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ADUR & WORTHING
COUNCILS

1 February 2021

Joint Strategic Committee	
Date:	**9 February 2021**
Time:	**6.30 pm**
Venue:	**Remote Meeting via Zoom**

Committee Membership:

Adur Executive: Councillors; Neil Parkin (Leader), Angus Dunn (Deputy Leader), Carson Albury, Brian Boggis, Kevin Boram, Emma Evans and David Simmons

Worthing Executive: Councillors; Daniel Humphreys (Leader), Kevin Jenkins (Deputy Leader), Edward Crouch, Heather Mercer, Elizabeth Sparkes and Val Turner

Agenda

Part A

1. Declarations of Interests

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

2. Minutes

To approve the minutes of the Joint Strategic Committee meeting held on 12 January 2021, copies of which have been previously circulated.

3. Public Question Time

To receive any questions from members of the public.

Questions should be submitted by **noon** on **Friday 5 February** 2021 to Democratic Services,
democratic.services@adur-worthing.gov.uk

*(**Note**: Public Question Time will operate for a maximum* of 30 minutes.)

4. Items Raised under Urgency Provisions

To consider any items the Chairman of the meeting considers to be urgent.

5. Final Revenue Budget Estimates for 2021/22 (Pages 1 - 14)

To consider a report from the Director for Digital & Resources, a copy is attached as item 5.

6. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2021/22 to 2023/24, Adur District Council and Worthing Borough Council (Pages 15 - 72)

To consider a report from the Director for Digital, Sustainability & Resources, a copy is attached as item 6.

7. Covid Benefit Measures impact on Vulnerable Residents (Pages 73 - 88)

To consider a report from the Director for Communities, a copy is attached as item 7.

8. Carbon Neutral 2030 - Reporting on the success of funding applications to the Public Sector Decarbonisation Scheme (Pages 89 - 102)

To consider a report from the Director for Director for Digital, Sustainability & Resources, a copy is attached as item 8.

9. City Region Bikeshare - transforming travel through collaborating on a pedal and e-bike rental scheme (Pages 103 - 116)

To consider a report from the Director for Director for Digital, Sustainability & Resources, a copy is attached as item 9.

10. Building the Organisational Data Capability & Capacity (Pages 117 - 128)

To consider a report from the Director for Communities, a copy is attached as item 10.

11. Working in Partnership to reduce Anti-Social Behaviour - Extending the Community Protection Powers for Worthing Homes (Pages 129 - 134)

To consider a report from the Director for Communities, a copy is attached as item 11

12. Referral of Motion on Notice from Worthing Borough Council (Pages 135 - 140)

To consider a report from the Director for Communities, a copy is attached as item 12.

13. Referral of Motion on Notice from Adur District Council (Pages 141 - 146)

To consider a report from the Director for Communities, a copy is attached as item 13.

14. Referral of Motion on Notice from Adur District Council (Pages 147 - 150)

To consider a report from the Director for Communities, a copy is attached as item 14.

Part B - Not for Publication – Exempt Information Reports

None.

Recording of this meeting

The Council will be live streaming the meeting, including public question time. A recording will be available on the Council's website as soon as practicable after the meeting. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

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The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk

Duration of the Meeting: Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.

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Joint Strategic Committee
9 February 2021
Agenda Item 5

ADUR & WORTHING
COUNCILS

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Final Revenue Budget Estimates for 2021/22

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 This report is the final budget report of the year, the culmination of the annual budgeting exercise, and asks members to consider:

- The final revenue estimates for 2021/22 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and

These budgets reflect the decisions taken by members to date in relation to agreed savings proposals and any committed growth. The budgets are still to be adjusted for the proposals to invest in services detailed in Appendix 2 which were considered by the Executives last week.

1.3 The budget is analysed by Executive member portfolio. In addition, the draft estimates for 2021/22 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension cost adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.4 The respective Adur and Worthing 2021/22 Estimates and Council Tax setting reports have already been considered by the Worthing Executive on 1st February 2021 and the Adur Executive on 2nd February 2021. Both the estimates for Adur District Council and

Worthing Borough Council include their respective share of the cost of the Joint Strategic Committee.

1.5 The following appendices have been attached to the report:

(i) **Appendix 1** 5 year forecasts for the Joint Strategic Committee

(ii) **Appendix 2** Proposals for investment in services

(iii) **Appendix 3** Summary of Executive Member Portfolio budgets for 2021/22

2. Recommendations

2.1 The Joint Strategic Committee is recommended to:

(a) Note the proposals to invest in services outlined in Appendix 2 which were considered at the Executive meetings in early February;

(b) Agree to the proposed 2021/22 budget detailed in Appendix 3 which will be adjusted by any growth proposals approved by the Executives.

3. Summary

3.1 The Joint Strategic Committee considered the report 'Impact of Covid 19 on the Council's finances - Update on the current financial performance and developing a revenue budget for 2021/22' on 7th July 2020. This report outlined the current financial context, the key budget pressures and the budget strategy for Adur and Worthing Councils. The report built on the strategy first proposed in 2015/16 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax and business rates.

3.2 On 1st December the *'Towards a sustainable financial position - Budget update'* was approved by the Joint Strategic Committee, this report updated the members on the latest budget forecast, the options for addressing the budget shortfalls and considered any unavoidable growth.

3.3 To address the known pressures and to realise its ambitions set out in *Platforms for our Places*, the Councils have set-up several strategic programmes delivering new income and savings for the next 5 years:

- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;

- The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work;

- The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Investment Fund;

- The Commercial programme develops initiatives to promote income growth from commercial services and seeks to improve the customer experience; and

- The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.

- The Corporate Landlord programme which seeks to rationalise accommodation use and generate capital receipts from the sale of surplus assets and thereby reducing the costs associated with funding priority projects identified in Platforms for our Place: Going Further.

3.4 Since the meeting on the 3rd December, the Joint Strategic Committee budget has been finalised and the last adjustments have been included. Overall, therefore, the current financial position of the Joint Strategic Committee for 2021/22 can be summarised as :

	£'000
Original 2021/22 budget shortfall	**588**
Budgets transferred to / from the Joint Strategic Committee:	
(a) Transfer of income budgets to the constituent authorities	53
(b) Transfer of reprographics recharge budgets	43
(c) Other net changes	42
Other changes:	
(c) Net committed growth items identified by Service Heads in December	253
Revised Budget Shortfall as at 1st December 2020	979

	£'000
Revised Budget Shortfall as at 1st December 2020	979
Impact of Settlement	
Adjustment to funding from the constituent authorities following the delay to fairer funding and savings exercise	-470
Adjustment for final items	
Review of energy budgets following retender exercise	10
Revised Budget shortfall	519
Less: Net savings agreed in December	-519
Balanced budget	**-**

3.5 The government published the provisional local government finance settlement for 2021-22 on 17th December 2020 via a written statement. Consultation on the provisional settlement closed on the 16th January 2021.

3.6 A full update on both the one-year spending review and settlement is included in the Budget Estimate reports for both Councils. However, the key issues which will affect the future funding for the Joint Strategic Committee include:

i) The Council Tax referendum thresholds confirmed as the higher of 2% or £5.00 for a Band D property.

ii) The Government has further delayed the fairer funding review to 2022/23 at the earliest and are proposing a 'roll forward' settlement for 2021/22.

The implications of this change for 2021/22 are twofold:

1. Existing homelessness grants will continue until absorbed into the business rate retention scheme; and
2. The councils will retain all surplus business rate income for one more year.

iii) A proposed reform to both the Business Rate Retention Scheme and the Fairer Funding Review which will consider how much of business rates each Council should keep via the tariff and top-up system is now delayed to 2022/23. This is likely to reduce the Councils share of Business Rate income in future.

In addition to the above, both constituent Councils received considerable one-off funding related to Covid 19 which has largely been placed into contingency budgets to manage any related cost pressures and risks to income. These budgets will also be available to manage the Covid 19 pressures which affect the joint budgets.

3.7 This will have inevitable consequences for the services of the Joint Strategic Committee which will need to reduce its budget in line with the challenges faced by the constituent Councils.

4.0 DRAFT REVENUE ESTIMATES 2021/22

4.1 Detailed budgetary work for the Joint Strategic Committee is now complete (subject to any decisions arising from the Adur and Worthing Executives in February) and the estimate of the budget requirement is £23,609,200. This includes the savings agreed by the Joint Strategic Committee in December. Attached at Appendix 2 are the additional proposals for investment into services recently considered by the Executives.

4.2 A breakdown of each Executive Member's summary budget is attached in Appendix 3. The changes can be summarised briefly as follows:

	£'000	£'000
2020/21 Original Estimate		22,910
Add: Net Transferred budgets		138
Add: General Pay and Price Increases		881
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	398	
Less: Compensatory savings and additional Income:		
Compensatory savings	-199	
		199
2021/22 budget prior to agreed savings		24,128
Less: Savings agreed by members		
Approved in December	-519	
		-519
Net cost to be funded by the Councils		23,609
Allocated as follows:		
- Adur District Council		9,545
- Worthing Borough Council		14,064
Cost reallocated to both Councils		23.609

4.3 The Joint Strategic Committee budget has been reflected in both the Adur and Worthing Estimates, which will be approved by their respective Executives on 1st and 2nd February 2021. The allocation of the costs of joint services under the remit of the JSC has again been reviewed this year. There is no significant swing of costs between the two Councils this year.

Further details can be provided by request from the Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

5.0 IMPACT ON FUTURE YEARS

5.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown at Appendix 1. However, following settlement, it is clear that the Councils will continue to have budget shortfalls for at least the next 2 - 5 years. Consequently, the Joint Strategic Committee is likely to show the following shortfalls in line with that experienced by the Constituent Councils:

	Expected shortfall (Cumulative)				
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall as per appendix 1	519	1,316	1,635	2,178	2,732
Less:					
Net savings identified in 2021/22 budget round	-519	-519	-519	-519	-519
Adjusted cumulative budget shortfall	-	797	1,116	1,659	2,213
Savings required each year	-	797	319	543	554

5.2 To ensure that the Joint Strategic Committee continues to balance the budget there will need to be a continuing emphasis on efficiency and value for money in the annual savings exercise.

6.0 SIGNIFICANT RISKS

6.1 Members will be aware that there are several risks to the Joint Strategic Committee's overall budget. These can be summarised as follows:-

(i) **Income**

The Committee receives income from a number of services which will be affected by demand. Whilst known reductions in income have been built into the proposed budgets for 2021/22, income may fall further than expected.

(ii) **Withdrawal of funding by partners**

All budgets within the public sector continue to come under intense scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, either council might lose funding for key priorities, which would leave the Joint Committee with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

(iii) **Inflation**

A provision for 2% inflation has been built into non-pay budgets. Pay budgets include an average inflationary allowance of 2.0%. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	236
Non-pay	53

6.2 To help manage these risks, both councils have put in place contingency budgets, and have both working balances and other earmarked reserves.

7.0 CONSULTATION

7.1 The Council ran a consultation exercise which supported the Council's five year budget strategy. In light of this, no consultation exercise was undertaken this year.

7.2 Officers and members have been consulted on the development of the budget.

8.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

8.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report when making their decisions.

8.2 As Members are aware, the Joint Strategic Committee must set its Estimates in advance of the start of the financial year. This is because both Councils must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. This includes a share of the cost of the Joint Strategic Committee. Because they decide on the council tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates. The exceptions relate to:

(1) The provision of estimates for items outside of the direct control of the Council:

- Income from fees and charges in volatile markets, and income from grants.

- External competition and declining markets, particularly during a recession.

(2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.

(3) Initiatives and risks not specifically budgeted for.

8.3 **Overall view on the robustness of the estimates**:

It will therefore be important for members to maintain a diligent budget monitoring regime during 2021/22.

8.4 The Chief Financial Officer and Section 151 Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Joint Strategic Committee has also demonstrated that it has a sound system of financial management in place.

9.0 LEGAL IMPLICATIONS

9.1 The Local Government Act 2003 requires that the Councils set a balanced budget. This report demonstrates how the Council will meet this requirement for 2021/22.

10.0 CONCLUSION

10.1 The Councils have implemented a budget strategy which plans for the reduction in the resources provided via Government. The strategy outlines a series of proactive steps which would contribute significantly to meeting the financial challenge by increasing income or by promoting business efficiency through the use of digital technology. Overall the Committee has successfully contributed to this strategy by identifying savings of £519k to meet the current year’s shortfall against a backdrop of the pandemic.

10.2 Looking further ahead, 2022/23 will again be challenging as the Council grapples with the impact of the fairer funding review. Consequently, the strategy of delivering commercial income growth and business efficiencies through the digital agenda continues to play a vital role in balancing the budget.

10.3 However, provided we continue to deliver on this strategy, the Councils will become increasingly financially resilient over the next 5-10 years as government funding reduces, New Homes Bonus disappears and we become largely funded by our community through Council Tax and income from our commercial services.

Background Papers

Report to Joint Strategic Committee 7th July 2020 – Impact of Covid 19 on the Council’s finances - Update on current financial performance and developing a revenue budget for 2021/22

Report to the Joint Strategic Committee 1st December 2020 ‘Towards a sustainable financial position - Budget update ’

Report to the Joint Strategic Committee 1st December 2020 ‘Investing for the future: Capital Investment Programme 2021/22 to 2023/24’

Local Authority Finance (England) Settlement Revenue Support Grant for 2021/22 and Related Matters: MHCLG Letters and associated papers of 17th December 2020.

2020 Spending Review – On-the-day briefing

Local Government Act 2003 and Explanatory Note

"Guidance Note on Local Authority Reserves and Balances" – LAAP Bulletin No. 77 - CIPFA -published in November 2008

Statement of Accounts 2019/20

Report to Joint Strategic Committee 1st December 2020 – 2nd Revenue Budget Monitoring Report (Q2)

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SUSTAINABILITY AND RISK ASSESSMENT

1. **ECONOMIC**

Matter considered and no issues identified

2. **SOCIAL**

2.1 **Social Value**
Matter considered and no issues identified

2.2 **Equality Issues**
Matter considered and no issues identified

2.3 **Community Safety Issues (Section 17)**
Matter considered and no issues identified

2.4 **Human Rights Issues**
Matter considered and no issues identified

3. **ENVIRONMENTAL**
Matter considered and no issues identified

4. **GOVERNANCE**
Matter considered and no issues identified

Appendix 1

JOINT STRATEGIC COMMITTEE Revenue Budget Summary Statement 2020/21 - 2025/26						
Net Spending to be Financed from Taxation	**2020/21 Base**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Base budget	22,910	22,910	22,910	22,910	22,910	22,910
Budgets transferred from the constituent Councils authorities		138	138	138	138	138
(a) **Annual Inflation**						
Estimated inflation		691	1,390	2,085	2,764	3,457
Impact of 2020/21 pay rise		190	194	198	202	206
(b) **Impact of funding 'Platforms'**						
Measures to reduce waste		-	200	200	200	200
(c) **Other items**						
Reduction in pension contributions		-199	-405	-413	-413	-413
Loss of income from registrars		35	35	35	35	35
Increase in energy costs		10	10	10	10	10
Committed growth items approved in December		353	453	553	653	753
Net cost to be reallocated to the Councils	**22,910**	**24,128**	**24,925**	**25,716**	**26,499**	**27,296**
Adur District Council	9,337	9,545	9,545	9,736	9,833	9,931
Worthing Borough Council	13,573	14,064	14,064	14,345	14,488	14,633
Total income for services provided to the constituent councils	**22,910**	**23,609**	**23,609**	**24,081**	**24,321**	**24,564**
(Surplus) / Shortfall in Resources	**-**	**519**	**1,316**	**1,635**	**2,178**	**2,732**
Savings identified to date:						
Commercial activities and commissioning						
Commercial and Customer Board		215	215	215	215	215
Efficiency Measures						
Service and Digital redesign		45	45	45	45	45
Service plan savings		259	259	259	259	259
Total savings identified		**519**	**519**	**519**	**519**	**519**
Savings still to be found/ (surplus)		**-**	**797**	**1,116**	**1,659**	**2,213**
Savings required in each year		**519**	**797**	**319**	**543**	**554**

Appendix 2

	Expected cost (cumulative)					
	2021/22			*2022/23 and beyond*		
Service reinvestment proposal	***Joint (memo only)***	**Adur**	**Worthing**	***Joint (memo only)***	**Adur**	**Worthing**
	£	£	£	£	£	£
Digital Apprentices						
With the success of our in-house digital team during COVID-19 (building several applications to support residents and businesses), we see even more opportunities to develop our digital services to better meet the needs of our communities. The move to digital channels has rapidly accelerated and this increased internal capacity will help us maximise the opportunity. Two digital apprenticeships are proposed which will provide much needed opportunities for the young or those looking to re-skill.	50,000	20,000	30,000	50,000	20,000	30,000
Sustainability & Environmental Initiatives						
Our ambitious plans require us to conduct feasibility studies and project work to ensure that the Council meets its Platform commitments. Feasibility studies serve to unlock significant government grant funding and support for community projects will unlock significant voluntary capacity, following on from the recommendations expected from the Climate Assembly.	50,000	20,000	30,000	50,000	20,000	30,000

	Expected cost (cumulative)					
	2021/22			*2022/23 and beyond*		
Service reinvestment proposal	***Joint (memo only)***	**Adur**	**Worthing**	***Joint (memo only)***	**Adur**	**Worthing**
	£	£	£	£	£	£
Data lead The use data of is a critical capability in a modern, digital organisation. In order to take the next step in our digital journey and build our skills and capacity in this area we want to appoint a data lead who will be able to drive forward development of our data skills and infrastructure. A report to the Joint Strategic Committee on the 9th February will provide further details on this area of work.	95,000	38,000	57,000	95,000	38,000	57,000
Impact of growth proposals	195,000	78,000	117,000	195,000	78,000	117,000

Joint Governance Committee
26 January 2021
Agenda Item 8

Joint Strategic Committee
9 February 2021
Agenda Item 6

Key Decision : No
Ward(s) Affected: All

JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22 to 2023/24, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 to 2023/24 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 The Joint Governance Committee is recommended to:

i) Note the report (including the Prudential Indicators and Limits, and MRP Statements) for 2021/22 to 2023/24, including the increase in the counterparty limit for the UK bank Handelsbanken from £3m to £4m for both Adur and Worthing Councils.

ii) Refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 9 February 2021.

2.2 The Joint Strategic Committee is recommended to:

i) Approve and adopt the TMSS and AIS for 2021/22 to 2023/24, incorporating the Prudential Indicators and Limits, and MRP Statements, including the increase in the counterparty limit for the UK bank Handelsbanken from £3m to £4m for both Adur and Worthing Councils.

ii) Forward the Prudential Indicators and Limits, and MRP Statements of the report for approval by Worthing Council at its meeting on 23 February 2021, and by Adur Council at its meeting on 18 February 2021.

3. INTRODUCTION

3.1 Background

The Councils are required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in high quality counterparties or instruments commensurate with the Councils' low risk appetite, providing adequate liquidity initially, before considering investment return. This is consistent with national guidance which promotes security and liquidity above yield.

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

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

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

CIPFA defines treasury management 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."

It will be important to keep the Treasury Management Strategy under review during the year due to the current economic climate. Government policy and guidance may need to change in light of the costs and challenges of Covid-19.

3.2 **Reporting requirements**

3.2.1 **Capital Strategy**

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

- an overview of how the associated risk is managed

- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full Councils fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy and the Commercial Property Strategy are reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through those reports. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The capital strategy shows:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Councils have borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported as part of the outturn report and the annual review of the Corporate Property Investment Portfolio.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3.2.2 Treasury Management Reporting

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

Prudential and treasury indicators and treasury strategy (this report), the first, and most important report is forward looking and covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and noting whether any policies require revision.

An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - The above reports are required to be scrutinised by the Joint Governance Committee (JGC) which may make recommendations to the Joint Strategic Committee (JSC) regarding any aspects of Treasury Management policy and practices it considers appropriate in fulfilment of its scrutiny role. Such recommendations as may be made shall be incorporated within the above named reports and submitted to meetings of the JSC for consideration as soon after the meetings of the JGC as practically possible. The reports are approved by the JSC and recommended to the Councils for approval.

3.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital programme financing

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

Treasury management (the management of the Councils' cash flow, investments and debt)

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Councils;
- prospects for interest rates;

- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.4 **Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A briefing for members was provided by Link Asset Services in June 2019, but a planned session for 2020 has not taken place due to Covid-19. Training for members will be arranged as soon as possible.

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

3.5 **Treasury management consultants**

The Councils use Link Group, Treasury Solutions as the external treasury management advisors.

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

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

The scope of investments within the Councils' operations includes both conventional treasury investments, (the placing of residual cash from the Councils' functions), and commercial type investments in property. The Councils use appropriate specialist advisers in relation to the commercial activity.

4. THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

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

4.1 **Capital expenditure**

This prudential indicator is a summary of the Councils' capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

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

ADUR DISTRICT COUNCIL

Capital expenditure	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Non-HRA	13.011	16.674	9.447	4.385	1.845
HRA	3.859	12.354	18.956	18.995	5.600
Strategic property purchases	43.400	23.488	20.000	0.000	0.000
TOTAL	**60.270**	**52.516**	**48.403**	**23.380**	**7.445**
Financed by:					
Capital receipts	0.795	1.248	1.799	0.021	0.004
Capital grants and contributions	12.230	10.257	1.425	0.963	0.375
Revenue Reserves & contributions	3.477	7.852	7.808	7.423	7.565
Net financing need for the year	**43.768**	**33.159**	**37.371**	**14.973**	**(0.499)**

The net financing need for strategic property purchases included in the above table against expenditure is shown below:

Adur DC property	**2019/20 Actual £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Capital Expenditure	43.400	23.488	20.000	0.000	0.000
Financing required	42.856	22.297	18.363		
Net financing need for the year	**43.768**	**33.159**	**37.371**		
Percentage of total net financing need	98%	67%	49%		

WORTHING BOROUGH COUNCIL

Capital expenditure	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Non-HRA	14.439	19.944	16.550	9.842	5.271
Loan to GB Met	5.000	0.000	0.000	0.000	0.000
Strategic property purchases	45.047	47.428	0.000	0.000	0.000
TOTAL	**64.486**	**67.372**	**16.550**	**9.842**	**5.271**
Financed by:					
Capital receipts	2.247	1.842	0.000	0.012	0.000
Capital grants and contributions	2.471	7.971	5.468	1.433	0.750
Revenue Reserves & contributions	1.654	2.609	3.201	3.538	3.796
Net financing need for the year	**58.114**	**54.950**	**7.881**	**4.859**	**0.725**

Worthing BC strategic property	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimat e £m
Capital Expenditure	45.047	47.428	0.000	0.000	0.000
Financing required	44.655	46.370			
Net financing need for the year	**58.114**	**54.950**			
Percentage of total net financing need	77%	84%			

4.2 **The Councils' borrowing need (the Capital Financing Requirement)**

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Councils' borrowing requirement, these types of scheme include a borrowing facility and so the Councils are not required to separately borrow for these schemes. The Councils currently do not have any such schemes within the CFR. The Councils are asked to approve the CFR projections below:

ADUR DISTRICT COUNCIL

Capital Financing Requirement (£m)	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
CFR – non-HRA	25.906	31.196	37.066	38.989	38.882
CFR - HRA	60.294	65.866	79.004	94.099	95.798
CFR – strategic	80.818	103.115	121.478	119.433	117.342
Total CFR	**167.018**	**200.177**	**237.548**	**252.521**	**252.022**
Movement in CFR	43.768	33.159	37.371	14.973	(0.499)
Movement in CFR represented by					
Financing need for the year	45.159	35.381	40.170	18.455	3.125
Less: MRP/VRP and other financing movements	(1.391)	(2.222)	(2.799)	(3.482)	(3.624)
Movement in CFR	**43.768**	**33.159**	**37.371**	**14.973**	**(0.499)**

WORTHING BOROUGH COUNCIL

Capital Financing Requirement (£m)	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
CFR – non-HRA	57.436	66.016	75.856	82.716	85.482
CFR - strategic	71.352	117.722	115.763	113.762	111.721
Total CFR	**128.788**	**183.738**	**191.619**	**196.478**	**197.203**
Movement in CFR	**58.114**	**54.950**	**7.881**	**4.859**	**0.725**
Movement in CFR represented by					
Net financing need for the year (above)	59.571	57.160	10.869	8.251	4.437
Less: MRP/VRP and other financing movements	(1.457)	(2.210)	(2.988)	(3.392)	(3.712)
Movement in CFR	**58.114**	**54.950**	**7.881**	**4.859**	**0.725**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Councils' overall financial position. The capital expenditure figures shown above demonstrate the scope of this activity and, by approving these figures, members consider the scale proportionate to the Councils' remaining activity.

4.3 **Minimum revenue provision (MRP) policy statement**

The Councils are required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although they are also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

MHCLG regulations require the full Councils to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

For both Councils, the MRP relating to built assets under construction will be set aside once the asset is completed. If any finance leases are entered into, the repayments are applied as MRP.

The Councils are recommended to approve the following MRP Statements:

ADUR DISTRICT COUNCIL

For Adur District Council it was approved by the Joint Strategic Committee on 2nd June 2016 that for borrowing incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

4.3.1 **General Fund**

For non-HRA capital expenditure after 1st April 2008 the MRP will be calculated as the annual amount required to repay borrowing based on the annuity method: equal annual payments of principal and interest are calculated, with the interest element reducing and the principal element increasing over the life of the asset as the principal is repaid. The interest is based on the rate available to the Council at the beginning of the year in which payments start and the MRP is calculated as the amount of principal, so that by the end of the asset's estimated life the principal is fully repaid (the Asset Life Method). The option remains to use additional revenue contributions or capital receipts to repay debt earlier.

An exception was agreed in the 2015/16 Treasury Management Strategy Statement: the Chief Financial Officer has discretion to defer MRP relating to debt arising from loans to Registered Social Landlords (RSLs) to match the profile of debt repayments from the RSL and other public bodies. RSLs normally prefer a maturity type loan as it matches the onset of income streams emanating from capital investment with the timing of the principal debt repayment. The deferral of MRP to the maturity date would therefore mean that MRP is matched at the same point as the debt is repaid, and is therefore cash (and revenue cost) neutral to the Council.

If concerns arise about the ability of the borrower to repay the loan, the Chief Financial Officer will use the approved discretion to make MRP as a "prudent provision" from the earliest point to ensure that sufficient funds are set aside from revenue to repay the debt at maturity if the RSL defaults.

It is proposed to use the same policy for 2021/22.

4.3.2 **Housing Revenue Account**

Unlike the General Fund, the HRA is not required to set aside funds to repay debt. There is a requirement for a charge for depreciation to be made but there are transitional arrangements in place. The Council's MRP policy previously applied the financially prudent option of voluntary MRP for the repayment of HRA debt, to facilitate new borrowing in future for capital investment. However in order to provide additional capital funding to address the maintenance backlog identified by the condition survey, the payment of voluntary MRP was suspended for a period of 9 years from 2017/18 whilst the Council invests in its current housing stock and manages the impact of rent limitation.

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4.3.3 Worthing had no debt prior to 1 April 2008. Worthing applies the same MRP policy as Adur for capital expenditure funded from borrowing from 1 April 2008. Worthing also has discretion in the application of MRP in respect of capital loans to approved Counterparties (currently Worthing Homes and GB Met College). It is proposed to retain this policy for 2020/21.

ADUR and WORTHING COUNCILS - VOLUNTARY REVENUE PROVISION

4.3.4 **MRP Overpayments** – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, which are designated as voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayments made each year. Up until the 31st March 2021 Adur has a net VRP overpayment of £40k and Worthing has a cumulative net £630k VRP overpayment which will be reclaimed over the following 5 years.

5. BORROWING

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

5.1 **Current portfolio position**

The Councils' treasury portfolio positions at 31st March 2020 and at 31st December 2020 are shown below.

Adur District Council

	Principal at 31.03.20 £m	Actual 31.03.2020 %	Principal at 31.12.20 £m	Actual 31.12.2020 %
External Borrowing				
PWLB	(141.540)	87%	(136.543)	86%
Other Borrowing	(20.262)	13%	(22.934)	14%
Finance lease	(0.000)		(0.000)	100%
TOTAL BORROWING	**(161.802)**	100%	**(159.477)**	
Treasury Investments:				
Local Authority Property Fund	2.728	20%	2.728	13%
In-house:				
Banks	6.010	45%	9.000	43%
Building societies	1.000	7%	2.000	9%
Bonds	0.029	1%	0.029	1%
Local authorities	0.000	0%	2.000	9%
Money market funds	3.655	27%	5.330	25%
TOTAL INVESTMENTS	**13.422**	100%	**21.087**	100%
NET DEBT	**(148.380)**		**(138.390)**	

Worthing Borough Council

	Principal at 31.03.20 £m	Actual 31.03.2020 %	Principal at 31.12.20 £m	Actual 31.12.2020 %
External Borrowing				
PWLB	(111.071)	87%	(106.788)	79%
Other Borrowing	(17.000)	13%	(29.000)	21%
Finance lease	(0.000)		0.000	
TOTAL BORROWING	**(128.071)**	100%	**(135.788)**	100%

	Principal at 31.03.20 £m	Actual 31.03.2020 %	Principal at 31.12.20 £m	Actual 31.12.2020 %
Treasury Investments:				
Local Authority Property Fund	1.364	13%	1.364	5%
In-house:				
Banks	2.000	19%	8.000	32%
Building societies	0.000	0%	4.000	16%
Bonds	0.050	1%	0.050	1%
Local authorities	1.500	15%	2.500	10%
Money market funds	5.400	52%	9.000	36%
TOTAL INVESTMENTS	**10.314**	100%	**24.914**	100%
NET INVESTMENTS	**(117.757)**		**(110.874)**	

Worthing Borough Council has also made two loans which are categorised as capital rather than treasury investments:

- a £10m loan to Worthing Homes
- a £5m loan to GBMet College

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

ADUR DISTRICT COUNCIL

Adur District Council External Debt £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt at 1 April	(116.167)	(161.802)	(194.961)	(232.332)	(247.305)
Expected change in Debt	(45.635)	(33.159)	(37.371)	(14.973)	0.499
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(161.802)	(194.961)	(232.332)	(247.305)	(246.806)
The Capital Financing Requirement	167.018	200.177	237.548	252.521	252.022
Under/(over) borrowing	5.216	5.216	5.216	5.216	5.216

Within the above figures the level of debt relating to commercial property is:

Adur District Council	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(80.818)	(103.115)	(121.478)	(119.433)	(117.342)
Percentage of total external debt %	50%	53%	52%	48%	48%

Worthing Borough Council

Worthing BC External Debt £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt at 1 April	(67.250)	(128.071)	(183.021)	(190.902)	(195.761)
Expected change in Debt	(60.821)	(54.950)	(7.881)	(4.859)	(0.725)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(128.071)	(183.021)	(190.902)	(195.761)	(196.486)
The Capital Financing Requirement	128.788	183.738	191.619	196.478	197.203
Under/(over) borrowing	0.717	0.717	0.717	0.717	0.717

Within the above figures the level of debt relating to commercial property is:

Worthing B C	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(71.352)	(117.722)	(115.763)	(113.762)	(111.721)
Percentage of total external debt %	56%	64%	61%	58%	57%

Within the range of prudential indicators there are a number of key indicators to ensure that the Councils operate their activities within well-defined limits. One of these is that the Councils need to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Financial Officer reports that the Councils complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

5.2 **Treasury Indicators: limits to borrowing activity**

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

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Operational boundary £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	195.0	233.0	248.0	247.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**196.0**	**234.0**	**249.0**	**248.0**

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Operational boundary £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	5.0	4.7	4.5
Other Debt	169.0	177.0	182.3	182.5
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**185.0**	**193.0**	**198.0**	**198.0**

The authorised limit for external debt - This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Councils. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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

2. The Councils are asked to approve the following authorised limits:

ADUR DISTRICT COUNCIL

Authorised limit £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	204.0	238.0	251.0	251.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**205.0**	**239.0**	**252.0**	**252.0**

WORTHING BOROUGH COUNCIL

Authorised limit £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	5.0	4.7	4.5
Other Debt	174.0	182.0	187.3	187.5
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**190.0**	**198.0**	**203.0**	**203.0**

5.3 **Prospects for interest rates**

The Councils have appointed Link Group as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. The following table gives their central view based on the reduced PWLB rates of gilt yields plus 80bps:

Link Group Interest Rate View 9.11.20

These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Additional information about interest rates is contained in Appendix E.

Borrowing for capital expenditure As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty.

While this authority will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.4 **Borrowing Strategy**

The Councils are both currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Councils' reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are currently low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL borrowing rates*, then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

5.5 Both Councils will refer in the first instance to the Public Works Loan Board (PWLB) for sourcing their borrowing needs, given that they are eligible to access the PWLB "Certainty" rate of interest, being 20 basis points below the normal prevailing PWLB rates. However, borrowing from other sources, including other Local Authorities and the Local Government Association Municipal Bonds Agency, may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

Where appropriate, the Councils will investigate the possibility of using "ethical" or "green" borrowing options eg "green bonds." Such borrowing is usually only available for significant amounts eg over £20m and takes time to arrange because the lender and the Council needs to undertake due diligence. PWLB rates have now been reduced meaning that other options are less likely to be economically viable.

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

i) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing;

ii) Weighing the short term advantage of internal borrowing against potential long term borrowing costs, in view of the overall forecast for long term borrowing rates to increase over the next few years;

iii) PWLB fixed rate loans for up to 50 years;

iv) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB, market debt and loans from other councils in the debt portfolio;

v) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

vi) Short term loans from other Councils where appropriate;

vii) Other forms of borrowing where appropriate eg green bonds or the Municipal Bonds Agency where these offer better value than the PWLB

5.6 Preference will be given to PWLB borrowing by annuity and EIP loans instead of maturity loans, as this may result in lower interest payments over the life of the loans.

5.7 **Policy on borrowing in advance of need**

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

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

5.8 **Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur due to the penalties that would be incurred.

If rescheduling is done, it will be reported to the Councils at the earliest meeting following its action.

5.9 **New financial institutions as a source of borrowing**

Following the decision by the PWLB to reduce its rates to gilts + 80 basis points, its rates are now competitive again. However, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

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

6. ANNUAL INVESTMENT POLICY AND STRATEGY

6.1 Investment Policy – Management of risk

6.1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). The strategy and approach to managing risk for investing in non-financial investments, essentially the purchase of commercial property, is dealt with by the Commercial Property Investment Strategy which forms part of the Capital Strategy.

6.1.2 The Councils' investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Councils' investment priorities will be security first, portfolio liquidity second and then yield, (return). The Councils will aim to achieve the maximum yield on investments commensurate with proper levels of security and liquidity and with the Councils' risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Councils will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

6.1.3 The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. This report includes a proposal to increase the investment counterparty limit for Handelsbanken from £3m to £4m in line with other UK banks. As conditions in the financial markets remain uncertain, the other proposed maximum limits for

Specified and Unspecified Investments for 2021/22 are the same as for 2020/21. Counterparties' "sustainability", "ethical" or "climate change" policies will be reviewed to ensure that the Council invests funds appropriately.

6.1.4 Investment instruments identified for use in the financial year are listed in Appendix B under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Councils' treasury management practices.

6.1.5 The guidance from the MHCLG and CIPFA places a high priority on the management of risk. The Councils have adopted a prudent approach to managing risk and define risk appetite by the following means: -

a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Councils will engage with the advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) The Councils have defined the list of **types of investment instruments** that the treasury management team is authorised to use. There are two lists in Appendix B under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix B.

f) **Transaction limits** are set for each type of investment in Appendix B.

g) The Councils will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 6.9).

h) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 6.4). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.

i) The Councils have engaged **external consultants**, (see paragraph 3.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Councils in the context of the expected level of cash balances and need for liquidity throughout the year.

j) All investments will be denominated in **sterling**.

k) As a result of the change in accounting standards for 2020/21 under IFRS 9, the Councils will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. Consequently any fluctuations in the value of the Councils' investments in the Local Authorities' Property Fund will not be taken through the general fund for the period of the override).

6.1.6 However, the Councils will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 6.15). Regular monitoring of investment performance will be carried out during the year.

6.1.7 **Changes in investment limits from last year**

This report includes a proposed increase in the counterparty limit for the accounts with Handelsbanken from £3m to £4m in line with other UK banks. When Handelsbanken was approved originally, it was still registered as a Swedish bank, but is now registered as a UK bank.

6.2 **Creditworthiness Policy**

6.2.1 The primary principle governing the Councils' joint treasury management service investment criteria is the security of investments, although the yield or return on the investment is also a key consideration. After this main principle, the service will ensure that:

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

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

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

6.2.3 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with our criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

6.2.4 In accordance with the Code, Link Group's creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

6.2.5 The result is a series of colour coded bands for counterparties indicating the relative creditworthiness of each as they are categorised by durational bands. These bands are used by the Councils to form a view of the duration for investments by each counterparty. The Councils are satisfied that this service gives a robust level of analysis for determining the security of its investments. It is also a service which the Councils would not be able to replicate using its own in-house resources.

6.2.6 Using Link's ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. The effect of a change in ratings may prompt the following responses:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Councils' minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Councils will be advised by Link of movements in Credit Default Swaps and other market data on a

weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils' lending lists.

6.2.7 The Councils' officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, the government support for banks, and the credit ratings of that government support.

6.2.8 Accordingly, the Councils may exercise discretion to deviate from Link's suggested durational bands for counterparties where circumstances warrant a more flexible approach being taken.

The Councils' Minimum Investment Creditworthiness Criteria

6.3 The minimum credit ratings criteria used by the Councils generally will be a short term rating (Fitch or equivalents) of F1, and long term rating A-. There may be occasions when the counterparty ratings from one or more of the three Ratings Agencies are marginally lower than the minimum requirements of F1 Short term, A- Long term (or equivalent). Where this arises, the counterparties to which the ratings apply may still be used with discretion, but in these instances consideration will be given to the whole range of topical market information available, not just ratings.

The Councils include the top five **building society** names in the specified investments. It is recognised that they may carry a lower credit rating than the Councils' other counterparties, therefore the lending limits for the building societies shall be £2m each, excepting that for Nationwide (the top building society) the lending limit shall be £4m.

6.4 **Country Limits and Proposed Monitoring Arrangements**

Due care will be taken to consider the country, group and sector exposure of the Councils' investments.

The Councils have determined that they will only use approved counterparties from countries (other than the UK) with a minimum sovereign credit rating of *AA-* from Fitch Ratings (or equivalent from other agencies if Fitch does not provide one). The list of countries that qualify using these credit criteria as at the date of this report is reflected in the counterparty approved lending list shown at Appendix B. This list will be added to, or deducted from, by officers should ratings change, in accordance with this policy. No more than 25% of investments shall be placed in non-UK financial institutions for more than 7 days.

6.5 **Creditworthiness**

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

CDS prices - Credit Default Swaps

Although bank CDS prices (these are credit derivative contracts that enable investors to swap credit risk and are therefore indicators of market risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Councils have access to this information via its Link-provided Passport portal.

Investment Strategy

6.6 **In-house funds**

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the Councils will seek to use notice accounts, money market funds and short-dated deposits to benefit from the compounding of interest.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the meetings of the JGC and JSC in accordance with the reporting arrangements contained in the Treasury Management Practices Statement.

6.7 **Investment returns expectations**

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising, so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments (excluding the investments with the CCLA) placed for periods up to about three months during each financial year are as follows:

2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Later years	2.00%

The overall balance of risks to economic growth in the UK is probably skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

6.8 **Negative investment rates**

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

6.9 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Councils' liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Councils are asked to approve the following treasury indicators and limits:

ADUR DISTRICT COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2021/22	**2022/23**	**2023/24**
Principal sums invested > 365 days	50%	50%	50%

WORTHING BOROUGH COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2021/22	**2022/23**	**2023/24**
Principal sums invested > 365 days	50%	50%	50%

Both Councils are currently holding investments in the Local Authorities' Property Fund and other small bonds (£50k for Worthing and £29k for Adur) which are expected to be invested for more than 365 days. Adur's other investments have less than 365 days to maturity. Worthing holds long term investments with Worthing Homes, GB Met College and Adur District Council.

6.10 In any sustained period of significant stress in the financial markets, the default position is for investments to be placed with the Debt Management Account Deposit Facility of the UK central government. The rates of interest are below equivalent money market rates, however, if necessary, the returns are an acceptable trade-off for the guarantee that the Councils' capital is secure.

6.11 The Councils' proposed investment activity for placing cash deposits in 2020/21 will be to use:

- AAA rated Money Market Funds with a Constant Net Asset Value (CNAV) or a Low Volatility Net Asset Value (LVNAV) under the new money market fund regulations
- other local authorities, parish councils etc.
- business reserve accounts and term deposits, primarily restricted to UK institutions that are rated at least A- long term.
- the top five building societies by asset size

Other Options for Longer Term Investments

6.12 To provide the Councils with options to enhance returns above those available for short term durations, it is proposed to retain the option to use the following for longer term investments, as an alternative to cash deposits:

a) **Supranational bonds greater than 1 year to maturity** eg European Reconstruction and Development Bank

b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

c) **The Councils' own banker** (currently Lloyds) if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

d) **Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use the top five building societies by asset size up to £2m, (£4m Nationwide).

e) Any **bank or building society** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

f) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and total exposure up to the limit applicable to the parent.

g) **Registered Social Landlords** (Housing Associations) **and other public sector bodies** - subject to confirming that the Councils have appropriate powers, consideration will be given to lending to Registered Social Landlords and other public sector bodies. Such lending may either be as an investment for treasury management purposes, or for the provision of "social policy or service investment", that would not normally feature within the Treasury Management Strategy.

h) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment.

i) **Other local authorities**, parish councils etc.

j) **Loan capital** in a body corporate.

k) **Share capital** *in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.*

(Note: For (j) and (k) above the Councils will seek further advice on the appropriateness and associated risks with investments in these categories as and when an opportunity presents itself).

6.13 **The accounting treatment** may differ from the underlying cash transactions arising from investment decisions made by the Councils. To ensure that the Councils are protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

6.14 The Councils will not transact in any investment that may be deemed to constitute **capital expenditure** (e.g. Share Capital, or pooled investment funds other than Money Market Funds), without the resource implications being approved as part of the consideration of the Capital Programme or other appropriate Committee report.

6.15 **Investment risk benchmarking** – the Councils will subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

6.16 **End of year investment report** – at the end of the financial year the Councils will report on investment activity as part of the Annual Treasury Report.

6.17 **Local Authorities' Property Fund** – both Councils hold investments in the Fund (Adur DC - £3m and Worthing BC £1.5m). The treasury service receives regular reports and quarterly dividends. Representatives of the Fund gave a presentation on current and forecast performance to the Councils in September 2020.

7. OTHER MATTERS

7.1 **Balanced budget requirement** - the Councils comply with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

8. ENGAGEMENT AND COMMUNICATION

8.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2019, and which defines the respective roles of the client and provider authorities for a period of three years.

8.2 Information and advice is supplied throughout the year by Link Group, the professional consultants for the Councils' shared treasury management service.

9. FINANCIAL IMPLICATIONS

9.1 This report has no quantifiable additional financial implications to those outlined above. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget.

Finance Officer ………….. Date.

10. LEGAL IMPLICATIONS

10.1 The approval and adoption of the Treasury Management Strategy Statement, Annual Investment Strategy, Minimum Revenue Provision Policy and Prudential Indicators is required by regulations issued under the Local Government Act 2003.

Legal Officer: Date:

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2020/21 to 22/23 – Adur Council 20 February 2020 and Worthing Council 18 February 2020

Annual Joint In-House Treasury Management Operations Report 1 April 2019 – 31 March 2020 for Adur District Council and Worthing Borough Council – Joint

Governance Committee, 30 July 2020 and Joint Strategic Committee, 8 September 2020

Overall Budget Estimates 2021/22 and Setting of 2021/22 Council Tax Report

Link Asset Services Ltd TMSS Template 2021/22

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2017)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2017)

MHCLG Investment Guidance

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SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

The treasury management function ensures that the Councils have sufficient liquidity to finance their day to day operations. Borrowing is arranged as required to fund the capital programmes. Available funds are invested according to the specified criteria to ensure security of the funds, liquidity and, after these considerations, to maximise the rate of return.

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Council priorities contained in Platforms for our Places.

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2021/22 - 2023/24, submitted and approved before the commencement of the 2021/22 financial year.

4.3 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

Appendix A

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2021/22 – 2022/23

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

Adur District Council

Adur Capital expenditure	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Non-HRA	13.011	16.674	9.447	4.385	1.845
HRA	3.859	12.354	18.956	18.995	5.600
Strategic property	43.400	23.488	20.000	0.000	0.000
TOTAL	**60.270**	**52.516**	**48.403**	**23.380**	**7.445**

Worthing Borough Council

Worthing Capital expenditure	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Non-HRA	19.439	19.944	16.550	9.842	5.271
Strategic property	45.047	47.428	0.000	0.000	0.000
TOTAL	**64.486**	**67.372**	**16.550**	**9.842**	**5.271**

1.2 **Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Councils' overall finances. The Councils are asked to approve the following indicators:

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

Adur District Council

Adur	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	%	%	%	%	%
Non-HRA	13.06	16.56	16.92	19.11	18.89
HRA	21.53	25.51	25.37	27.84	28.55
Strategic purchases	(16.16)	(17.08)	(14.77)	(14.81)	(14.94)
TOTAL	**18.43**	**24.99**	**27.52**	**32.14**	**32.50**

WORTHING BOROUGH COUNCIL

Worthing	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	%	%	%	%	%
Non-HRA	6.91	10.02	8.66	10.85	11.25
Commercial activities	(10.42)	(11.69)	(12.16)	(14.17)	(16.10)
TOTAL	**(3.51)**	**(1.67)**	**(3.50)**	**(3.32)**	**(4.85)**

The estimates of financing costs include current commitments and the proposals in this budget report.

HRA Ratio

Adur	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA debt £m	**(58.452)**	**(65.824)**	**(78.963)**	**(94.057)**	**(95.757)**
Number of HRA dwellings	**2542**	**2538**	**2549**	**2597**	**2646**
Debt per dwelling	**£23.0k**	**£25.9k**	**£31.0k**	**£36.2k**	**£36.2k**

1.3 **Maturity structure of borrowing**

These gross limits are set to reduce the Councils' exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. Neither Council has any variable rate borrowing.

The Councils are asked to approve the following treasury indicators and limits:

Adur District Council

Limits to maturity structure of fixed interest rate borrowing 2021/22		
	Lower Limit	**Upper Limit**
Under 12 months	0%	20%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years to 20 years	0%	80%
20 years to 30 years	0%	60%
30 years to 40 years	0%	60%
40 years to 50 years	0%	45%

WORTHING BOROUGH COUNCIL

Limits to maturity structure of fixed interest rate borrowing 2021/22		
	Lower Limit	**Upper Limit**
Under 12 months	0%	35%
12 months to 2 years	0%	40%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	75%
40 years to 50 years	0%	75%

APPENDIX B

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Councils' policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the Councils to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, which will apply to all investment activity. In accordance with the Code, the Chief Financial Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of the annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the Councils will use. These are high security (i.e. high credit rating, although this is defined by the Councils, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Councils is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

<u>SPECIFIED AND NON SPECIFIED INVESTMENTS</u>

Specified Investments identified for use by the Councils

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Councils have the right to be repaid within 12 months if they wish. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The Uk Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt* with less than one year to maturity)
- Supranational bonds of less than one year's duration*
- A local authority, housing association, parish council or community council
- Pooled investment vehicles (such as money market funds) that have been awarded a AAA rating by Standard and Poor's, Moody's and/or Fitch rating agencies
- A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.
- *Certificates of deposit with banks and building societies

** Investments in these instruments will be on advice from the Councils' treasury advisor.*

Within these bodies, and in accordance with the Code, the Councils have set additional criteria to set the time and amount of monies which will be invested in these bodies - see Annexes 1 and 2.

Non-Specified Investments identified for use by the Councils

These are any other type of investment (ie not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Annexes 1 and 2.

For credit rated counterparties, the minimum criteria, excepting for the Councils' own banker and the specified building societies, (see below) will be the short-term / long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard and Poor's, Fitch Ratings, being:

Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent
Or
Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

For all investments the Councils will also take into account information on corporate developments of, and market sentiment towards, investment counterparties.

Where appropriate the Ring Fenced entities of banks will be used.

ADUR DISTRICT COUNCIL - SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs International Bank A+	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds		Constant Net Asset Value or LVNAV MMFs	to manage liquidity, maximum £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
Share Capital	n/a	West Sussex Credit Union	£0.025m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof, except that this limit may be breached for liquidity purposes for up to 1 week at any time.

NB Investments in AAA rated Money Market Funds are to be used for liquidity purposes - funds should be invested to achieve higher returns wherever possible.

ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
Deposits with banks and building societies Certificates of deposit with banks and building societies Deposits with Local Authorities The UK Government	√ √ √ √	√ √ √ √	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution No limit	No
Gilts and Bonds: Gilts Bonds issued by multilateral development banks Bonds issued by financial institutions guaranteed by the UK government Sterling denominated bonds by non-UK sovereign governments	 √ √ √ √ on advice from treasury advisors	 √ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority, such as the Local Authorities' Property Fund	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	£3m	To be confirmed
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

WORTHING BOROUGH COUNCIL SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs International Bank A+	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds		Constant Net Asset Value or LVNAV MMFs	£9m (the limit may be exceeded for up to 7 days), maximum £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
*Term Deposits	UK	Worthing Homes (10 year loan)	£10m
*Term Deposits	UK	GB Met (20 year loan)	£5m
Share Capital	n/a	West Sussex Credit Union	£0.05m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m
Temporary Loans	n/a	Worthing Leisure Trust	£0.5m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof, except that this limit may be breached for liquidity purposes for up to 1 week at any time.

* These loans are for more than 1 year, therefore are "unspecified", but are included here as they have been approved by Council.

WORTHING BOROUGH COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
Deposits with banks and building societies Certificates of deposit with banks and building societies Deposits with Local Authorities The UK Government	√ √ √ √	√ √ √ √	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution No limit	No
Gilts and Bonds: Gilts Bonds issued by multilateral development banks Bonds issued by financial institutions guaranteed by the UK government Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

WORTHING BOROUGH COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority, such as the Local Authorities' Property Fund	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	£3m	To be confirmed
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

APPENDIX C

COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO PROFESSIONAL INVESTOR STATUS

(i) **Money Market Funds**

Invesco
Federated Investors
CCLA
Black Rock

(ii) **Building Societies**

Skipton Building Society
Coventry Building Society
Leeds Building Society
Nationwide Building Society

(iii) **Brokers**

BGC (Sterling)
Tradition
ICAP
Imperial

(iv) **Other**

ICD (Portal used for money market fund investments)
Link Group

These arrangements will be regularly reviewed as appropriate.

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

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

(ii) **Joint Strategic Committee**

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

(iii) **Joint Governance Committee**

Receiving and reviewing the following, and making recommendations to the Joint Strategic Committee

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

(iv) **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

TREASURY MANAGEMENT SCHEME OF DELEGATION

The revised CIPFA Treasury Management and Prudential Codes have extended the functions of the S151 role in respect of non-financial investments

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable and affordable in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authorities
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

APPENDIX E

Prospects for interest rates

The Councils have appointed Link Group as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. The following table gives their central view based on the reduced PWLB rates of gilt yields plus 80bps:

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. (Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.) It also introduced the following rates for borrowing for different types of capital expenditure: -

- PWLB Standard Rate is gilt plus 200 basis points (G+200bps)
- PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

ECONOMIC BACKGROUND

UK. The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022
- The Bank also expected there to be excess demand in the economy by Q4 2022.
- CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years due as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.

However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

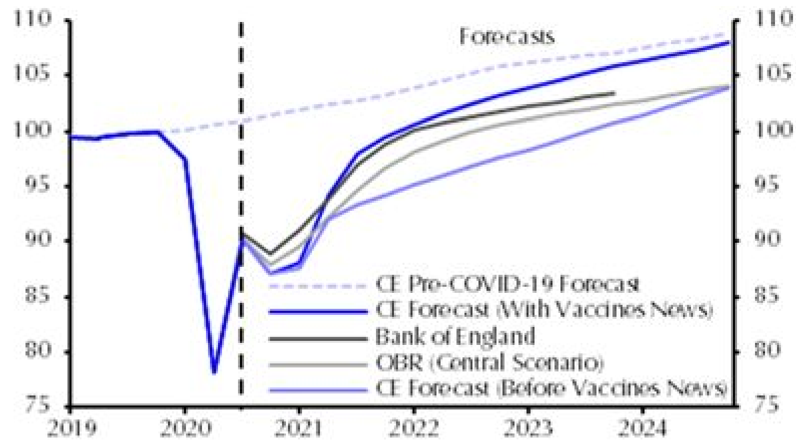
COVID-19 vaccines. we had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70C that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

These announcements, plus expected further announcements that other vaccines will be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, beginning possibly in Q2 2021, once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%. **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

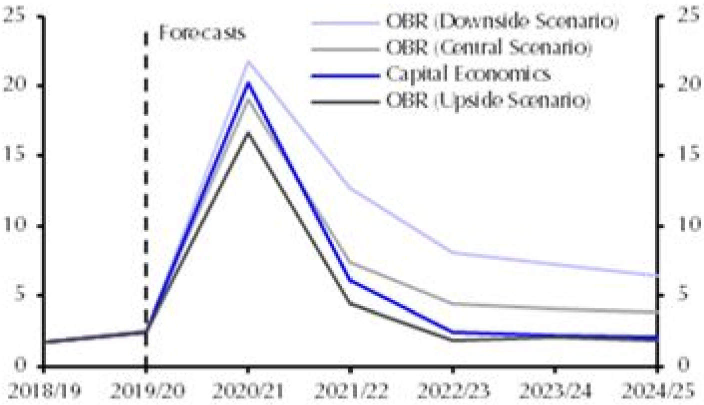
December 2020 / January 2021. Since then, there has been a rapid back tracking on easing restrictions due to the spread of a new mutation of the virus by the imposition of severe restrictions across all four nations. These restrictions were changed on January 5th to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under severe restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is that another mutation of COVID-19 does not appear that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the **government deficit** falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (As a % of GDP)



There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

Brexit. While the UK has been gripped by the long running saga of whether or not a deal would be made by 31st December, the final agreement on December 24th, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

Monetary Policy Committee meeting of 17 December. All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy it had highlighted in November. But this was caveated by it saying “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme with additional incentives for small and medium size enterprises for six months from 30th April until 31st October 2021. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -

- An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.

- The furlough scheme was lengthened from the end of March to the end of April.

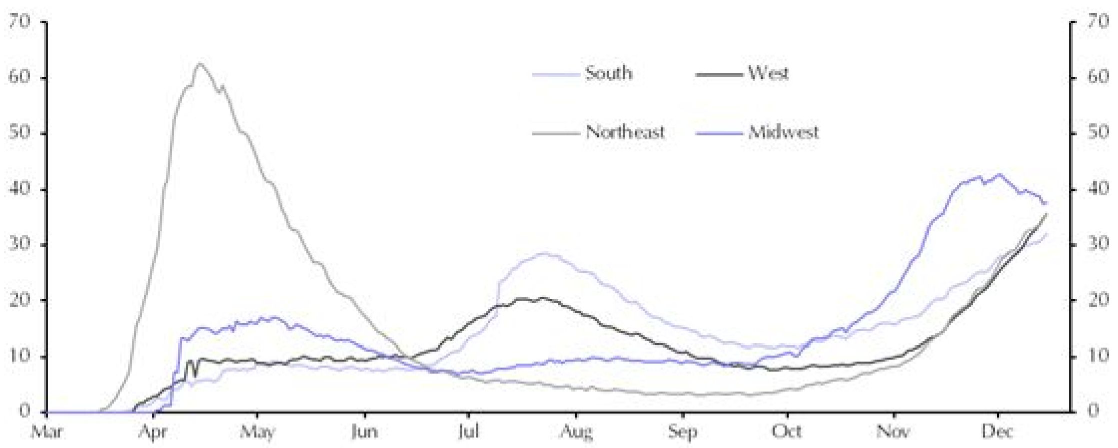
· The Budget on 3rd March 2021 will lay out the “next phase of the plan to tackle the virus and protect jobs”. This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

· The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

US. The result of **the November elections** means that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



The restrictions imposed to control its spread are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards, as vaccines are rolled out on a widespread basis and restrictions are loosened.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its asset purchases in the statement issued after the conclusion of today's FOMC meeting, with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, the new rate forecast tables reveal that officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

EU. In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4, and in Q1 of 2021, as a second wave of the virus has affected many countries:it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries.

With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities until December 2023. Three additional tranches of TLTRO (cheap loans to banks) were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022.

The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support.

However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before quarter 2 of 2021.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. . A third round of stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal arrow should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

World growth. World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package.

These actions will help shield weaker economic regions for the next tw0 or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU which had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. . There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

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Joint Strategic Committee
9 February 2021
Agenda Item 7

ADUR & WORTHING
COUNCILS

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Covid Benefit Measures impact on Vulnerable Residents

Report by the Director for Communities

Executive Summary

1 Purpose

While we cannot completely avoid the financial impact of the Covid pandemic on more financially vulnerable residents we can through proactive use of data mitigate and help manage that impact. The works reflects the ambitions of 'And then…..' in terms of understanding what has been uncovered and illuminated by the Covd-19 pandemic. The purpose of this work is therefore:

- To provide an overview of the research carried out on behalf of Adur & Worthing Councils by Policy in Practice to look at the impact of benefit and Covid support measure changes on our residents
- To outline the implications and impact of what we have learnt from this research.
- To outline planned interventions and next steps.

2 Recommendations

2.1 The Joint Strategic Committee is recommended to:

- Receive and acknowledge the report presented.
- Request that the Director for Communities reports back in 6 months as to to the efficacy of the interventions planned to respond to this insight

3. Context

3.1 COVID-19 is an ongoing global public health emergency that has created unprecedented financial and social challenges for many of our communities. Its impact in relation to income levels is being felt hardest by those that are most vulnerable in our communities: on low incomes, people living with long-term health conditions, those insecurely housed or in insecure work. It has created great pressures on those with caring responsibilities with additional spending pressures combined with restrictions on household mixing and non-essential trips which have constrained family and community support, with vital free services such as libraries being closed over the period.

3.2 Around 6 million people have fallen behind on at least one household bill and with rising living costs (costs have risen annually by £160 for energy, £460 for households and £112 for telecoms) and falling incomes, an increasing proportion of people simply cannot make ends meet (Life on less than zero).

3.3 Families on the lowest income quintile have generally borrowed more to cover everyday costs since the pandemic started (Pandemic Pressures-Link). One third of low income families have spent more during the pandemic in relation to additional pressures caused by increased expenditure on heating, food and home schooling and access to equipment for their children. By September 2020 39% of families in the lowest income brackets have seen their finances 'squeezed' (Pandemic Pressures)

3.4 Nationally, Citizens Advice have highlighted an increase in the proportion of people with a negative budget (people with a negative budget have around a national average of £1,010 per month), which creates a vicious cycle of people not being able to repay their debts or meet basic costs such as rent or bills. For the self employed, the financial shock has been even more profound. (Life on less that zero).

3.5 Citizens Advice have stressed that on average people have around £20 left to repay debt after household costs and that for many the length of time it will take to pay off council tax debts and rent arrears can be around 6 and 7 years respectively (Life on less that zero).

3.6 These impacts continue to be profound. However there has been a huge range of mitigating measures by Government, Local Government, the voluntary sector and local community groups. This includes the temporary uplifts to Universal Credit of £100 per household and Working Tax Credits which have lifted so many families out of a negative budget, and a range of measures to help businesses and communities around finance, household bills and food.

3.7 The work of the community response has also been a lifeline to many, providing real help for local communities around some of the most basic needs. The growth of food banks and providers has also been significant across the country, set up to meet short-term food needs of many. The kindness and reciprocity of many of our local citizens and businesses has been profound, providing many with free school meals, free food and help with transport and so many other things.

3.8 Adur and Worthing Councils have been working hard to protect life, minimise and mitigate negative impacts on its communities, and support the long term vision for Adur and Worthing to be places that are fairer, healthier and safer for everyone. Whilst managing the response to the pandemic remains the immediate priority, there is a need to balance this with laying the foundations for recovery and the Councils are actively preparing to be able to develop a more preventative and early intervention approach for our communities, including how to identify, target and support those that are experiencing financial hardship, to avoid the further spiral into debt and to enable people to cope and live better lives.

3.9 Research was therefore commissioned in order to better understand that impact and enable the councils to target pre emptive, proactive interventions with households that may be in need of additional help to maximise their income. In the report, these are discussed as households which are moving from ‘coping’ financially to ‘not coping’ and this is based on a financial resilience framework which helps to understand the overall household finances rather than strictly looking at one income measure.

3.10 The secondary purpose for commissioning the research was to help the Councils understand better how it can increase its use of data science, in order to make more targeted interventions and improve decision making. This work is outlined in the February JSC paper “Building a data capability”.

3.11 To that end, the team worked with Policy in Practice, who are well known experts in this field, and have a long track record of working alongside councils in order to use Council Tax and other data to carry out predictive analysis and modelling with respect to impact of policy and economic changes.

3.12 Since the commissioning of the research, the furlough measures have been rolling forward however, the economic uncertainty which is already presenting in terms of increased joblessness, means that the rolling measures around furlough, while not having the cliff edge that was anticipated in Autumn 2020 still needs to be closely monitored as it has significant impact on household ability to cope financially.

3.13 The research has yielded initial analysis and a household data set which will enable us to continue to track and manage this work, as well as stimulating a number of specific proactive measures which we can do. This report firstly outlines the highlights of the research and then goes onto look at what interventions we will be testing over the coming months.

3.14 Finally, the report reflects on what we have learnt with respect to the Councils’ own data capacity and what the appetite will be for doing this kind of work in the future.

4. Main themes from the initial Policy in Practice analysis

4.1 The research is showing that while people have been coping there is a steady rise in the numbers of people in difficulty which can be expected to accelerate once any one of a number of factors change, including employment opportunities, the end of furlough and changes to benefit payment levels.

- **Unemployment**

  Between March and September 2020, unemployment has risen dramatically in both Adur and Worthing with the number of households in receipt of job seeking benefits more than doubling. These increases are higher than the UK average of approximately 70%. In Adur the numbers of people claiming Universal Credit (UC) or Jobseekers Allowance (JSA) has increased by 179.5% and in Worthing it has increased by 141.3%. In terms of households seeking Housing Benefit and Council Tax Support, Adur saw an increase of 270 new households and 582 in Worthing.

- **Housing Benefit (HB) and Council Tax Support**

  These increases have not however translated into significant alterations in the number of households claiming Housing Benefit (HB) and Council Tax Support (CTS) from the councils. The number of residents applying to the council for HB / CTS has increased only slightly (0.3% in Adur and 1.5% in Worthing) between March and September because many of our residents have transitioned from Housing Benefit, delivered by the councils and onto Universal Credit, delivered by the Department for Work and Pensions.

- **Impact of Increases to Benefit Payments**

  The data indicates that the increases in benefit payments introduced by the government in response to COVID 19, and the continuation of the furlough scheme, have gone far in protecting the incomes of low-income residents. For example, the household finances of those on low-incomes in Adur and Worthing have improved with the average monthly take-home income increasing by 2.7% in Adur and 2.5% in Worthing.

4.2 Policy in Practice has developed a measure of financial resilience that includes both household income and costs:

Coping	1. Coping – household income (includes income from earnings, benefits, and other income sources such as pensions) is greater than expected costs (taking into account household size) by more than £100 per month.

Not Coping		2. Struggling – household income is greater than costs by between £0 and £100 per month.
		3. At risk – household income is less than expected costs.
		4. In crisis – household income is considerably less than costs, insufficient for housing.

In both Adur and Worthing between March and September, the number of households who are now coping has increased by 5.4% in Worthing and 2.1% in Adur.

Whilst the overall picture is positive variations in the uplift are being experienced differently by Adur and Worthing residents. As a result of the £20/week uplift, households in receipt of Universal Credit saw their monthly Universal Credit award increase on average by £80.78 in Adur (13.5%) and £90.35 in Worthing (16.1%). Households who are in receipt of Jobseekers Allowance, Employment and Support Allowance and Income Support have not benefited from the £20/week uplift. As a result, working-age households in receipt of these benefits saw a smaller increase to their take-home income (+4.1% in both Adur and Worthing) than working-age households in receipt of Universal Credit (+4.5% in Adur and +8.1% in Worthing).

Likewise, it is only households who are renting privately who have benefited from the increase to Local Housing Allowance rates. In Adur, households renting privately saw their take-home income increase by 5.9%, whereas households not renting privately saw an increase of 2.5%. In Worthing, households renting privately saw their take-home income increase by 5.3%, whereas households not renting privately saw an increase of 2.2%.

4.3 Council Tax Arrears

4.3.1 Despite this additional assistance there are emerging areas of concern. Across the UK, COVID-19 has pushed many millions of households into debt. A recent Citizens Advice report found that 2.8 million households are now behind on their council tax and 1.2 million are behind on their rent. In combining data from a range of sources we have been able to investigate changes to arrears levels for low-income households in Adur and Worthing between March and September.

4.3.2 We have found that average council tax arrears levels are up in both Adur and Worthing, and rent arrears levels for Adur Homes residents have increased.
4.3.3 Average council tax arrears balances have increased more steeply in Worthing (+16.7%) than in Adur (+5.5%). Policy and Practice suggest the differences in council tax arrears between Adur and Worthing can in part be attributed to differences in the Council Tax Support schemes. In Worthing, all working-age CTS

claimants must pay at least £5 per week towards their council tax; there is no similar rule within the Adur Council Tax Support scheme.

4.3.4 In both Adur and Worthing, there is the greatest propensity for arrears in households who are out of work due to disability or illness. 36.9% of working-age households in arrears in Adur are out of work due to disability or illness. In Worthing, this proportion is 46.6%.The greater propensity for arrears amongst this group is likely to be a reflection of the length of time these households have been in receipt of means-tested benefits.

4.3.5 In general, households who have been in receipt of means-tested benefits for a longtime are more likely to be in arrears as they have used up other options in times of hardship (such as relying on friends and family or taking out loans).

4.4 Risk of Homlessness

4.4.1 In the UK as a whole, COVID-19 has left 1 in 8 private renters unable to meet their housing costs in full. Understanding the impact of COVID-19 on the risk of homelessness is challenging but using information on income, savings and housing costs, the report has identified households who may be at risk of homelessness and could benefit from additional support.

4.4.2 Given the increase to Local Housing Allowance rates from April 2020, the number of households at risk of homelessness has fallen between March and September:

- Adur has seen a bigger decrease in households at risk of homelessness than Worthing.
- The number at risk fell by 52.4% between March and September in Adur la drop of 167) and by 43.5% in Worthing (a drop of 337).
- This difference can in part be explained by a large part of Adur and Worthing falling into different Broad Rental Market Areas (BRMAs) which determine the level of housing support available through means-tested benefits.

4.5 Adur Homes Residents

Adur Homes residents are more likely to have moved out of work and are significantly less likely to be in receipt of Universal Credit than those of working-age in Adur (1.2% compared to 31.4% in September). The proportion of households who are in Council Tax arrears is lower for Adur Homes households (7.8%) than for those on low incomes living in other accommodation in Adur (8.4%). Between March and September, the average arrears balance for Adur Homes residents had fallen by 3.7%. In comparison, those on low incomes living in other accommodation in Adur saw their average arrears balance increase by 6.4%.

4.6 Ending the Coronavirus Job Retention (Furlough) Scheme and Benefits Enhancement

Looking ahead, the end of the furlough scheme and the temporary increases to benefit levels were also examined in the report. It is worth noting that due to the ongoing and unprecedented nature of the pandemic on both livelihoods and policy decisions, it is not possible to forecast additional impacts on Council Tax Support caseload into future timeframes with a high level of confidence. However, with these caveat in mind, through this project we have sought to translate current projections regarding the future impact of COVID-19 on unemployment, in combination with data on live job vacancies within the local economy, to derive best-case and worst-case estimates of how COVID-19 may further impact on the future Council Tax Support caseload and unemployment within Adur and Worthing. In summary these projections indicate a likely increase in the number of households experiencing vulnerability, relying on means-tested benefits and struggling to meet basic household expenses such as food and utility bills.

4.7 Unemployment

The furlough Scheme is expected to end in April 2021. At this time it is projected that between 10% – 20% of furloughed workers will become unemployed. These projections represent the best and worst case scenarios used for the analysis. In Worthing, under the best case projection for unemployment, there will be 1282 additional unemployed households in the borough. Under the worst case projection, there will be 2564 additional households. Of these, an additional 974 to 1949 households will be represented in the Worthing Housing Benefit and Council Tax Support caseload. In Adur, this translates to between 766 to 1532 additional unemployed households. Of these, an additional 582 to 1164 households would be represented in the Adur Housing Benefit and Council Tax Support caseloads.

4.8 Impact on Council Tax Support

4.8.1 Both Adur and Worthing councils might expect to witness significant increases to their Council Tax Support caseload due to newly unemployed households entering the scheme. Under the Office for Budget Responsibility's (OBR's) worst case scenario, whereby 20% of furloughed workers enter unemployment, it is estimated the CTS caseload might rise by 29% and 32%, costing an additional £174k and £249k per month, in Adur and Worthing respectively. Under the OBR's best case scenario, in which only 10% of furloughed workers are expected to enter unemployment, caseload is impacted less dramatically, but still expected to rise by 15% in Adur, costing an additional £66k monthly, and by 16% in Worthing, costing an additional £97k monthly.

4.8.2 Even after adjusting future unemployment-related rises in Council Tax Support for ‘best case’ estimates of new job vacancy creation, monthly spend in Adur is still projected to increase by up £142k on September figures under the OBR’s worst case scenario and up £34k under the OBR’s best case scenario. In Worthing, spend cold be up £199k under the worst case scenario and £47k in the best case scenario.

4.9 Households Experiencing Vulnerability and Homlessess

With a return to pre Covid benefit payments the report estimates that between September 2020 and April 2021, the number of households in Adur who are not coping could increase by 34.4% . The impact is higher in Worthing, where the number of households not coping is estimated to increase by 50.5% during the same time period. The return to pre Covid benefit levels will also have an impact on homlessess as it will increase the gap between costs of renting and the amount of Local Housing Allowance received. As a result, it is estimated that more households will be at risk of homelessness in 2021 if the COVID-19 benefits measures are dropped. In Adur, 355 households will be at risk of homelessness if the measures are dropped (compared to 152 if they are retained). In Worthing, 838 will be at risk of homelessness if they are dropped (versus 437 if they are retained).

5 Planned Interventions and actions with households

5.1 Our overall approach is aimed at reducing the flows of people into ‘vulnerable’ situations, assisting those in crisis and then strengthening routes out of vulnerability.

5.2 There are a number of actions that can be taken to support households before they get into financial difficulty. These include encouraging the take-up of Council Tax Support, supporting young people who are at risk of long-term unemployment and identifying self-employed households who will become worse off if they move onto Universal Credit.

5.3 Further to this, the Councils can support households through the innovative Opening Doors scheme and work with them and their private landlords in order to keep them in secure accommodation.

5.4 All of these measures will be necessary given the scale of potential need in our communities but given limited resources it's important that efforts are targeted effectively.

5.5 Looking forward there is much that can be done with partners, both in the community and in the wider public sector, but this initial work is focused on what can be delivered by the Councils.

5.2 Targeting the right households

5.2.1 The initial targeting of this work is directed towards the impact of financial fragility on households' housing situation. The aim in this is to keep as many people as possible in the homes they are in now, in order to avoid unnecessary and unmanageable pressure on our housing system. The next step in terms of targeting will be to look to contact people who look to be at risk of getting into debt with ourselves and others and to work with them to make sure that we are managing this proactively.

5.2.2 Therefore, we will work with households which are in receipt of benefits but are not necessarily in social housing as one cohort and then targeting households within the Adur Homes tenant group as a second cohort.

5.2.3 As can be seen from the previous section, we are able to access far more granular data with respect to Adur Homes tenants as a landlord and will be prototyping different types of interventions with this cohort. If these are successful then we will work with other social landlords in order explore how we might widen the work to include data from other providers.

5.3 Designing our interventions

5.3.1 Interventions will be designed as specialised customer journeys which are triggered either by letter, text or proactive calls from the Contact centre, or in relation to further enhancing collaboration between teams (e.g. revenues and benefits working even more closely with the housing team, including housing needs, to increase the number of Discretionary Housing Payments that are awarded to vulnerable residents). The team will measure the impact and take feedback on these customer journeys as we deploy them in order to iterate and improve the way in which they operate.

5.3.2 The team designing these interventions is made up of staff from across the organisation including the housing team, revenue and benefits, wellbeing, economy and the contact centre. The intention with such a multidisciplinary team is to make sure that we are designing person centred interventions which can reflect all aspects of the help and support that are available to our residents.

5.3.3 The interventions will be designed with a simple initial pathway:

Identify ->	**engage ->**	**support - >**	**direct ->**	**review ->**
Extract the group from the data set	Outbound comms to get into conversation with the	Conversation discussing options and support	Potential to direct to further support either within the Councils or	Interactions will be tracked and feedback gathered both to continue to

	residents		externally	support the resident but also to measure the effectiveness of the intervention

5.3.4 There is potential for considerable variation in each of these steps and the team will be basing the pathways in the needs of the cohorts identified for contact.

5.3.5 The first groups of interventions will be proactive calls from the Contact Centre, which is where we are gathering lists of households with common criteria, who are in the private rental or owned homes category in order to make sure that they are aware of other benefit measures which are available to them. This work of income maximisation will be carried out between the contact centre and benefit advisors.

5.3.6 With private rentals, the intervention will also be designed to test whether or not there is support for landlords and the potential to passport people early to the Opening Doors Scheme before they are in crisis.

5.3.7 The second group are people who may be in social housing and, for them, these will be proactive calls to ensure that they too are aware of other benefits and also grants for home improvements or winter fuel.

5.3.8 Finally, there is a group of interventions which we will be making, where we are identifying people who are accessing services outside of the Contact Centre, for example, presenting via the community response or via the fuel poverty grants and what we will be looking to do is to make sure that we take them on a pathway in order to have a conversation with one of the advisors around benefit maximisation.

5.3.9 As part of the preparation for these interventions the team has consolidated the internal experience of these kinds of proactive coaching conversations, based on experience of social prescribing and money mentoring as well as the experience in the contact centre around outbound calling and proactive communication.

5.4 Measuring our impact

5.4.1 In measuring the effectiveness of this initial work there are three areas to be evaluated:

1. Can better use of data help us find the people more effectively and therefore increase the impact of our interventions?
2. Can the team design interventions that deliver some kind of immediate effect that can be quantified by simple measures such as short term

reductions in debt or short term increases in income for households plus repayment plans over longer periods of time.

3. What can be identified in terms of points of friction or points of ease with internal systems that will support future service redesign and efficiency

5.4.2 The team will therefore be tracking the impact of all of these interventions in two different ways:-

1. Using the Good Services Framework to ensure we have designed a good customer experience and one which is as low friction as possible for the customer and for ourselves.
2. Resampling the data to see whether or not there has been an impact on the financial wellbeing of the households, subsequent to the interventions that we have made.

5.4.3 There will be some experimentation and iteration with these interventions and so the team will establish an action learning group, who will be responsible for designing, then testing and iterating the interventions that we make. A key focus will be on equality groups that have been identified through this work (e.g. those with disabilities) and national research (e.g. BAME Communities) as being particularly vulnerable. This will requires additional data collection work with the ambition therefore over tim, being that more distinct cohorts with distinct characteristics are identified. With this the team can continue to add to the group of interventions that have been designed and can therefore continue to measure going forward.

5.4.4 This has been an exercise that has really helped better understand how the Councils can use data in order to make targeted and effective interventions with particular groups of people. The intention is therefore, to continue to work with Policy in Practice in order to ensure that the dataset that they delivered continues to be enriched and developed.

6 Working with partners

6.1 The pathways that are being identified will be enriched by effective partnership working both in terms of exploring additional data that partners such as Worthing Homes could provide and also additional support that partners such as we Citizens Advice can offer.

6.2 A key part of this work will be to collaborate and engage with our communities so we are better able to understand the issues and therefore the possible solutions. Our work to date for example with mutual aid and BAME communities will be an essential component to this approach.

6.3 There is also a question of how this additional insight, which really can only be gained at District and Borough Council level, will enable us to draw more targeted funding towards us or will help shape interventions that other partners make with our residents.

6.4 Overall this should be something which helps everybody learn more and be better informed about the residents of Adur & Worthing and we'll be keen to make sure that is used more widely and not just by the Councils.

7. Issues for consideration

7.1 The paper is proposing setting us on a path both of more data driven decision making and proactive interventions in order to maximize income for our most vulnerable residents. This is reflective and aligned to our evolving community response to the Covid pandemic as outlined in the And Then document.

7.2 'do nothing' response was considered and quickly discarded as the research reflected here reflects the annecetdoal evidence we are getting from food banks and other community response groups indicates a rising tide of need that requires a response.

7.3 The alternative considered was to use the data for a less integrated response from the different teams involved but this does not reflect our good services strategy or represent a good use of resources as it would mean duplication in some of the design work.

7.4 This work is preemptive of the digital work being done on the Customer Relationship management system as part of the Effortless programme and which will be needed to scale this work.

7.5 Developing this work is dependent of the data strategy approach outlined in February JSC paper "Building our Data Capability"

7.6 This report reflects a first phase of work and it is proposed that the team should report back to JSC in 6 months to show impact / momentum.

7.7 This work clearly adds to the overall workload of staff who are also focused on managing our Covid response. However on balance the need to start to understand and address the longer term impacts as well as allowing for the creation of a more balanced workload as we focus on proactive rather than reactive activity.

8. Engagement and Communication

8.1 While the team have engaged extensively internally but not externally, the next phase will involve working with residents to design interventions as per good services plus working with external partners to see how best to deepen and develop this work

9. Financial Implications

9.1 The cost of the study was £9,000 and funded from within the Councils' existing budgets.

9.2 The report highlights the impact on Council Tax Support Claimants. Since the start of the pandemic the Councils have seen the number of working age claimants rise.

Working age claimants:

	April	January	Increase	Estimated cost £	Council share of the cost £
Adur	2,120	2,210	90	136,080	21,380
Worthing	3,287	3,457	170	248,740	32,070

9.3 The council tax bases set recently by the Executives reflect this upwards pressure on demand for Council Tax Support payments and allows for further 4% growth in the number of discounts awarded.

9.4 In recognition of the impact of increasing Council Tax Support payments the government has provided the Councils with additional grant towards this pressure (Adur £111,060 and Worthing £132,980). This has been set aside for support to vulnerable residents. The Councils are working with the County Council to identify measures to support the financial resilience of our Council Tax Support claimants at this difficult time.

9.5 In addition, both Councils have set aside contingency sums to address issues arising from the Covid 19 pandemic (Adur £447,000 and Worthing £647,000)

Finance Officer: Sarah Gobey Date: 27th January 2021

10. Legal Implications

10.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

10.2 s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation

10.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

10.4 Under the Council Tax (Administration and Enforcement) Regulations 1992 the Councils have the power to make arrangements or agreements with a Council tax payer for payment of outstanding Council tax as are necessary and within the scope of the Regulations.

Background Papers

- Building our data capability (JSC February 2021)

Officer Contact Details:-
Catherine Howe
Director for Communities

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

The commissioned research has given us unprecedented insight into the needs of our communities. Key groups have been identified as being particularly vulnerable, for example the disabled. In developing our response, in partnership with communities and the Third Sector, this information will enable us to respond more effectively to the impact of Covid 19 on our most vulnerable communities.

In developing our data capabilities going forward we will also seek, where possible, to gather greater and greater information about the diverse communities that live in Adur and Worthing. Areas of investment identified in the report, as well as other decisions relating to implementation, will be subject to an ongoing process of equality impact assessment.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

3.1 There are no direct environmental implications arising from the adoption of these proposals.

4. Governance

4.1 There are no direct governance implications arising from the adoption of these proposals.

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Joint Strategic Committee
9 February 2021
Agenda Item 8

ADUR & WORTHING
COUNCILS

Key Decision: Yes

Ward(s) Affected: All wards

Carbon Neutral 2030 - Reporting on the success of funding applications to the Public Sector Decarbonisation Scheme

Report by the Director for Digital, Sustainability and Resources

Executive Summary

Adur & Worthing Councils have demonstrated leadership in tackling climate change through the declaration of a climate emergency; the setting a target to be carbon neutral by 2030; the adoption of an ambitious *Carbon Neutral Plan*; and by joining networks of ambitious local authorities, such as UK100.

The *Carbon Neutral Plan* identified a number of areas of carbon emissions that require intervention in order for the councils to meet the net zero carbon target. In order to fund some of these works, multiple funding bids were submitted to the Public Sector Decarbonisation Scheme, which opened to applications in September 2021. The councils have subsequently been awarded over £1.7m of capital funding to deliver multiple carbon reduction projects across the councils' estate. Requiring approximately £470,000 of match funding, these projects include installing low carbon heating systems at three sites; retrofitting multiple solar PV arrays; and improving the fabric efficiency of Worthing Town Hall. Should the recommendations outlined in the report be approved, it is proposed to begin procurement, design and building-user engagement, with a view to completing all projects by the autumn 2020.

In addition, the paper recommends that the councils formally adopt a new pledge made by the UK100 group of local authorities with ambitious climate change programmes. This pledge would amend the councils' area-wide target for carbon neutrality to 2045, 5 years ahead of the UK government's new national target.

1. Purpose

- JSC adopted the councils' *Carbon Neutral Plan* on 3 December 2019.

- This paper updates members on key progress that has been made in the delivery of the *Carbon Neutral Plan,* in particular:
    - Successful bids made to the Government's Public Sector Decarbonisation Scheme (PSDS) totalling in excess of £1.7m.
    - The development of a larger pipeline of projects through feasibility studies funded by the Government's Low Carbon Skills Fund (LCSF)

- Projects funded through both external funding and from within the existing capital programme are explained more fully in Appendix 1

- Proposed next steps are set out in Section 6. Approval is sought to create budgets to allow the programme to be delivered expediently and to procure contractors that enable project delivery.

- Additionally, JSC approved the joining of UK100, a network of ambitious local authorities tackling climate change on 6 November 2018.

- Reflecting the increased ambition of central government, UK100 has since created a new Pledge. The paper recommends formally making this pledge, which reaffirms the councils' ambitions to tackle climate change through the *Carbon Neutral Plan* and *Platforms for Our Places*.

2. Recommendations

1. To note the successful funding applications to the Public Sector Decarbonisation Scheme and Low Carbon Skills Fund.

2. To approve an amendment to the General Fund capital programme budgets as follows:

   Adur: £466,000 funded by external funding of £364,970 and a contribution from the contingency budget £101,030
   Worthing: £103,850 funded by external funding

3. To approve the amendment of the Adur Homes Capital Programme to include schemes of £1.697m funded from external funding of £1,329,200 and by £367,950 from within the 2021/22 Housing Investment Capital Programme.

4. To delegate to the Director of Digital, Sustainability & Resources the negotiation and letting of any contracts associated with this programme of works in consultation with the Executive Members for Resources providing the same are within the approved budget.

5. To note the delivery timescales, consultation proposals and works involved in delivering the carbon reduction projects that formed part of the successful bid and that further bids have been made to the Public Sector Decarbonisation Scheme, as set out in paragraph 4.2 and Appendix 1.

6. That the Councils adopt the new UK100 Pledge, as outlined in Section 8, along with other leading councils and in line with the enhanced ambition shown by central government, as part of its recognition of the responsibility to tackle the climate emergency and protect our environment.

3. Context

3.1. Adur & Worthing Councils joined UK100, a network of ambitious local authorities tackling climate change on 6 November 2018 and declared a climate change emergency on 9 July 2019.

3.2. The councils have set a target to be carbon neutral by 2030 and adopted: *Adur & Worthing Councils' Carbon Neutral Plan: Working towards the 2030 target* on 3 December 2019

3.3. In 2020/21, a 13% reduction in Carbon Emissions from the councils' estate was achieved. This is partly attributable to projects undertaken by the councils and partly due to favourable climatic conditions and the continued decarbonisation of the UK electricity grid.

3.4. The UK is due to host the *Conference of the Parties (COP26)*, the UN Climate Change Conference in November 2021. Ahead of this, and as part of its commitment to deliver a green and resilient recovery from the Covid-19 pandemic, the UK Government has increased its carbon reduction ambitions, including amending the.Climate Change Act 2008 to obligate the UK to be net zero carbon by 2050.

3.5. In Autumn 2020, the Government launched two funding streams to further decarbonise the public sector. These funding streams were:

- The Public Sector Decarbonisation Scheme (PSDS) - a £1bn capital fund aimed at installing measures to directly reduce emissions from the public sector estate.
- The Low Carbon Skills Fund (LCSF) - a revenue fund aimed at developing feasibility studies to identify and de-risk future decarbonisation projects and to support successful PSDS applicants with project delivery.

4. Summary of Bids

4.1. Building on work already completed as part of the *Carbon Neutral Plan* and Worthing Civic Quarter Heat Network project, the councils submitted a number of bids to both the PSDS and LCSF in November 2020, all of which were successful. These totalled:

	Capital	Revenue	Carbon Saving
Adur	£365k	£10k	27 tonnes/year
Adur Homes	£1.329m	-	186 tonnes/year
Worthing	£104k	£33k	20 tonnes/year
TOTAL	£1.798m	£43k	233 tonnes/year

4.2. Further bids have since been made, as follows:

	Capital	Revenue	Carbon Saving
Adur		£215k	nil*
Worthing	£250+485k	£40k	122 tonnes/year

*this funding will be used to appoint external project managers to assist with the Adur/Adur Homes projects already approved

4.3. A further paper will be brought to the Joint Strategic Committee seeking appropriate approvals if the above funding bids are successful.

4.4. A summary of all projects that have been submitted as part of a funding application is included at Appendix 1. Further information on the wider pipeline of carbon reduction projects is set out in Appendix 2.

4.5. For clarity the remainder of this report primarily focuses on the approved projects.

5. Summary of Approved Capital Projects

5.1. To date, the councils have been awarded nearly £1.8m of capital grant funding to deliver a number of carbon reduction projects across the councils' estate. Appendix 1 details these projects.

5.2. All costs are based on budget estimates sought from contractors or framework providers based locally, however there is likely to be some variation during the formal procurement process.

5.3. All Worthing Borough Council projects have been fully funded by the PSDS.

5.4. Due to the funding criteria and larger scope of works, the Adur District Council bid required approximately £100k of match funding from the Adur General Fund and £370k from the Housing Revenue Account in order to secure nearly £1.7m of PSDS grant. An allocation will be made from the 2021/22 programme to enable the schemes to progress.. More information is presented in Section 9.

5.5. The largest proposed capital schemes are at Shadwells Court, Marsh House and the Shoreham Centre. These involve the installation of heat pumps to replace or complement gas boilers. Heat pumps use electricity to extract heat from either air (air source heat pumps, ASHP) or the ground (ground source heat pumps, GSHP) and emit significantly less carbon emissions and air pollution than fossil-fuel fired alternatives. A summary diagram of how a heat pump works is contained in Appendix 3.

Sheltered Housing Projects

5.6. Condition surveys have previously identified that the existing heating plant and distribution systems (radiators etc) at Shadwells Court and Marsh House are in need of replacement, due to age, system inefficiencies and poor controls available to tenants.

5.7. Subject to appropriate approvals, design and consultation, the funding will allow for these distribution systems to be replaced. Tenants will continue to have a 'wet' distribution system, with new radiators, pipework and controls installed to maximise the efficiency of the heat pumps and therefore minimise running costs.

5.8. Solar PV will be installed on the roof to further reduce the running costs and environmental impact of the new heating system.

5.9. Shadwells Court will also have Cavity Wall Insulation installed to reduce the overall heat demand of the building. It is already installed at Marsh House.

5.10. Proactive engagement with the residents of both schemes will begin in the spring

Shoreham Centre

5.11. The funding allows the council to install an Air Source Heat Pump to run in parallel with existing gas boilers at the site.

5.12. Subject to appropriate approvals, design and consultation, the existing heating systems will be upgraded in order to utilise a lower-carbon form of heating.

5.13. The existing solar PV array will provide some free electricity to run the ASHP. A successful bid was made to the Low Carbon Skills Fund to explore ways of deploying additional solar PV on the site and the outcome of this study will be considered in due course.

5.14. Technical Services and Estates have both been engaged in the project and further dialogue will be had with each of the building's tenants affected by the works.

Solar PV Installs

5.15. The solar PV installs will connect to each building's main electrical distribution board. As with the existing solar PV arrays on council buildings, any electricity not utilised by the building immediately will be exported to the national grid.

5.16. No battery storage is proposed, however officers will monitor the cost effectiveness of its installation over the first year of the solar PV and seek to install it where appropriate.

5.17. Where solar PV is proposed for corporate buildings that are tenanted, tenants will be offered the opportunity to sign a 'Power Purchase Agreement' (PPA), enabling them to purchase electricity generated by the solar PV from the council. This will provide a modest revenue stream to the council, allowing for ongoing monitoring and maintenance costs to be met.

5.18. PPA prices will be capped by the price of 'grid electricity', ensuring that no tenant will be worse off by signing a PPA. If the PPA is not signed then the council will receive no financial benefit and it is unlikely the installation will proceed.

5.19. Due to tenants being responsible for their own electricity supply, it is not possible to offer a PPA to sheltered housing tenants.

6. Next Steps and Future Projects

6.1. Subject to approval, officers will begin creating specifications and identifying appropriate procurement routes to complete the works set out in this report.

6.2. A rough timeline for the works that have received Public Sector Decarbonisation Scheme funding is as follows:

February 2021	Budget and Project Approval Tenant engagement begins

March	Procurement documents prepared and procurement route identified
End April	Contracts awarded
May	Mobilisation
June-August	Works and Commissioning

6.3. Three successful applications were also made to the Public Sector Low Carbon Skills Fund. These will help the councils further develop a pipeline of projects to ensure that the councils can make the 10% year-on-year reduction in carbon emissions required to be net zero carbon by 2030. This pipeline is presented at Appendix 3.

7. Engagement and Communication

7.1. Whilst adhering to Covid-19 protocols, extensive engagement is proposed for tenants at Shadwells Court and Marsh House, both before, during and after the works. The Sheltered Housing team will engage and support residents throughout the project's delivery. Members will be kept informed of progress communications sessions.

7.2. For works on corporate buildings, the Estates team are engaging tenants to ensure they are fully kept abreast of the proposals, programmes of works and any changes required to the terms of their lease.

8. UK 100 Cities Pledge

8.1. In November 2018, the Councils joined the UK100 network of ambitious local authorities tackling climate change. The pledge signed to join this network included a pledge to make the council areas have "100% clean energy before 2050".

8.2. Since the councils made the pledge, the UK Government has amended the 2008 Climate Change Act. This amendment increases the target of net carbon emissions reduction from 80% to 100% by 2050. This therefore aligned the UK-wide target with those of UK100 members.

8.3. In order to allow members to continue showing leadership and ambition on tackling climate change, UK100 have now created a new pledge for *Net Zero Carbon Leaders* (Appendix 4).

8.4. This new pledge commits signatories to delivering emissions from the councils' operations to net zero by 2030 (as per the *Carbon Neutral Plan*) and to an area-wide target of 2045.

8.5. Membership of UK100 entitles members and officers to attend webinars and access information that will enable further delivery of the councils' leading climate change mitigation programme.

9. Financial Implications

9.1. The schemes presented within the report do not currently feature in the capital programme and consequently the programme will need to amended to enable the schemes to progress. The table below gives details of the individual schemes and associated funding:

Scheme	Cost	Grant awarded	Internal resources needed
	£	£	£
Adur			
General Fund			
Shoreham Centre - Airsource heat pumps	415,000	325,020	89,980
Eastbrook Community Centre - Solar panels	8,500	6,660	1,840
Commerce Way - Solar Panels	42,500	33,290	9,210
Total General Fund programme	466,000	364,970	101,030
Housing Revenue Account			
Shadwells Court			
- Heat pumps	900,000	693,930	206,070
- Solar Panels	34,900	34,900	0
- Cavity Wall Insulation	42,500	42,500	0
Marsh House			
- Heat pumps	707,000	545,120	161,880
- Solar Panels	12,750	12,750	0
Total HRA programme	1,697,150	1,329,200	367,950
Total investment in Adur assets	2,163,150	1,694,170	468,980

Scheme	Cost	Grant awarded	Internal resources needed
	£	£	£
Worthing			
Worthing town hall / Assembly Hall			
- Solar PV	50,500	50,500	0
- Secondary Glazing	38,200	38,200	0
Goring recreation ground - Solar PV	15,150	15,150	0
Total investment in Worthing assets	103,850	103,850	0
Total overall programme	2,267,000	1,798,020	468,980

9.2. The Adur District Council will be required to provide match funding and it is intended that the contributions will be provided from within the existing Capital Programmes. For the General Fund programme, the contribution will be allocated from the overall contingency set aside for such purposes. For the proposed investment to Adur Homes properties, part of the overall allocation of £5.6m will be used to provide the Council's investment.

9.3. In addition to the capital funding awarded by the Public Sector Decarbonisation Scheme, the Councils have also been successful in attracting feasibility funding of £43,250 form the Low Carbon Skills Fund (£10,000 for Adur District Council and £33,250 for Worthing Borough Council).

10. Legal Implications

10.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

10.2 s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation

10.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

10.4 s1 Local Government (Contracts) Act 1997 confers power on the Council to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the Council.

10.5 When entering into a public contract, the authority is required to comply with the Councils' Contract Standing Orders found at Part 4 of the Councils' constitution. Where the Contract is an above threshold contract for goods and/or services as defined by the Public Contract Regulations 2015 any procurement exercise to contract for those goods and services must be conducted in accordance with those Regulations which is retained law by virtue of s29 of the European Union (Future Relationship) Act 2020.

10.6 Any expenditure of Grant Funding must be in accordance with the expenditure and reporting commitments set out in the grant funder's terms and conditions.

Background Papers

- APPENDIX 1: Summary of projects funded by and bids made to the Public Sector Decarbonisation Scheme
- APPENDIX 2: Carbon Reduction Project Pipeline
- APPENDIX 3: How a heat pump works
- APPENDIX 4: UK100 Membership Pledge January 2021
- Stewarding our Environmental Framework - (JSC 6/11/18)
- Working towards the 2030 target - Adur & Worthing Councils' Carbon Neutral Plan (JSC 3/12/19)
- Adur & Worthing Councils Carbon Neutral Plan
- Adur & Worthing Councils Platforms for our Places
- Adur & Worthing Councils SustainableAW
- Public Sector Decarbonisation Fund
- UK100 Cities Pledge

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Sustainability & Risk Assessment

1. Economic

- Transition to a low carbon economy is vital to provide future energy systems resilience, and to address and reduce potential impacts of climate change.
- The grant funding secured will deliver projects that would otherwise be competing for financing from the capital programme, enabling these funds to be spent on other projects.

2. Social

2.1 Social Value

- By ensuring affordable, low carbon energy is available into the future, the councils protect budgets from future energy price rises and the budget impact that these have.

2.2 Equality Issues

- The impacts of climate change are predicted to impact all communities, but the greatest impact is predicted to be on the most vulnerable communities. Reducing the councils' and areas' contribution to climate change therefore reduces the impact felt by these communities.

2.3 Community Safety Issues (Section 17)

- No impacts identified

2.4 Human Rights Issues

The impacts of climate change are predicted to impact on all communities, but the greatest impact is predicted to impact the most vulnerable communities.

3. Environmental

- The key driver for all work that delivers the *Carbon Neutral 2030* ambition is to mitigate the predicted catastrophic impacts of climate change on the environment, economy and communities.
- These projects specifically reduce the councils' carbon emissions.

4. Governance

- As noted in the *Carbon Neutral Plan*, these projects show leadership and ensure the councils' own emissions trajectory reflects the declaration of a climate emergency and commitment to be net zero carbon by 2030. This goes further than national legislation (the Climate Change Act 2008 and 2019 amendment), national and regional policy, and the councils' own policy.
- All works will be carried out by the council and contractors will be conducted in accordance with the councils' and national guidelines with regards to Covid-19 precautions. This is particularly important for works at sheltered

housing schemes given the likely vulnerable nature of many of the tenants this work will affect.

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Joint Strategic Committee
9 February 2021
Agenda Item 9

ADUR & WORTHING
COUNCILS

Key Decision [No]

Ward(s) Affected: All

City Region Bikeshare - transforming travel through collaborating on a pedal and e-bike rental scheme

Report by the Director for Digital, Sustainability & Resources

Executive Summary

1. Purpose

1.1. To present members with a significant strategic opportunity for Adur District and Worthing Borough Councils to introduce a large scale bike and e-bike rental scheme to Adur and Worthing through Brighton & Hove City Council's new BTN Bikeshare Procurement Framework.

1.2. To confirm that a full options appraisal, business case and funding strategy will be presented to the Joint Strategic Committee in the coming months, with the current stage being limited to approval to join the BHCC procurement framework thereby securing the *option* to participate.

1.3. To consider the benefits of the scheme in the context of expected post COVID commuter and transport patterns and the opportunity to lead and promote sustainable and active travel through a significant, large scale and impactful initiative that will widen access to cycling to a broader range of users through the provision of electric bikes.

1.4. To consider the benefits of joining an existing, highly successful bike rental scheme in Brighton & Hove that could transform the way local people travel; open cycling to a wider audience; help reduce congestion, air pollution and carbon emissions; improve the health of local communities; benefit the visitor economy and increase connectivity across our places.

2. Recommendations:

2.1. To approve Adur District and Worthing Borough Council becoming party to the BTN Bikeshare Operator Procurement Framework to investigate the delivery of a new Bikeshare scheme under that Framework;

2.2. To note that officers will undertake a full appraisal of all options for delivery; and explore opportunities to secure funding to support the operation of a scheme; bringing proposals to JSC in Autumn 2021 for approval.

3. Context

3.1. Working with partner councils, a strategic opportunity has been developed to introduce a bike rental scheme across Adur and Worthing through Brighton & Hove City Council's (BHCC's) forthcoming new BTN Bikeshare contract and framework.

3.2. The large scale scheme proposed promises to unlock new journeys, particularly commuting journeys, neighbourhood journeys for those working from home, and a broader range of users through the provision of 50% e-bikes.

3.3. The delivery of improved infrastructure for cycling is well supported through through *Platforms for our Places* and *SustainableAW and* many other policies and programmes including: the draft Worthing and adopted Adur Local Plan; the Public Health Strategy; Air Quality Management Area Action Plans; AWC Sustainable Travel Plan; Public Realm, Seafront & Town Centre Improvement Programmes; and the Local Cycling & Walking Infrastructure Plan.

3.4. Encouraging greater use of cycling is a key means to reduce emissions associated with motorised transport which is responsible for over a third of carbon emissions nationally and locally. The need to address this has been heightened since the councils declared Climate Emergency in July 2019.

Brighton & Hove City Council's Bikeshare scheme

3.5. The Brighton & Hove BTN Bikeshare scheme is one of the most successful bike rental schemes in the UK outside of London. Since launching in 2017, users have made over 1.2 million trips covering 2.7 million miles. It is popular with residents and visitors. It has:

- 155,000 members, growing daily
- 73 Hubs across the city with 940 stands
- A fleet of 600 standard pedal cycles

3.6. BHCC owns the infrastructure, and the scheme is run on a concession basis with operator Hourbike under a 50/50 profit share. The scheme has benefitted from sponsorship from AMEX and Life Water but is currently seeking a new sponsor. It has always generated a surplus, having benefited from sponsorship, but has continued to return a surplus during 2020 without sponsorship.

3.7. The current scheme has grown more quickly than anticipated and will need to re-procure due to the maximum value threshold allowed under the Concession Contracts Regulations 2016.

3.8. BHCC, at their Environment Transport & Sustainability Committee (Nov 2020), and Policy & Resources Committee (Dec 2020) approved the procurement of a new concession contract to deliver an expanded B&H Bikeshare scheme within the B&H boundary. The committees approved:

3.8.1. to procure a single supplier concession contract which is established as a framework so that neighbouring authorities can enter into call-off contracts with the supplier creating a wider bike network; and

3.8.2. to invest £1,170,000 of capital borrowing to finance the recommended fleet changes to the Brighton & Hove only scheme, adding e-bikes and replacing some of the pedal bikes at the end of their street life.

3.9. BHCC procurement activity will commence February 2021 and a new procurement framework will be developed over an 8-12 month process. Due to long lead in times in the supply chain, new e-bikes may need to be procured separately first. A new concessionaire would then be procured to take on the operation of BTN Bikeshare providing additional bike hubs and a combination of 50% standard bikes and 50% e-bikes.

Feasibility Study: Development of bike share business case and plan

3.10. BHCC commissioned a feasibility study from consultants STEER (2020) to explore options for delivery models, this included an in-house and alternative delivery vehicle option; and the viability of options for a larger scheme:

1) An expanded B&H scheme with more bikes and more hubs within the B&H border; or
2) An expanded scheme extending into Adur and Worthing in the west and the coastal areas of Lewes District council in the East. Coverage of Lewes Town, in ESCC and Arun in WSCC was not recommended because of servicing practicalities, current cycle links and low demand predictions.

3.11. BHCC members approved that the BHCC Bikeshare scheme be expanded to a city wide only scheme of 780 bikes and 86 hubs that includes 50% electric assist pedal bikes and 50% pedal bikes, and that officers procure a new operator contract in the form of a concession agreement that will include an option for neighbouring local authorities to join the scheme at a later date. The report also recommends that the Council invests in new bikes and infrastructure with capital raised through borrowing.

Proposed Bikeshare scheme for Adur & Worthing Councils

3.12. In early 2020 AWC agreed to provide a small financial contribution towards the (Steer) Feasibility Study investigating a Greater City Region Bikeshare scheme. This was to enable the modelling of options for a Bikeshare scheme for Adur & Worthing.

3.13. The findings of the Steer report identify that an optimal scheme for Adur & Worthing would consist of 43 hubs (5-10 standards per hub) distributed across the area and 322 bikes (161 e-bikes and 161 standard bikes). See the proposed schemes for the different authorities. Adur & Worthing are currently combined:

	Standard bikes	E-bikes	Total bikes	Hubs
Adur and Worthing scheme area	161	161	322	43
Brighton & Hove	390	390	780	86

Lewes scheme area	**62**	**62**	**124**	**17**
Joint City Region	**613**	**613**	**1,226**	**146**

3.14. BHCC has approved taking forward the Brighton and Hove scheme. However BHCC is offering the opportunity for AWC to join a new framework which will be established, through which a Bikeshare scheme could also be set up in Adur and Worthing.

4. Issues for consideration

Brighton & Hove Bikeshare: use by Adur and Worthing residents

4.1. There are a significant number of members of the existing BH Bikeshare scheme that live in Adur or Worthing. Operators of the current scheme already collect bikes that have been brought into and left in Adur for collection. This indicates that the Bikeshare is already extending into Adur and the formal establishment of a scheme and hubs in Adur and Worthing will cater to and help expand this established customer base.

Worthing Donkey Bikes (WDB)

4.2. Set up as a collaboration between Discover Worthing and Cycle Brighton, WDB is a highly successful bike rental scheme launched in Worthing in 2017 to support the visitor economy. It was envisaged as a temporary scheme until a larger scheme could be implemented. WDB currently consists of:

- 9 hubs; and
- 32 bikes.

4.3. Franchise owner Donkey Republic have recently put up their concession costs and Cycle Brighton now aim to close WDB. WBC has provided £4K for the scheme to be extended to summer 2021. WBC are negotiating an additional 1 year extension to summer 2022.

4.4. There have been consistent increases in usage since first set up. In 2019 new hubs were installed at WTH, Worthing Station and West Worthing Station, increasing convenience and availability (funded through the Community Rail Fund Project).

USAGE OF WORTHING DONKEY BIKES 2018-2020			
	2018	2019	2020
Number of annual Donkey Bike rentals	1779	1786	3384

4.5. In 2020 WDBs averaged 0.54 trips per bike per day. This is considerably lower than the 2.1 trips per bike per day usage of the Brighton Bikeshare scheme, which can be expected given the limited scale of the Worthing Scheme and trip making opportunities (for example one-way trips are not possible).

5. Proposed Next Steps

5.1. Subject to approval, the proposed next steps to progress exploratory work on a Bikeshare scheme are as follows:

Proposed Next Steps	
1	Formally join the BHCC Specification drafting process for the new BTN Bikeshare Procurement Framework
2	Work with BHCC on joint governance structures for a City Region Bikeshare scheme
3	Establish an AWC Bikeshare working group
4	Participate in BHCC's Infrastructure Tactical Group and Commission further exploratory work and undertake an options appraisal.
5	Explore funding streams, grant funding opportunities and sponsorship opportunities
6	Bring a formal proposal before the Joint Strategic Committee on identification of a sound business case and funding options

6. Engagement and Communication

6.1. Internally, consultation has been undertaken with Legal, Finance, Procurement, Economy & Place, Sustainability, Planning, Wellbeing and Communications.

6.2. WSCC Transport Officers have been consulted and are supportive of the scheme which would align with their own strategic policy objectives. In 2021 WSCC will be developing a revised Active Travel Strategy and also a Combined West Sussex Local Cycling & Walking Infrastructure Plan that will incorporate the LCWIPs of the Districts & Boroughs. The Highways Authority will be a key partner in the delivery of a Bikeshare scheme, especially in facilitating the delivery of bike hubs, some of which will be installed on the public highways, requiring Traffic Regulation Orders and Planning Permissions. WSCC may also be able to support applications for funding.

6.3. There has been, and continues to be ongoing dialogue with Transport officers at BHCC. AWC Sustainability and Economy officers have attended several meetings during the development of the Feasibility Study which included BHCC, Lewes District Councils; and consultants STEER through 2020. Lewes & Eastbourne councils will be taking a paper to their members in Feb 2021 for approval to join the framework.

6.4. Subject to approval; detailed consultation will be undertaken with the Adur & Worthing Walking & Cycling Action Group and other stakeholders.

7. Financial Implications

7.1. The initial financial assessment of the potential Adur and Worthing Bike share scheme is set out in the Steer Report. In summary the expected net annual running costs are as follows:

	£'000
Annual income	-225,620
Annual running costs	233,420
Net annual cost	-7,800

In letting any concession contract the Council will obtain certainty regarding the annual subsidy required throughout the life of the contract.

7.2. The projected costs currently show a small operating deficit of £7,800 for the Adur & Worthing scheme. As part of the contract, the councils will also need to procure the bikes and infrastructure at an initial cost of £830,350. The associated revenue cost will depend on the method of financing. If there are sufficient capital receipts available, then the Council will be able to save on interest costs. However as the bikes will need replacing in 5 years time and other the equipment in 10 years, the Council should set aside resources to fund the asset replacement with an annual revenue impact of:

		Cost	2023/24
	Asset life	£'000	£
Bikes	5	582,550	116,510
Vehicles	10	126,500	12,650
Other equipment	10	121,300	12,130
		830,350	141,290

There will also be one-off contract mobilisation costs of £80,700

7.3. In summary the initial assessment of the annual revenue costs are:

Total revenue costs	2022/23	2023/24 (full year)
	£	£
Net annual subsidy	5,200	7,800
Annual debt charges	0	141,290
Mobilisation costs	80,700	0
Total revenue costs	85,900	149,090
Split as follows:		
Adur	34,360	59,640
Worthing	51,540	89,450

The costs do not currently feature in the Councils financial plans, so if the scheme is approved an allowance will need to be made in both the revenue and capital budgets from 2022/23 onwards.

7.4. It may be possible to secure sponsorship or external funding towards the upfront investment and this will be a key aim in the next phase of the project to minimise the financial impact on the Councils. The Steer report identified potential funding sources and options for capital funding and borrowing as follows:

1. Devolved funding (e.g. Coast2Capital LEP funding)
2. Government funding (e.g. Cycle Investment Funds)

3. Developer funding (e.g. S106, CIL)
4. Sponsorship acquisition

7.5. The options appraisal which will be eventually considered by the Committee will address the cost of the implementation of any scheme and consider options for reducing the impact to the Councils.

8. Legal Implications

8.1. Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

8.2. s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

8.3. Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

8.4. s1 Local Government (Contracts) Act 1997 confers power on the Council to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the Council.

8.5. When entering into a public contract, the authority is required to comply with the Councils' Contract Standing Orders found at Part 4 of the Councils' constitution. Where the Contract is an above threshold contract for goods and/or services as defined by the Public Contract Regulations 2015 any procurement exercise to contract for those goods and services must be conducted in accordance with those Regulations which is retained law by virtue of s29 of the European Union (Future Relationship) Act 2020.

Background Papers

- JSC Report item 21: Local Cycling & Walking Infrastructure Plan - establishing the network of the future through consultation June 2020
- Adur & Worthing Draft LCWIP (2020),
- LCWIP Network map for Worthing
- LCWIP Network map for Adur
- BHCC Item 49 Brighton Bikeshare Reorganisation - Environment Transport & Sustainability Committee (Nov 2020),
- BHCC Item 104 Brighton Bikeshare Reorganisation Policy & Resources Committee (Dec 2020)

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Sustainability & Risk Assessment

Economic

- The Bikeshare scheme could support the modal shift intended to improve transport connectivity while reducing associated congestion which is predicted to increase by 51% by 2050. To maintain a vibrant economy it is crucial to maintain good transport flows; transport infrastructure will need to provide alternatives to car travel for business travel; commuting; visitor movement; leisure & utility trips.

Social Value

- Improved cycling and walking infrastructure can increase safety and accessibility; helping more communities to make cycling and walking their first choice for shorter journeys and as part of longer ones. Cycling and walking provides the cheapest form of transport compared with car travel and public transport. It also brings health benefits through active travel.

Equality Issues

- Recent research suggests the availability of Electric assist pedal bikes increases distances travelled and participation in cycling by both older cyclists (over 55s) and females generally. Both demographics are currently under represented in UK cycling according to the most recent Sport England Active Lives Survey

Community Safety Issues (Section 17)

- A risk register will be developed under a business case for Adur & Worthing Bikeshare.

Human Rights Issues

- Matter considered and no issues identified

Environmental

- Transport emissions account for over a third of carbon emissions in Adur & Worthing. Unlike other sectors, transport emissions locally have been rising since 2013. Cycling and Walking are both zero carbon forms of transport. Greater use of these forms help reduce poor air quality.

Governance

- Cycling is well supported by National and Local Policy. See paragraph 6.2.

APPENDIX 1 - Projected Costs (STEER Report)

Table 1: Steer report: assumed Tariff Structure:

User Type		Subscription price	Usage fee
Annual member	Standard bikes	£72	3p per minute (£1.80 per hour)
	e-bikes		4p per minute (£2.40 per hour)
PAYG	Standard bikes	-	3p per minute + £1 unlock fee
	e-bikes	-	4p per minute + £1.50 unlock fee

Table 2: Steer Report: total estimated capital costs

Components	Adur and Worthing scheme area	Brighton & Hove*	Lewes scheme area	Joint City Region
Bikes	**£506,562**	**£308,568**	**£195,087**	**£1,010,217**
Hubs	**£65,575**	**£19,825**	**£25,925**	**£111,325**
Redistribution vehicles	**£110,000**	**£158,500**	**£106,500**	**£375,000**
Workshops	**£39,900**	**£39,900**	**£39,900**	**£119,700**
Other mobilisation cost	**£70,177**	**£34,900**	**£36,187**	**£140,863**
Capital Cost	**£792,214**	**£561,293**	**£403,599**	**£1,757,105**
Contingency allowance	**15.0%**	**15.0%**	**15.0%**	**15.0%**
Total Capital cost	**£911,046***	**£645,487**	**£464,138**	**£2,020,671**

***** A&W's higher costs reflect a new scheme whereas BHCC's add on to an existing scheme.

Table 3: Steer Report: annual ongoing operating and maintenance costs (excludes cost of any borrowing):

	Adur and Worthing scheme area	Brighton & Hove*	Lewes scheme area	Joint City Region
Number of standard bikes	161	390	62	613
O&M Cost per standard bike	£682	£682	£682	£682
Number of e-bikes	161	390	62	613
O&M Cost per e-bike	£767	£767	£767	£767
Total O&M costs	£233,419	£565,424	£89,888	£888,731

Table 4: Bike share user revenue summary (excludes cost of any borrowing):

	Adur and Worthing scheme area	Brighton & Hove	Lewes scheme area	Joint City Region
Annual number of trips in standard bikes	92,555	298,935	23,762	601,666
Yield per trip by standard bikes	£0.87	£0.87	£0.87	£0.87
Annual user revenue from standard bikes	£80,868	£261,189	£20,761	£362,818
Annual number of trips in e-bikes	115,694	373,669	29,702	322,321
Yield per trip by e-bikes	£1.25	£1.25	£1.25	£1.25
Annual user revenue from e-bikes	£144,749	£467,513	£37,161	£649,423
Total annual user revenue	£225,617*	£728,701	£57,922	£1,012,241

* There is currently no plan to share revenue from users between areas, but it's proposed that sponsorship revenue will be shared proportionately.

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Joint Strategic Committee
9 February 2021
Agenda Item 10

ADUR & WORTHING
COUNCILS

Key Decision No

Ward(s) Affected:All

Building the Organisational Data Capability & Capacity

Report by the Director for Communities

Executive Summary

1. Purpose
- To introduce plans to build the councils' data capability and capacity
- To outline the resource requirements to support this ambition

2. Recommendations
- To adopt the approach outlined in this report
- To proceed with appointment of Data Lead in order to further develop the data capability subject to confirmation of the budget at February Council.

3. Context

3.1 Better use of data - in all its forms - is an important next step on the Platforms journey. It will help design more effective services and it will help the councils and our diverse communities better understand the impacts of change and, as a result, build better for the future. This work also takes forward the excellent digital foundation that is in place as a result of the good services platform and will support the ambitions around civic data as outlined in the And Then document.

3.2 The Councils are at the start of a data journey and this report describes both the progress to date and the ambition for the future. The approach suggested in this report is based around the following assumptions which have been tested internally with lead members and relevant officers:

An interest in data is fueled by a desire to be making sure our decisions are data informed - not simply to drive more accurate measurement of our work
- The definition of data includes both quantitative and qualitative data
- There is a desire to build our data capability in terms of skills, attitudes, applications and tools
- The capability should to be spread across the whole organization and not concentrated in one area
- That wherever possible the councils should be taking an open data approach and making data available and accessible to our communities and to the local economy as outlined in the ‘And Then’ document and its ambitions around civic data

3.3 The proposed approach to building our data capability covers three areas:
- Identifying the most useful and important problems to work on
- Developing the right skills
- Delivering the right tools

This report introduces the first phase of this work and outlines how it will develop.

4. Find the right problems

4.1 Data science can be used in many different ways and as we build the councils’ capability it's important to start by focusing on some of the most important challenges, in order to explore the data and our skills we need around them, rather than pursuing data for data’s sake.

4.2 Three problem (or enquiry) areas have been identified and part of discussions with partners will be to help narrow down this focus and decide where best to focus first. Those chosen will most likely depend, in the short term, not on the importance of the question but more on the accessibility and readiness of the data to be worked on as we develop skills and infrastructure.

4.3 None of these areas are new so each of these enquiries will start with some desk research in order to find out where the best practice is and understand how to learn from it.

4.4 Critical to the decision of where to focus is the need to use data to move quickly to meaningful action and not simply be better at admiring the problem.

4.5 Financial vulnerability

4.5.1 It is very clear that the impact to the economy of the Covid pandemic is already evident and will be present for some time with significant impacts on the financial resilience of many residents.

4.5.2 Different groups and communities are being affected in markedly different ways by the pandemic, with those already the most vulnerable and experiencing the greatest levels of inequality being the most detrimentally affected. Early intervention and support can make a major impact with respect to helping individuals and households avoid financial difficulty and the risk of homelessness however it can be difficult to identify and target support at the people who most need it when they most need it.

4.5.3 There has been some success with proactive support calls made from the contact centre and this provides a useful foundation to build on. In May 2020 the team started calling customers who had not paid the April council tax installment, with the intention of offering help and support, e.g. through altering their repayment schedule to offer some 'breathing room', signpost to council tax support or to the community support helpline if appropriate. Customers really valued the contact and felt it showed the council cared.

4.5.4 In total 12,057 accounts were assessed. 667 customers had their accounts reprofiled and 819 were sent details of the council tax support scheme. The total value of payments taken and pledged was £240,849.

4.5.5 A late payment of a council tax is a late stage indicator of financial difficulties and so to be able intervene early enough to have meaningful impact there is a need to look at how the councils might predict people becoming vulnerable and potentially needing access to support. This requires sophisticated data modelling and predictive analysis.

4.5.6 Industry experts Policy in Practice were commissioned to do a one off piece of work looking at patterns of vulnerability with respect to the end of the furlough scheme and associated policies. This work has been described in the February 2021 JSC paper: Covid Benefit Measures impacts on Vulnerable Residents".

4.5.7 The report has given us access to information that will help us both prevent vulnerability and assist those residents already in crisis. It is also highlighted that different communities are at different levels of risk from the impacts of the pandemic. For example, it has shone a light on those who are out of work due to disability or illness as these make up the largest group of residents currently in payment arrears (37% in Adur and 47 % in Worthing). Work is now underway to better understand the reasons for these disparities and from this, and develop more tailored and effective services.

4.5.8 As well as providing valuable learning this project has provided a data model that can be used to do scenario planning over the winter period and beyond.

4.5.9 Once this work has been evaluated there is the option for a second phase in the form of a Policy in Practice dashboard which would provide dynamic access to analysis and benchmarking data on this topic.

4.5.10 This approach has been used with success in other Councils, for example in the Cabinet Office sponsored work that LB of Barking and Dagenham have done with Newcastle City Council in order to 'Reimagine Debt' and put a proactive approach in place[1].

4.5.11 The Councils' strong digital foundation and multidisciplinary approach means we will be able to progress this work quickly in order to support residents this winter and beyond.

4.6 Housing supply and demand

4.6.1 If we wish to reduce disadvantage and increase opportunity we need to improve access to affordable, good quality housing. To address this issue there is a need to create a supply and demand model that will support short, medium and long term planning of affordable housing and homelessness provision for Adur and Worthing. This is not a trivial thing and as a result the housing team have started by looking at how to define and measure the short term supply/demand for accommodation this winter for the homeless and potentially homeless population.

4.6.2 Understanding the housing needs of those presenting homeless has been useful in planning for immediate emergency accommodation needs and also understanding the permanent accommodation requirement. A review of homelessness presentations and those rough sleeping showed that in Adur 58% of those presenting were a one bed need with most these being single households. In Worthing, 70% of those presenting had a one bed need with most of these also being single households. Greater effort has therefore gone towards ensuring we have sufficient temporary accommodation for those with a one bed need. For the first time, a HMO for single people has been secured through our Opening Doors scheme and additional emergency accommodation has included HMOs with support provided to test tenancy management skills and provide a stepping stone into longer term settled accommodation.

4.6.3 A review of the singles households indicated that in Adur, 60% (15 individuals) had medium support needs and 48% (12 individuals) had full support needs. In Worthing, 61% (58 individuals) had medium support needs and 58% (55 individuals) had full support needs. Our plans this winter therefore included in-reach support and collaboration with other voluntary groups to provide additional support into temporary accommodation to assist these individuals sustain their temporary accommodation especially during the Coronavirus pandemic.

4.6.4 This work will help the Councils' better understand the support needs of the residents who need access to affordable housing and as such will help inform our Public Health Strategy as it develops approaches to address the wider determinants of health. Understanding the future demand for support provides the data needed in order to plan for these more proactive and preventative interventions.

[1] https://policyinpractice.co.uk/reimagine-debt/

4.6.5 Moving forward this data could be the basis of more predictive modelling that could be used to support the forthcoming housing development strategy. The data will help build a picture of the housing needed in order to support the needs of our diverse residents who we are working with via our various housing pathways.

4.6.6 An internal team has been formed to look at the data already in the system and to build an initial model to support this work. This is supporting the work being done this winter to better understand and predict emergency and temporary accommodation needs. This work is limited by the skill set of the team and so while progress is being made it will need the support of more specialist data analysis skills to develop it further.

4.7 Community Mapping

4.7.1 As outlined in the 'And Then' document, the Covid volunteering app has made visible a population of active citizens and people who need support who were not accessible before. Building on this the ambition is to have a better and closer understanding of the community activity and networks which sit across our places.

4.7.2 The intention is to explore this new landscape not just in quantitative terms but also in terms of the social insights that this new visibility can provide. This data question may be as much about data collection as data analysis but will be an important foundation of work in neighbourhoods to address inequality or with respect to growing the councils' participation capability, as well as underpinning thinking with respect to the forthcoming Housing Development Strategy and the community conversations needed to support that work. Ward members hold vital insight in this area and this research will be carried out working closely with members to capture their insights as well as with the various teams within the councils that have community connections.

4.7.3 As part of this ambition we will start to make better use of existing mapping tools, such as OCSI's Local Insight tool. The Councils will also commission a partner to carry out community mapping research in order to:

a. Create a hyperlocal (ie ward and sub-ward level) map of Adur and Worthing that shows where our different communities are clustered
b. Document the formal and informal community groups and infrastructure in order to add to our knowledge of community activity
C. Document community assets located in the hyperlocal areas identified. This to cover, council, civic and social (for example social businesses) in the area

4.7.4 The resulting data and analysis will support a number of areas of work where the ambition is to work more effectively and closely with our communities. This includes the upcoming activity strategy, our public health strategy, the housing development strategy as well as ongoing work with the food partnerships. It will also help to develop community participation in some of our SustainableAW work at New Salts Farm as well as with green spaces projects such as Brooklands.

4.7.5 Furthermore, this data will be used to support the work of the social prescribers and Find It Out Plus service. The outputs will be used to better connect to and utlise the informal networks and assets found by the the research in order to reduce pressure on council and NHS services.

4.7.6 This data set will be developed in partnership with the communities involved in order to progress the civic data ambitions outlined in the And Then document. This will support work, for example, such as the Food Partnership by giving better insight into community networks which have been developed as part of the Covid community response.

5. Approach to skills and capacity building

5.1 Data science is a developing area with specialist skills and capabilities. Work commissioned by NESTA in 2017[2] described the landscape of local government data use at that time developed a data maturity framework for local government which is a useful starting point for the development of skills and capabilities at the Councils.

5.2 In the framework seven themes are identified with respect to data maturity; leadership, skills, culture, data, tools, uses and analysis. The scale of the maturity for each of these goes from ‘Unaware’ to ‘Mastering’. A basic self assessment of the Councils against this framework indicates that we are only mid way through a process of gaining mastery of data and that more connected and accelerated action is needed in order to improve this.

5.3 Overall, while there is enthusiasm the organisation lacks some of the skills and the capacity to do more effective data-led work. In the future there may be a need to build data skills set into more specialist areas but currently there are three initial gaps:

5.4. Data Lead and Convener

5.4.1 There is a need for someone who can bring together a community of practice around data, support less skilled practitioners and also coordinate work with partners who can help grow the data capability. This person will be a data scientist or similar but, more importantly, have the skills and an interest in building community around the data work. This person will bring with them significant experience in this arena and the ability to build a capability that can work alongside multiple organisational functions at a senior level.

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2 https://www.nesta.org.uk/blog/the-data-evolution-new-tools-to-help-organisations-get-more-from-their-data/

5.4.2 This person will be tasked with carrying out a more systematic assessment of the Council's data maturity and putting a data action plan in place. Importantly this person will also be responsible for working with our communities to unlock the potential for civic data as outlined in the And then document.

5.4.3 To build our capacity, and achieve excellence in data analysis, it is vital that Adur & Worthing Councils introduce advanced skills into the organisation, which are currently lacking. Key staff identified across the organisation have good potential but require strong professional leadership to develop their skills and be offered the right training and guidance. To this end it is strongly recommended that a senior data post is created, and this forms part of the budget proposals for 2021/22 for consideration elsewhere.

5.5. Data Analysts

There are already staff who are working on data as part of their roles but there is a need for these to have a baseline of skills and capabilities which may mean some training and upskilling for current staff. This may be around training them in new toolsets or familiarize them with some of the principles of data science or architecture. Part of the role of the new data lead post will be to lead a skills assessment and develop a training plan.

5.6. Partners

5.6.1 Rather than build a disproportionately large team the proposed approach is to find partners who can accelerate progress and provide specialist insight. In this initial phase of work following organisations have been approached:

- Datakind: DataKind are a charity which provides support to non-profit organisations (including government) in the form of data hacks (where they gather experts to help answer specific questions) as well as capacity building support
- Policy in Practice: Are experts in social policy data and using it to identify vulnerable local residents
- OSCI are a Brighton based social data organisation with expertise around population analysis
- Brighton data collective: An informal local group of data experts with whom the councils could suggest setting up something similar based in Worthing (where there is evidence that there to be a critical mass of data experts to support something like this)

5.6.2 There are also many Local Government colleagues to learn from such as the Barking and Dagenham data team. Part of the role of the data lead will be to embed Adur and Worthing Councils in the wider government community in order to share learning and best practice.

5.7. Convening Our Community

From initial conversations it is clear that there are staff who are interested in how the councils develop the data practice and see the opportunity to develop their skills. The first step has been to convene this group in order to test and iterate this thinking and gauge their interest and capacity in bringing this work forward. This has provided an internal community for over 20 people who are already doing some element of data work. As we build the data capability the intention will be working to upskill this community and create a flexible resource pool that can be used across the councils.

6. Tools and foundations

6.1 In parallel with this work the customer service and digital teams are looking at potential data analysis tools for the organisation. The timeline for this work will be brought in line with this work in capacity building and make sure that there is tech/skills alignment before committing to a new toolset in this space.

6.2 Sitting behind the tools, however, is an understanding of the quality and accessibility of the organisations' data as well as foundations like data dictionaries and taxonomies which create a data infrastructure. The role of the data lead will be to understand and develop these non-technical foundations to the data capability. These are the 'boring but important' elements that will underpin the work of the capability and need expert skills to deliver them.

6.3 Like other councils, Adur & Worthing has a variety of data systems, some being easier to interrogate and link to than others. Rather than "linking it all together" as a starting point, the work will be guided by solving the problems we identify in the best way possible, establishing repeatable methods, therefore building the right data infrastructure over time.

6.4 The low code platform is an example of a modern system that will allow the development and testing of real-time data dashboards as well as publication of real-time data to the public, to create a dynamic view of the work of the councils. This provides the opportunity to learn about open data publishing and build data reporting and open data as core principles in our service design and digital development approaches.

6.5 Adur & Worthing is leading on a national project called OpenCommunity, which is working to establish data standards for local community service data, and this project and its learning will also help us seek out and apply other data standards, such as the HACT UK Housing Data Standard and OpenActive, creating more "readable" and interoperable councils.

7. Next steps

7.1 The initial work we have done with Policy in Practice as well as the housing demand modelling we have started has been a valuable starting point but critical to making progress is the appointment of the data lead who will be able to progress the capacity building work as well as developing the partner relationships that we need.

8. Issues for consideration

8.1 The development of the data capability is directly linked to the digital foundation, including the investment in Citizen Wifi, that has been laid at Adur and Worthing and offers an opportunity to further exploit and get value from the infrastructure and skills that have been created.

8.2 Consideration was given to whether a data capability was a service that could be bought in via partners, however the conclusion was that the best balance was a small internal team with a network of partners and suppliers to support for more specialist work.

8.3 As this is a fast moving area the Councils will regularly review if this blended approach is the most suitable and represents best value for the Councils.

9. Health and safety

9.1 There are no health and safety issues for arising from this report.

10. Engagement and Communication

10.1 Following this report the team will be engaging with external networks in order to learn from other practitioners but there are no immediate engagement and communication issues.

10.2 There will be an ongoing need to ensure that data analysis and modelling is reported in an accessible and plain english way in order to maximise value from what can be a very technical discipline.

11. Financial Implications

11.1 Contained within the Executive reports on the Revenue Budget 2021/22 is a proposal to invest in the creation of a new Data Lead post. If approved at Council in February this will provide the budget for the appointment of the new data lead. This is estimated at Grade 9 which would normally be in the range of £43,966 - £47,075. However to recruit a suitably experienced data lead will require a salary of c. £70,000 which will be equivalent to a cost of £95,000 including all oncosts.

11.2 A training programme will be developed for data analysts which will be funded from within the corporate training budget.

11.3 The Insight Team, working with Digital are reviewing business analytics tools which enable data visualisation and dashboarding, enabling insights to be easily accessed, shared and understood in real time. The team are currently exploring a product called PowerBI which will significantly reduce the amount of time staff have to spend trawling through data and manually manipulating it into a presentable format, which not being live is very quickly out of date. The current licence costs are in the order of £70 per user per year. If this product was rolled out to our data community, the annual cost would be in the order of £2,130 for 30 users which would be funded from the digital budgets.

12. Legal Implications

12.1 The Data Protection Act 2018 and the UK General Data Protection Regulation (the GDPR) regulate data sharing processing and storing.

12.2 In accordance with the legislation and also the Council's policy, a Data Protection Impact Assessment (DPIA) will be required for this project. This is a process which helps to identify and mitigate any data protection risks of a project and ensures that the key principles of data protection are ‘baked in’ at an early stage. Also, the DPIA will identify any further documentation that will be required to be put in place prior to the work commencing, including any data processing or data sharing agreements with the Council’s partners and privacy notices. This will be in addition to any consultancy legal agreements that are put in place.

12.3 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.

12.4 s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

13. Equality Issues

13.1 The council is subject to the general equality duty set out in section 149 of the Equality Act 2010 and these legal duties have informed and shaped the development of this proposal. In developing our data capabilities the councils will be able to gather greater and more accurate information about the residents of Adur and Worthing, including those who are most vulnerable and have legally protected characteristics. With this increased insight we will be able to monitor, review and improve our services so they are better able to both respond to changing needs and address areas of historic disadvantage and inequality**.**

Background Papers

Budget Estimates 2021/22 and Setting of the 2021/22 Council Tax - Report to the Adur Executive dated 2nd February 2021 and to the Worthing Executive dated 1st February 2021.

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Joint Strategic Committee
9 February 2021
Agenda Item 11

Key Decision [~~Yes~~/No]

Ward(s) Affected: All in Worthing

Working in Partnership to reduce Anti Social Behaviour - Extending the Community Protection Powers for Worthing Homes

Report by the Director for Communities

Executive Summary

1. Purpose

1.1 To share a review of the one year pilot of Worthing Homes' use of the delegated power to issue Community Protection Warnings and Notices to their tenants causing anti-social behaviour.

1.2 To agree the extension of the delegated authority to issue Community Protection Warnings and Notices to Worthing Homes for a further 12 months.

2. Recommendations

2.1 The Joint Strategic Committee is recommended to:

- Extend the power delegated to Worthing Homes for a further 12 months.
- To return to this committee in 12 months to report on the impact of the extended delegation.

3. Context

3.1 The Anti Social Behaviour, Crime and Policing Act 2014 confers a variety of powers on authorised authorities, to prevent and tackle anti social behaviour. One of the powers provided by the Act is the Community Protection Notice (CPN) which allows the authority to issue a warning, followed by a legal notice, to perpetrators of anti- social behaviour. This power is routinely used by police and local authority officers, to tackle anti social behaviour at the earliest opportunity. Under the 2014 Act, councils may delegate this power to registered social landlords.

3.2 In January 2020, this committee agreed to extend this power to our partner, Worthing Homes, a Registered Social Landlord responsible for a large housing stock and several thousand tenants in Worthing. The terms of the agreement were that Adur and Worthing Councils maintained oversight of the process, conducted a review after 6 months and returned after 12 months, to this committee to report on the outcome of the pilot.

3.3 The delegation of power was formally ratified at the end of February 2020, however, just a few weeks later, the UK saw the introduction of a national lockdown in response to the Covid-19 pandemic. As a consequence, Worthing Homes officers needed to focus their efforts on supporting their most vulnerable tenants to access food, medication and financial support.

3.4 The significant impact of the pandemic has impacted on Worthing Homes' ability to prioritise the low level anti social behaviour or nuisance that is addressed by the use of the Community Protection Warning and Notice. However, Worthing Homes did request use of the power for 2 cases with the following outcomes:

3.4.1 Case 1: Worthing Homes requested a Community Protection Warning (CPW) for a tenant causing nuisance due to obstructing communal areas and also through erecting an unsafe structure. Following consultation with the Early Help and Wellbeing Lead and Legal Services, we agreed the wording and the CPW was issued to the tenant. This has somewhat improved the situation without prompting enforcement action.

3.4.2 Case 2: Worthing Homes requested a Community Protection Warning for a tenant who caused nuisance for neighbours due to the behaviour of her partner and visitors. The Early Help and Wellbeing Lead highlighted concerns about the approach due to the possibility

of domestic abuse and/or the possibility that the tenant was a victim of cuckoo-ing. Instead, a problem solving meeting was held and it was agreed that agencies should further explore the tenant's support needs before agreeing to a course of action. Due to a rapid escalation in anti social behaviour which threatened the safety and wellbeing of the wider community, Worthing Homes decided to pursue an injunction to prevent
visitors to the property. Worthing Homes and partner agencies continue to support the tenant in her property.

3.5 In November 2020, The Early Help and Wellbeing Lead held a review of Worthing Homes' use of the power and how the partnership approach to agreeing when and how the power is used. Due to the issues noted above, it has not been possible for Worthing Homes to make full use of the delegated power. However, anti social behaviour has increased across the UK as more people spend time in close proximity to neighbours with fewer distractions and increased pressures. This makes it more important than ever that all agencies have the appropriate tools to effectively tackle anti social behaviour and nuisance through early intervention.

4. Issues for consideration

4.1 Due to the demands of the pandemic, the previous pilot for trialling these powers was not representative of how this arrangement might work on a long term basis. Both Worthing Homes and the Early Help and Wellbeing Lead believe that there is scope for this arrangement to prevent and reduce anti-social behaviour. Members are therefore asked to extend the delegation of powers to Worthing Homes for a further 12 months to fully assess it's impact in tackling anti-social behaviour and nuisance.

5. Engagement and Communication

5.1 This report follows a review and consultation with Worthing Homes Officers who have either used or would like to use the delegated power to issue Community Protection Notices and Orders.

5.2 All partners who attend the multi agency Anti Social Behaviour Risk Assessment Conference have had the opportunity to comment on the use of the powers. These partners include Sussex Police, Sussex Partnership

Foundation Trust Community Mental Health Team and West Sussex Victim Support Hate Crime Service.

6. Financial Implications

6.1 There will not be a direct financial cost to the council as any legal enforcement work undertaken will be charged to Worthing Homes.

7. Legal Implications

7.1 This complies with the The Anti Social Behaviour, Crime and Policing Act 2014 to prevent and tackle anti-social behaviour.

Background Papers
January 2020 Joint Strategic Committee Report
https://docs.google.com/document/d/1gl5qrPwWmo3Ulfow6BqobCIlCz5XZIBrTVMZ2uxFBVc/edit

The Anti Social Crime and Disorder Act 2014

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Sustainability & Risk Assessment

1. Economic

The use of all ASB tools and powers contributes to the perception of Adur and Worthing as safe and vibrant spaces to invest and spend time in.

2. Social

2.1 Social Value

Communities will benefit from safer spaces, increasing interventions will address behaviour that threatens stability of housing and community cohesion.

2.2 Equality Issues

We have considered and discussed the possible impact this power will have on vulnerable tenants housed by Worthing Homes. The original report details the safeguards that have been developed to mitigate these risks. These safeguards will remain in place for any period that Worthing Homes holds the delegated power.

2.3 Community Safety Issues (Section 17)

Extending the delegation of this power to Worthing Homes will enhance Community Safety by increasing the range of agencies who can tackle antisocial behaviour and nuisance in our communities.

2.4 Human Rights Issues

- The Council must ensure that the powers afforded by the ASB, Crime and Policing Act are used responsibly and proportionately, and only where necessary to protect the public.
- Due regard must be had of the Equalities Act 2010. The powers must not be directly or indirectly discriminatory. Consideration should be given to certain groups of persons who may be disproportionately affected, .e.g. vulnerable persons, persons living in poverty and travellers.
- The powers should not restrict rights protected under the Human Rights Act , in particular Article 8, the right to a private and family life, Article 10, the right to freedom of expression and Article 11,the right to freedom of assembly and association.
- Wherever proposals for an Order have the potential to impinge on the rights under articles 10 and 11, consideration must be given as to how to demonstrate that they satisfy the requirements of paragraph 2 in each of the articles

3. Environmental

Extending the powers to Worthing Homes will ensure more community spaces can be protected from the harmful impact of anti social behaviour.

4. Governance

Extending the delegation of powers to Worthing Homes will support the Social Economies commitment to:

'Develop and deliver projects to support and enforce the prevention and reduction in antisocial behaviour' .

ADUR & WORTHING
COUNCILS

Key Decision: [~~Yes~~/No]

Ward(s) Affected: All Worthing

Referral of Motion on Notice from Worthing Borough Council

Report by the Director for Communities

1. Purpose

1.1. This report sets out a motion (attached as Appendix 1) referred from the meeting of Worthing Borough Council on the 15th December 2020.

1.2. Members of the Joint Strategic committee are asked to consider and determine the Motion.

1.3. Members can either support the motion and ask for further work to be carried out in this regard, or, members can reject the motion.

2. Recommendations

2.1. That the Joint Strategic Committee support the motion and determine how further work is carried out; or,

2.2. That the Joint Strategic Committee reject the motion.

3. Context

3.1. At its meeting on the 15th December 2020, Worthing Borough Council received a motion from Councillor Carl Walker, seconded by Councillor Sally Smith, details of which can be found at Appendix 1.

3.2 The motion submitted to Council contained subject matter that is within the remit of the Joint Strategic Committee, as defined in para 14.4.1 of the Council’s Procedure Rules. Therefore, it was moved and seconded, immediately noted by the Council and referred without debate to the Joint Strategic Committee for consideration and determination.

3.3 Where a motion has been referred by Full Council to the Joint Strategic Committee, the mover, or the seconder in the absence of the mover, shall be entitled to attend the relevant meeting of the Executive and explain the motion. Councillor Carl Walker has been made aware that the motion has been referred to this Committee.

4. Issues for consideration

4.1 The Joint Strategic Committee can either support or reject the motion.

4.2 Should the Joint Strategic Committee support the motion, then the Committee should ask Officers to prepare a further report on the substantive issues to be presented at a future meeting of the JSC.

5. Financial Implications

5.1 There may be direct financial implications in future depending on the course of action the Joint Strategic Committee wishes to take.

6. Legal Implications

6.1 Rules concerning motions are set out in the Council’s Constitution under paragraph 14 of the Council’s Procedure Rules.

Background Papers
Motion to Worthing Borough Council on the 15th December 2020

Officer Contact Details:-
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neil.terry@adur-worthing.gov.uk

Appendix 1

Motion from Cllr Walker regarding Children’s Mental Health

This council notes

- The recent LGA report showing that 11.2 per cent of the 5 to 15 population has a mental health condition – up from 9.6 per cent in 2004 – with referrals to Child and Adolescent Mental Health services (CAMHS) having increased by around 26 per cent in 5 years
- The LGA report suggesting factors contributing to this rise in prevalence include increasing levels of poverty among children and young people; the growth in Special Education Needs; rising levels of family dysfunction possibly associated with pressures on housing, employment and other societal factors; and pressures on young people which contribute to anxiety including social media and an increasingly academic and examinations-oriented curriculum.
- Children’s mental health remains significantly underfunded compared with either children’s physical health or adults’ mental health. A CQC report suggests that in recent years there has been a marked reduction in funding for children and young people’s mental health services.
- That according to the recent LGA report, children are being driven into NHS services that treat mental illness because the system and funding prioritise treatment rather than the early support and preventative services that help children have mentally healthy childhoods.
- The Children and Young People’s Mental Health Coalition developed a policy and practice manifesto to improve children and young people’s mental health and emphasised the need to develop innovative preventative policies and practices that reduce inequalities in mental health support and improve emotional literacy.
- The Mental Health Foundation has recently recognised the need to identify communities and individuals at greatest risk, develop coproduction with communities, and develop local programmes that promote improved mental health literacy within communities and to enable access to peer support and self-management.
- A recent Health Profile of Worthing by Public Health England has identified improving community approaches to mental health as a local priority. Hospital stays for CYP self-harm are worse than the national average.
- Evidence compiled by the Children’s Commissioner, the Education Policy Institute and others on levels of unmet need that is compelling. Beyond underfunding, three key systemic challenges are the complexity and fragmentation of the system contributing to a lack of clear national direction, the capacity of those delivering mental health support, reflecting both staff shortages in key professions such as educational psychology and the reduced capacity of staff in universal services such as schools or health visiting, and finally the lack of focus on early intervention.

This council agrees

- That to turn this around needs concerted and coordinated action at a national level to shift away from treating children once they are diagnosed with a mental illness towards helping them and their families cope with challenges before they escalate.
- To join the LGA in their call for the Government to provide long-term investment in essential early support and prevention services so councils can help more children to avoid reaching crisis point in the first place
- Specifically, this council will write to the government as a matter of urgency to request that they
    - Set clear targets for the whole system which incentivise the investment in earlier support and prevention and focus on achieving better mental health outcomes for all children and young people.
    - Develop a consistent outcomes-focused dataset, to be used across local government and CCGs to measure progress against the targets.
    - Set clearer expectations around strategic cooperation between CCGs and local government for children's mental health and give greater leverage to health and wellbeing boards to ensure that this is acted upon.
    - Move away from pilot funding and ring-fenced grants to recurrent funding, giving more flexibility to local partnerships to develop solutions that build on their local context.
    - Develop clearer specifications for the effective commissioning of universal mental health provision.
    - Create stronger expectations of joined up planning, commissioning and delivery between children and adults' mental health, with a core focus on supporting families holistically and managing transition for young people between adults' and children's services.
    - Review the sufficiency of the national workforce for children's psychology (EPs, CAMHS, and others) and create opportunities for joint professional training between educational psychologists and CAMHS clinicians.
    - Consider how the national curriculum and school accountability system might be geared to encourage more secure development of good mental health and to minimise the current rise in anxiety-related issues.
    - Research and promote best practice in working with the cohort of very hard to place adolescents and those with the most complex needs being supported in their communities, including developing a best practice offer of training and support for foster carers.

Proposed by Carl Walker
Seconded by Sally Smith

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Joint Strategic Committee
9 February 2021
Agenda Item 13

Key Decision: [~~Yes~~/No]

Ward(s) Affected: All Worthing

Referral of Motion on Notice from Adur District Council

Report by the Director for Communities

1.	**Purpose**
1.1.	This report sets out a motion (attached as Appendix 1) referred from the meeting of Adur District Council on the 17th December 2020.
1.2.	Members of the Joint Strategic committee are asked to consider and determine the Motion.
1.3.	Members can either support the motion and ask for further work to be carried out in this regard, or, members can reject the motion.

2.	**Recommendations**
2.1.	That the Joint Strategic Committee support the motion and determine how further work is carried out; or,
2.2.	That the Joint Strategic Committee reject the motion.

3. Context

3.1. At its meeting on the 17th December 2020, Adur District Council received a motion from Councillor Lavinia O'Connor, seconded by Councillor Debs Stainforth, details of which can be found at Appendix 1.

3.2 The motion submitted to Council contained subject matter that is within the remit of the Joint Strategic Committee, as defined in para 14.4.1 of the Council's Procedure Rules. Therefore, it was moved and seconded, immediately noted by the Council and referred without debate to the Joint Strategic Committee for consideration and determination.

3.3 Where a motion has been referred by Full Council to the Joint Strategic Committee, the mover, or the seconder in the absence of the mover, shall be entitled to attend the relevant meeting of the Executive and explain the motion. Councillor Lavinia O'Connor has been made aware that the motion has been referred to this Committee.

4. Issues for consideration

4.1 The Joint Strategic Committee can either support or reject the motion.

4.2 Should the Joint Strategic Committee support the motion, then the Committee should ask Officers to prepare a further report on the substantive issues to be presented at a future meeting of the JSC.

5. Financial Implications

5.1 There may be direct financial implications in future depending on the course of action the Joint Strategic Committee wishes to take.

6. Legal Implications

6.1 Rules concerning motions are set out in the Council's Constitution under paragraph 14 of the Council's Procedure Rules.

Background Papers
Motion to Adur District Council on the 17th December 2020

Officer Contact Details:-
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Appendix 1

Motion from Cllr O'Connor regarding Children's Mental Health

This council notes

- The recent LGA report showing that 11.2 per cent of the 5 to 15 population has a mental health condition – up from 9.6 per cent in 2004 – with referrals to Child and Adolescent Mental Health services (CAMHS) having increased by around 26 per cent in 5 years
- The LGA report suggesting factors contributing to this rise in prevalence include increasing levels of poverty among children and young people; the growth in Special Education Needs; rising levels of family dysfunction possibly associated with pressures on housing, employment and other societal factors; and pressures on young people which contribute to anxiety including social media and an increasingly academic and examinations-oriented curriculum.
- Children's mental health remains significantly underfunded compared with either children's physical health or adults' mental health. A CQC report suggests that in recent years there has been a marked reduction in funding for children and young people's mental health services.
- That according to the recent LGA report, children are being driven into NHS services that treat mental illness because the system and funding prioritise treatment rather than the early support and preventative services that help children have mentally healthy childhoods.
- The Children and Young People's Mental Health Coalition developed a policy and practice manifesto to improve children and young people's mental health and emphasised the need to develop innovative preventative policies and practices that reduce inequalities in mental health support and improve emotional literacy.
- The Mental Health Foundation has recently recognised the need to identify communities and individuals at greatest risk, develop coproduction with communities, and develop local programmes that promote improved mental health literacy within communities and to enable access to peer support and self-management.
- Evidence compiled by the Children's Commissioner, the Education Policy Institute and others on levels of unmet need that is compelling. Beyond underfunding, three key systemic challenges are the complexity and fragmentation of the system contributing to a lack of clear national direction, the capacity of those delivering mental health support, reflecting both staff shortages in key professions such as educational psychology and the reduced

capacity of staff in universal services such as schools or health visiting, and finally the lack of focus on early intervention.

This council agrees

• That to turn this around needs concerted and coordinated action at a national level to shift away from treating children once they are diagnosed with a mental illness towards helping them and their families cope with challenges before they escalate.
• To join the LGA in their call for the Government to provide long-term investment in essential early support and prevention services so councils can help more children to avoid reaching crisis point in the first place
• Specifically, this council will write to the government as a matter of urgency to request that they

o Set clear targets for the whole system which incentivise the investment in earlier support and prevention and focus on achieving better mental health outcomes for all children and young people.
o Develop a consistent outcomes-focused dataset, to be used across local government and CCGs to measure progress against the targets.
o Set clearer expectations around strategic cooperation between CCGs and local government for children's mental health and give greater leverage to health and wellbeing boards to ensure that this is acted upon.
o Move away from pilot funding and ring-fenced grants to recurrent funding, giving more flexibility to local partnerships to develop solutions that build on their local context.
o Develop clearer specifications for the effective commissioning of universal mental health provision.
o Create stronger expectations of joined up planning, commissioning and delivery between children and adults' mental health, with a core focus on supporting families holistically and managing transition for young people between adults' and children's services.
o Review the sufficiency of the national workforce for children's psychology (EPs, CAMHS, and others) and create opportunities for joint professional training between educational psychologists and CAMHS clinicians.
o Consider how the national curriculum and school accountability system might be geared to encourage more secure development of good mental health and to minimise the current rise in anxiety-related issues.

o Research and promote best practice in working with the cohort of very hard to place adolescents and those with the most complex needs being supported in their communities, including developing a best practice offer of training and support for foster carers.

Proposed by Councillor Lavinia O’Connor
Seconded by Councillor Debs Stainforth

Joint Strategic Committee
9 February 2021
Agenda Item 14

ADUR & WORTHING
COUNCILS

Key Decision: [~~Yes~~/No]

Ward(s) Affected: All Worthing

Referral of Motion on Notice from Adur District Council

Report by the Director for Communities

1. Purpose

1.1. This report sets out a motion (attached as Appendix 1) referred from the meeting of Adur District Council on the 17th December 2020.

1.2. Members of the Joint Strategic committee are asked to consider and determine the Motion.

1.3. Members can either support the motion and ask for further work to be carried out in this regard, or, members can reject the motion.

2. Recommendations

2.1. That the Joint Strategic Committee support the motion and determine how further work is carried out; or,

2.2. That the Joint Strategic Committee reject the motion.

3. Context

3.1. At its meeting on the 17th December 2020, Adur District Council received a motion from Councillor Debs Stainforth, seconded by Councillor Lavinia O'Connor, details of which can be found at Appendix 1.

3.2 The motion submitted to Council contained subject matter that is within the remit of the Joint Strategic Committee, as defined in para 14.4.1 of the Council's Procedure Rules. Therefore, it was moved and seconded, immediately noted by the Council and referred without debate to the Joint Strategic Committee for consideration and determination.

3.3 Where a motion has been referred by Full Council to the Joint Strategic Committee, the mover, or the seconder in the absence of the mover, shall be entitled to attend the relevant meeting of the Executive and explain the motion. Councillor Debs Stainforth has been made aware that the motion has been referred to this Committee.

4. Issues for consideration

4.1 The Joint Strategic Committee can either support or reject the motion.

4.2 Should the Joint Strategic Committee support the motion, then the Committee should ask Officers to prepare a further report on the substantive issues to be presented at a future meeting of the JSC.

5. Financial Implications

5.1 There may be direct financial implications in future depending on the course of action the Joint Strategic Committee wishes to take.

6. Legal Implications

6.1 Rules concerning motions are set out in the Council's Constitution under paragraph 14 of the Council's Procedure Rules.

Background Papers
Motion to Adur District Council on the 17th December 2020

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Appendix 1

Motion from Cllr Stainforth regarding the declaration of a Poverty Emergency

This Council declares a Poverty Emergency Covid-19 has hit us hard. We will feel the recession and after-shocks for some time. The July 2020 Council report, "And then …." Bouncing back in post pandemic Adur and Worthing; stated this clearly.

We note this Council's outstanding work, often in solidarity with the community, to support local people during the pandemic.

The Council commit to treating poverty in Adur as an emergency and will lead the development of a Poverty Emergency Strategy, with partners and the Community, which will address both the local causes, and the wide ranging impacts of poverty.

As part of this strategy we commit to establishing a Poverty Reduction Advisory Group. This independent group will advise the council on policy and practice related to local poverty reduction and prevention. The key principles guiding the Advisory Group's work will be:

● Ensuring equal opportunities for involvement between community leaders and other stakeholders. This should include the "Hear My Voice" initiative - Adur and Worthing Poverty Truth Commission.
● Developing a constructive conversation on poverty prevention between residents of the Borough and the Council/partner agencies.
● Using data, analysis and evaluation to agree priorities and drive work more widely across the Council and with partner agencies.
● Draw on best practice in poverty reduction initiatives around the UK to influence poverty reduction policy and practice in the Adur District.
● Develop interventions to address the multiple causes of poverty in the Adur District and reduce their impact.
● Adopt a de-stigmatising and educational approach, acknowledging the broad demographic facing poverty since the pandemic.

Proposed by Councillor Debs Stainforth
Seconded by Councillor Lavinia O'Connor