom homes and one four-bedroom home to house applicants from the Afghan Resettlement Scheme. With the balance of funding coming from S106 commuted sums and borrowing.

The scheme will provide a positive contribution to the HRA from year 1 and this will increase annually as rents increase:

Net Income & Costs	£'000
Net Rent Year 1*	102
Repayment of HRA borrowing****	-72
Net Rent after debt repayment	30

*** based on Affordable rents at 80% of Market Value (market rents to be provided by an independent valuer) less void provision and operational costs

**** based on the full year costs of borrowing £1.47m over 40 years @ 5.13%.

1. PURPOSE OF REPORT

- 1.1 To seek approval from Members to proceed with the acquisition of seven additional temporary homes, and three homes for the Afghan Resettlement Scheme, including approval for the capital funding required to make up the remaining cost after the grant awarded is considered and the commuted sums.

2. RECOMMENDATIONS

- 2.1 It is recommended that Housing and Wellbeing Committee:

- a) Approves the LAHF award of £1,783,052 to acquire seven additional homes for use as temporary accommodation and three for the Afghan Resettlement Scheme of which £1,771,000 relates to the capital purchase.
- b) Approves the use of HRA borrowing as match funding of a maximum £1,469,600.
- c) Approves use of £630k affordable housing S106 receipts.
- d) Subject to recommendation (e), approves the acquisition of ten new homes for up to a maximum total cost of £3,870,000 for use as temporary accommodation and for the Afghan Resettlement Scheme and in accordance with the LAHF grant conditions; and

- e) Delegates authority to the Group Head of Finance (Section 151 Officer), in consultation with the Chair of this committee, and the Group Head of Housing, Wellbeing and Communities to provide final written approval of the acquisition subject to the Group Head of Finance being in receipt of a positive financial appraisal.
- f) Notes that an appraisal of the LAHF scheme will be brought to this committee once it is completed and in use.
- g) Request that the Policy & Finance Committee recommends to Full Council to include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

3. EXECUTIVE SUMMARY

- 3.1 MHCLG has nominally allocated £1,783.052 of LAHF funding for the Council to Acquire seven additional homes for use as temporary accommodation and one for the Afghan Resettlement scheme. The LAHF scheme is intended to relieve our existing homelessness pressures and support Afghan refugees currently occupying bridging hotels.
- 3.2 There is no condition on the Council to provide match funding of 60% on each Property purchased. The funding however is conditional on having nine properties at exchange of contract stage by 31st March 2025 and one property delivered by 31st March 2026.
- 3.3 The proposal is to purchase: Seven, two-bedroom properties for Temporary accommodation, three Properties for the Afghan resettlement scheme, one being a four- bedroom property.

4. DETAIL

- 4.1 Presently there are over 229 Arun households living in temporary accommodation of which 173 are in expensive nightly paid accommodation provided by private suppliers. The cost of temporary accommodation to the local authority this year is expected to be in region of £4.4 million gross.
- 4.2 By using the LAHF funds, Arun will be able to purchase a further 7 Temporary Accommodation properties. Two-bedroom units of nightly paid accommodation costs on average £500 per week, per unit. $7 \times £500 = £3500.PW$, which delivers a cost saving of £182,000 per annum to the authority.

- 4.3 Homelessness is a statutory service, and we are obligated to offer temporary accommodation to eligible households. At a time of nationally increasing homelessness, we are seeing increasing numbers of households in temporary accommodation. Our only flexible source of supply is expensive emergency accommodation. Increasing our own portfolio of temporary accommodation reduces that reliance and offers a better quality, more sustainable and cheaper alternative.
- 4.4 We are including commuted sums to the value of £630,000 available so the match funding from Arun District Council for this project will come from HRA borrowing.

5. CONSULTATION

- 5.1 There has been consultation with DHLUC and Finance in developing these proposals.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1 There was consideration given to building new properties on land owned by Arun District Council. This was dismissed, as the delivery timetable for the majority of the properties is March 2025 and therefore given the time limitations, we were unable to take such an approach.
- 6.2 There is the option not to apply for this grant, and this was also dismissed as:
- a) DLUHC were strongly supportive of our application.
 - b) This scheme will provide high-quality, energy efficient new temporary homes for homeless families.
 - c) These properties will both generate an income and off-set the alternative cost of emergency accommodation.

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

- 7.1 The total costs of the proposals in this report are £3.87m of up to £1.47m will need to be funded by the Council. This will be done by taking out new borrowing, which means the Council will also incur additional revenue costs to repay the borrowing. However, these borrowing costs and any other additional revenue expenditure will be offset by the income generated by these new units.
- 7.2 Borrowing will not be taken at least until the property acquisitions have been completed and even, then Officers will manage the council's cash flow position in a way that delays borrowing for as long as possible.

8. RISK ASSESSMENT CONSIDERATIONS

8.1 **The authority will be increasing its HRA debt:** Whilst this increases our debt exposure risk, this is mitigated by the new income generated by ownership of these properties. There is a small risk in that interest rates could increase when we eventually take out the new borrowing. However, our interest rates forecast points to a drop in the medium term. Therefore, it is likely that the full year borrowing costs as indicated in the financial summary will be lower.

8.2 **Properties cannot be purchased within the timescale:** If we are unable to meet any of the grant obligations, we will withdraw our application and return the grant.

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

9.1 Appropriate legal agreements will need to be prepared and put in place to govern both the use of the funding and the acquisitions. Advice will be required from the Council's Legal Services team and/or its external legal advisors as a part of the project.

10. HUMAN RESOURCES IMPACT

10.1 There are no implications identified.

11. HEALTH & SAFETY IMPACT

11.1 There are no implications identified.

12. PROPERTY & ESTATES IMPACT

12.1 There are no implications identified.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1 This brings additional social value to the community providing suitable temporary accommodation for 7 additional households in the district and 3 to be used for the Afghan resettlement scheme.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1 All 10 properties purchased, will be newly constructed, to the most up to date build standards.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1 There are no implications identified.

16. HUMAN RIGHTS IMPACT

16.1 There are no implications identified.

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1 There are no implications identified.

CONTACT OFFICER:

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BACKGROUND DOCUMENTS:

[Local Authority Housing Fund: Round 3 prospectus and guidance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)