



**Communities Directorate**

14 November 2014

## **Joint Governance Committee**

**Date: 25 November 2014**

**Time: 6:30pm**

**Venue: Gordon Room, Town Hall, Worthing**

**Adur District Council:** Councillors Rod Hotton (Chairman), Ann Bridges, Carson Albury, Emily Hilditch, David Donaldson, James Butcher, Paul Graysmark and Barry Mear

**Worthing Borough Council:** Councillors Noel Atkins (Chairman), Elizabeth Sparkes, Sean McDonald, Mark Nolan, Luke Proudfoot, Louise Murphy, Bob Smytherman and Hazel Thorpe

## **Agenda**

### **Part A**

#### **1. Declarations of Interest**

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 Governance and Audit Committee meeting held on 23<sup>rd</sup> September 2014, copies of which have been previously circulated.

**3. Public Question Time**

To receive any questions from members of the public.

*(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. Annual Audit Letters**

To consider a report by the External Auditor, copy attached as item 5.

**6. Half Yearly Joint Treasury Management In-House Operations Report for Adur District Council and Worthing Borough Councils 1 April – 30 September 2014**

To consider a report by the Director for Digital and Resources, copy attached as item 6.

**7. Local Government Ombudsman's Annual Review**

To consider a report by the Director for Customer Services, copy attached as item 7.

**Part B - Not for Publication – Exempt Information Reports**

None.

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For Democratic Services enquiries relating to this meeting please contact:

Neil Terry  
Senior Democratic Services Officer  
01903 221073  
[neil.terry@adur-worthing.gov.uk](mailto:neil.terry@adur-worthing.gov.uk)

For Legal Services enquiries relating to this meeting please contact:

Caroline Perry  
Solicitor  
01903 221086  
[caroline.perry@adur-worthing.gov.uk](mailto:caroline.perry@adur-worthing.gov.uk)

The agenda and reports are available on the Councils website, please visit [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)

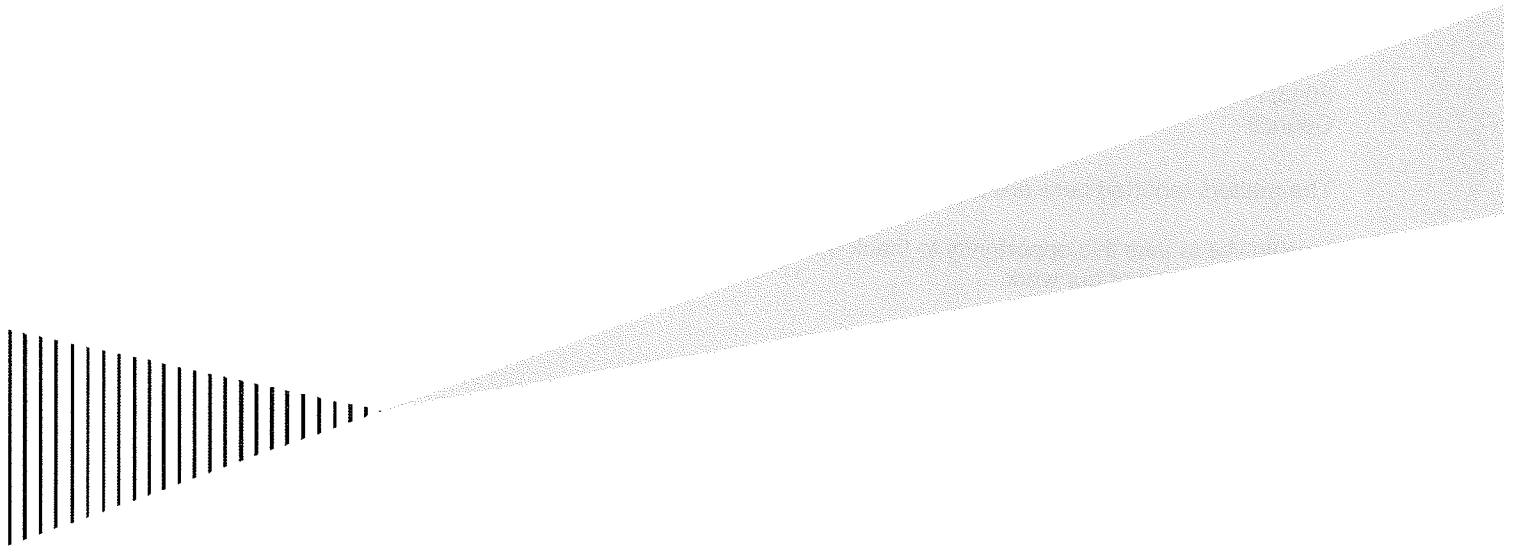
# Adur District Council

Year ending 31 March 2014

Annual Audit Letter

29 October 2014

Ernst & Young LLP





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Wessex House  
19 Threefield Land  
Southampton SO14 3QB

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The Members  
Adur District Council  
Adur Civic Centre  
Ham Road  
Shoreham-by-Sea  
West Sussex BN43 6PR

29 October 2014

Dear Members,

## Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Adur District Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Adur District Council in the following report:

2013/14 Audit results report for Adur District Council

Issued 23/09/14

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Adur District Council for their assistance during the course of our work.

Yours faithfully

K.L. Handy  
For and behalf of Ernst & Young LLP  
Enc

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The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 12 June 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Reviewing the Annual Governance Statement;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Adur District Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 29/09/14 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 29/09/14 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Joint Governance and Audit Committee) communicating significant findings resulting from our audit.	On 23/09/14 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 02/10/14.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.

Executive summary

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Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 02/10/14 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.	This will be issued on completion of the 2013/14 certification work.

---

## 2. Key findings

### 2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 29/09/14.

In our view, the quality of the process for producing the accounts, including the supporting working papers was appropriate.

The main issues identified as part of our audit were:

#### Fraud risk

---

**As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.**

---

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, and did not identify any instances that suggested management override.

We also reviewed accounting estimates for evidence of management bias; and did not identify any evidence of this.

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#### Non-domestic rates

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**The new system of local retention of business rates assumes authorities will receive their baseline funding level as income. If they receive more or less, there may be additional disclosures and accounting entries required.**

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**Additionally, where rating appeals are successful, the liability now falls on local authority funds both for claims made during the financial year and for those relating to periods before the introduction of the business rates retention scheme.**

---

We reviewed how the Council managed the change process, whether the accounting entries for local retention of business rates were correct, and whether the provision was compliant with ISA 37 requirements.

We concluded the Council had managed the change process appropriately and accounted for the local retention of business rates correctly but had not included a figure for future appeals not yet notified. Further work was undertaken by the Council but the accounts were not amended, as the value identified was not considered material. We agreed that the provision met IAS37 criteria.

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### 2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.



We issued an unqualified value for money conclusion on 29/09/14. We noted the following issues as part of our audit.

### **Medium-term financial planning**

**Alongside ongoing financial pressures set out in the public sector spending review, funding is increasingly likely to involve targeted funding aimed at specific outcomes, and greater reliance on local resources, particularly those from business rates. This increases the potential for volatility in Council finances and the importance of robust medium term financial forecasting**

Overall we were satisfied that both long and short-term financial management of the Council is soundly based. The Council has a good track record of robust financial management.

The 2013/14 outturn was significantly better than planned, with a reported £539k underspend.

We concluded the Council's arrangements for setting the 2014/15 budget were appropriate. Budget papers clearly identified the financial pressures faced and the Council has identified the £0.7mn of savings needed to deliver a balanced budget.

Looking to medium-term sustainability, we concluded that the Medium Term Financial Plan and budget setting narrative was sound and, based on analysis of the financial outlook, is considered fairly stated. In delivering this, the Council will need to balance the challenge of delivering the savings/cuts needed against nurturing the drivers of future sustainability.

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## **2.3 Objections received**

We did not receive any objections to the 2013/14 accounts from members of the public.

## **2.4 Use of other powers**

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

## **2.5 Whole of government accounts**

We reported to the National Audit office on 02/10/14 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

## **2.6 Annual governance statement**

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and, agreed a number of amendments with the Council.

## **2.7 Certification of grants claims and returns**

We will issue the Annual Certification Report for 2013/14 in December 2014.

### **3. Control themes and observations**

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicate to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We did not identify any deficiencies during the audit that we concluded were of sufficient importance to merit being reported.

## 4. Audit fees

A breakdown of our fee is shown below.

	Final fee 2013/14 £	Planned fee 2013/14 £	Scale fee 2013/14 £
<b>Total Audit Fee – Code work</b>	<b>63,262</b>	<b>63,262</b>	<b>63,262</b>
Certification of claims and returns <sup>1</sup>		12,035	12,035

Our actual fee is in line with the agreed fee.

We undertook no non-audit work at the Council in 2013/14.

Notes:

<sup>1</sup> Our fee for certification of grants and claims is yet to be finalised for 2013/14. We plan to report this to those charged with governance in January 2015 within our Annual Certification Report for 2013/14.

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# Worthing Borough Council

Year ending 31 March 2014

Annual Audit Letter

29 October 2014

Ernst & Young LLP





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Chapel Road  
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Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 02/10/14 we issued our audit completion certificate.
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## 2. Key findings

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In our view, the quality of the process for producing the accounts, including the supporting working papers was appropriate.

The main issues identified as part of our audit were:

#### Fraud risk

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**As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.**

---

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, and did not identify any instances that suggested management override.

We also reviewed accounting estimates for evidence of management bias; and did not identify any evidence of this.

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#### Non-domestic rates

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The new system of local retention of business rates assumes authorities will receive their baseline funding level as income. If they receive more or less, there may be additional disclosures and accounting entries required.

Additionally, where rating appeals are successful, the liability now falls on local authority funds both for claims made during the financial year and for those relating to periods before the introduction of the business rates retention scheme.

---

We reviewed how the Council managed the change process, whether the accounting entries for local retention of business rates were correct, and whether the provision was compliant with ISA 37 requirements.

We concluded the Council had managed the change process appropriately and accounted for the local retention of business rates correctly but had not included a figure for future appeals not yet notified. Further work was undertaken by the Council and the accounts were amended to reflect an estimate of £189,000. We agreed that the provision met IAS37 criteria.

---

### 2.2 Value for money conclusion

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- ▶ The organisation has proper arrangements in place for securing financial resilience; and
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#### **Medium-term financial planning**

**Alongside ongoing financial pressures set out in the public sector spending review, funding is increasingly likely to involve targeted funding aimed at specific outcomes, and greater reliance on local resources, particularly those from business rates. This increases the potential for volatility in Council finances and the importance of robust medium term financial forecasting.**

We considered the Council's arrangements for setting the 2014/15 budget were appropriate. Budget papers clearly identified the financial pressures faced and the Council had identified the £1.4mn of savings needed to deliver a balanced budget.

Similarly, medium term financial planning was considered fit-for-purpose. It recognises the uncertainty caused by ongoing changes to funding, and makes sensible assumptions about their impact. The view to 2015/16 appears manageable, but becomes more challenging from 2016/17.

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#### **National Car Parks**

**The Council has settled a long-running legal dispute with National Car Parks. We received several communications questioning the robustness of the processes the Council followed in settling this dispute.**

Our review of the legal dispute with NCP focused on whether the use of urgency powers was appropriate and that they were exercised in accordance with the Council's constitution. While it is possible this could have been resolved earlier in the life of the dispute, and have been better communicated to Members, we concluded the new Chief Executive acted promptly and appropriately to resolve a long drawn out issue. Legal advice was sought and followed, and the use of urgency powers was within the Council's constitution. We are satisfied the Council has learned from this and strengthened procurement and contracting arrangements accordingly.

### **2.3 Objections received**

We did not receive any objections to the 2013/14 accounts from members of the public.

### **2.4 Use of other powers**

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

### **2.5 Whole of government accounts**

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We will issue the Annual Certification Report for 2013/14 in December 2014.

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## 4. Audit fees

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Certification of claims and returns <sup>1</sup>		10,912	10,912

Our actual fee is in line with the agreed fee.

We undertook no non-audit work at the Council in 2013/14.

Notes:

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# Adur and Worthing Joint Committee

Year ending 31 March 2014

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Ernst & Young LLP



Building a better  
working world



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Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
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## 2. Key findings

### 2.1 Financial statement audit

We audited the Committee's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 29/09/14.

In our view, the quality of the process for producing the accounts, including the supporting working papers was appropriate.

The main issues identified as part of our audit were:

#### Fraud risk

**As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.**

We found no evidence that controls had been over-ridden by management, or that estimates reflected any management bias, and we did not identify any unusual transactions.

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### 2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on:

- ▶ Reviewing the Joint Committee's Annual Governance Statement;
- ▶ Reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- ▶ Undertaking other local risk-based work, as appropriate or any other work mandated by the Audit Commission.

Our work on the Annual Governance Statement identified the need to include additional disclosures to comply with CIPFA/SOLACE guidance, which were added to the Statement.

We issued an unqualified value for money conclusion on 29/09/14.

### 2.3 Objections received

We did not receive any objections to the 2013/14 accounts from members of the public.

### 2.4 Use of other powers

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

### **3. Control themes and observations**

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicate to those charged with governance at the Committee, as required, significant deficiencies in internal control.

We did not identify any deficiencies during the audit that we concluded were of sufficient importance to merit being reported.

Audit fees

## 4. Audit fees

A breakdown of our fee is shown below.

	Final fee 2013/14 £	Planned fee 2013/14 £	Scale fee 2013/14 £
<b>Total Audit Fee – Code work</b>	<b>22,547</b>	<b>22,547</b>	<b>22,547</b>

Our actual fee is in line with the agreed fee

We undertook no non-audit work for the Committee in 2013/14.

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**JOINT HALF YEAR IN-HOUSE TREASURY MANAGEMENT OPERATIONS REPORT  
1 APRIL – 30 SEPTEMBER 2014 FOR ADUR DISTRICT COUNCIL AND  
WORTHING BOROUGH COUNCIL**

**REPORT BY DIRECTOR OF DIGITAL AND RESOURCES**

**1.0 SUMMARY**

- 1.1 This report presents the treasury management portfolio position for the halfway point of the 2014/15 financial year for both Adur District Council and Worthing Borough Council.
- 1.2 The Councils operate a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in approved counterparties, providing security foremost, adequate liquidity, then a yield commensurate with going market rates at the time of investment.
- 1.3 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 is to ensure the Councils can meet their capital spending operations.

**2.0 BACKGROUND**

- 2.1 The presentation of this Report complies with the requirements of the CIPFA Treasury Management Code of Practice (The Code), and also the reporting arrangements contained within the Councils' approved Joint Treasury Management Practices (TMP's).
- 2.2 The purpose of this Report is to inform members of the treasury management position and performance in the first half of the financial year compared against the position expected at the start of the year as reported within the Joint Treasury Management Strategy Statement and Annual Investment Strategy.
- 2.3 The main contents of the report are:
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy (Section 3);
  - The Council's overall portfolio position (Section 5);
  - The Councils' capital expenditure (Section 4), and prudential indicators (Appendix 2);
  - A review of the Councils' borrowing outturn and debt restructuring during 2014/15 (Section 6);

## **2.0 BACKGROUND**

- A review of the Councils' investment outturn during 2014/15 (Section 7);
- Other issues – additional counterparties for the approved investment list, and an update on the Councils' investment in the Local Government Association Municipal Bonds Agency (Section 8).
- An economic update for the first six months of 2014/15 – Appendix 1

## **3.0 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE**

- 3.1 The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by the Joint Strategic Committee on 6<sup>th</sup> February 2014. The Strategy approved contained the general expectation for the base interest rate to remain constant at 0.50% until March 2016, at which point a quarter per cent increase may be forthcoming – resulting in an eventual trend of gently rising gilt yields and PWLB rates.
- 3.2 The commentary provided in Appendix 1 by the Councils' joint treasury management consultants Capita Treasury Solutions (formerly Capita Asset Services Ltd) recognises signs of improving economic growth and a projected earlier increase in interest rates than previously reported in the Councils' Strategy. The current expectation is of a 0.25% base rate increase in June 2015, 15 months earlier than contained in the Strategy.
- 3.3 The returns on investment up to 30 September 2014 equate to 0.53% for Worthing and 0.79% for Adur, compared to budgeted returns of 1.47%. However, borrowing costs have also fallen to below budget, resulting in some offset to the interest foregone on investments. But this has only benefited Worthing, as Adur has not undertaken any new borrowing in 2014/15 (See Section 6 Borrowing Outturn).
- 3.4 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes.

## **4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2014/15**

- 4.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or
  - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. This is known as 'unfinanced' capital expenditure.



#### 4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2014/15

4.2 Capital expenditure forms one of the required prudential indicators. The expected capital expenditure outturn position for 2014/15 based on actual spend to 30 September is compared to the original estimate thus:

<b>Adur DC - Capital Expenditure</b>	<b>2014/15 Original Estimate</b>	<b>2014/15 Revised Estimate at 30 Sep'14</b>
	<b>£m</b>	<b>£m</b>
General Fund	6.495	6.016
HRA	4.176	4.754
<b>Total Capital Expenditure</b>	<b>10.671</b>	<b>10.770</b>
<b>Resourced By:</b>		
Capital Receipts	0.373	0.123
Major Repairs Reserve	2.861	3.915
Capital Grants and Contributions	1.499	1.251
Revenue Reserves and Contributions	1.032	0.818
Unfinanced Capital Expenditure	4.906	4.663

<b>Worthing B.C. - Capital Expenditure</b>	<b>2014/15 Original Estimate</b>	<b>2014/15 Revised Estimate at 30 Sep'14</b>
	<b>£m</b>	<b>£m</b>
General Fund	6.186	4.435
HRA	-	-
<b>Total Capital Expenditure</b>	<b>6.186</b>	<b>4.435</b>
<b>Resourced By:</b>		
Capital Receipts	0.332	0.012
Capital Grants and Contributions	0.705	0.887
Revenue Reserves and Contributions	0.411	0.403
Unfinanced Capital Expenditure	4.738	3.133

4.3 Total actual capital expenditure as at 30 September 2014 is as follows:-

- Adur                    £2.2m                    representing 20.5% of budget
- Worthing            £0.95m                    representing 21.5% of budget

#### 4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2014/15

4.4 Unfinanced capital expenditure that is expected expenditure to be funded from borrowing for Adur and Worthing, is estimated to be £4.7m and £3.1m respectively. Any unfinanced capital expenditure results in an increase to the Councils' Capital Financing Requirement, and the need to borrow and make Minimum Revenue Provisions (MRP). This is explained further in Paragraph 5.13 below.

#### 5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30 SEPTEMBER 2014

5.1 The Councils' debt and investment position is organised by the in-house treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

5.2 The beginning and half year 2014/15 treasury position for each Council is summarised in the three tables which follow, with a full breakdown of the composition for Adur at Appendix 3, and for Worthing at Appendix 4.

##### ADUR DC at 30 September 2014

Adur District Council	30-Sep-14 Principal	30-Sep-14 Total	01/04/2014 30/09/2014 Rate/Return	31-Mar-14 Principal	Total 2013/14	Rate/Return 2013/14
	£m	£m	%	£m	£m	%
Fixed rate funding:						
PWLB	59.4		3.88%	60.2		3.78%
Market	7.3		5.21%	7.3		6.20%
Variable rate funding:		66.7			67.5	
PWLB						
Market	10.7	10.7	5.15%	10.7	10.7	5.20%
Temporary Loans <1yr	0.2	0.2	0.35%			
<b>Total Debt (a)</b>		<b>77.60</b>	<b>4.17%</b>		<b>78.2</b>	<b>4.10%</b>
<b>CFR(b)</b>		<b>78.27</b>			<b>76.3</b>	
<b>Over/(under) borrowing (a-b)</b>		<b>-0.67</b>			<b>1.90</b>	
Investments						
Long Term	2.0		1.90%	2.0		1.90%
Short Term	18.1		0.69%	16.1	18.1	0.98%
		20.1				
<b>Total Investments (c)</b>		<b>20.1</b>	<b>79%</b>		<b>18.1</b>	<b>0.98%</b>
<b>Net Debt (a-c)</b>		<b>57.5</b>			<b>60.1</b>	

## 5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30 September 2014

- 5.4 The reduction in Adur's net indebtedness of £2.6m since the start of the year is due to the half year repayment of HRA debt (£0.8m) for self-financing, plus the increase in investment balances (£2m), less Lancing Parish Council precepts (-£0.2m)
- 5.5 The underlying need to borrow (as measured by the CFR) is estimated to be approximately £78.3m, based on the opening year position, plus unfinanced capital expenditure less provisions for MRP.
- 5.6 The comparison above of actual debt at 30 September with the expected CFR results in an under borrowing position of just £573k, compared to an over-borrowed position of £1.9m at 31 March 2014. The reduction principally reflects the proposed application of £2.5m minimum revenue provisions to repay long term debt, and the use of internal borrowing to meet any further unfinanced capital expenditure during the rest of this year.

### HRA and General Fund Overall Borrowing Need

- 5.7 In recognition of the introduction of the HRA Self-financing Regime the treasury management policy for 2012/13 onwards contains a requirement to account for HRA and General Fund debt separately.
- 5.8 Consequently the respective debt positions of the HRA and General Fund for Adur is compared to CFR as follows:

Adur Council	HRA	General Fund	TOTAL
	£m	£m	£m
Long Term Debt at 1 April 2014	65.00	13.22	78.22
New Debt	-	0.20	0.20
Long Term Debt Repayments	(0.85)	-	(0.85)
Long Term Debt (30 Sept 2014)	64.15	13.42	77.57
Expected CFR (31 March 2015)	63.91	14.26	78.17
(Under)/Over Borrowed	(0.24)	0.84	0.60
<b>HRA Debt Limit</b>	68.91	N/A	
<b>HRA Borrowing Headroom</b>	5.00	N/A	

- 5.9 The table above includes the comparison of actual HRA Debt with the debt ceiling set by central government at the commencement of the Self-Financing regime. This comparison shows headroom exists for new HRA borrowing of £5m at 30 September, 2014.

## 5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30 September 2014

### Worthing BC at 30 September 2014

Worthing Borough Council	30-Sep-14 Principal	30-Sep-14 Total	01/04/2014 30/09/2014 Rate/Return	31-Mar-14 Principal	Total 2013/14	Rate/Return 2013/14
	£m	£m	%	£m	£m	%
Fixed rate funding:						
PWLB	0.8		4.36%	0.7		4.40%
Market	-			2.2		0.70%
Variable rate funding:		0.8			2.9	
Temporary Loans	15.1	15.1	0.48%	11.8	11.8	0.50%
<b>Total Debt (a)</b>		<b>15.9</b>	<b>0.66%</b>		<b>14.7</b>	<b>1.69%</b>
<b>CFR(b)</b>		<b>26.0</b>			<b>23.7</b>	
<b>Over/(under) borrowing (a-b)</b>		<b>-10.1</b>			<b>-9.0</b>	
Investments						
Long Term	-	-		-	-	
	7.5	7.5	0.53%	2.7	2.7	0.70%
<b>Total Investments (c)</b>		<b>7.5</b>	<b>0.53%</b>		<b>2.7</b>	<b>0.70%</b>
<b>Net Debt (a-c)</b>		<b>8.4</b>			<b>12</b>	

- 5.10 For Worthing Council gross debt has increased by £1.1m since the start of the year, although the overall net indebtedness has fallen by £3.6m due an increase in investments.
- 5.11 Actual borrowing of £15.9m at the half year point compares to an expected CFR for 2014/15 of £26m, indicating an under borrowing position of £10.1m. But allowing for further expected borrowing of £3m before the year end for the capital programme, the true under-borrowed position is more likely to be in the order of £7.1m by 31 March 2015. This arises from the use of internal funds in previous years to finance capital expenditure to avoid the “cost of carry” (i.e. the difference between interest received on investments and the interest charged on new borrowing).
- 5.12 The Councils’ underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents the 2014/15 unfinanced capital expenditure and prior years’ net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources. Hence, the CFR is a gauge of the Councils’ debt position resulting from the capital activity of the Councils and what resources have been used or set aside to pay for capital expenditure.

## 5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30 September 2014

5.13 The Councils are mandatorily required to make an annual revenue charge, called the Minimum Revenue Provision (MRP) to reduce the CFR for the General Fund. This is effectively a repayment of the borrowing need. Adur Council also makes a Voluntary Revenue Provision to reduce the HRA CFR.

5.14 The Councils' 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Statement and Annual Investment Strategy Report.

## 6.0 BORROWING OUTTURN FOR 1 APRIL – 30 SEPTEMBER 2014

6.1 The borrowing outturn for both Councils is summarised thus:

### Adur District Council - Temporary Borrowing

Lender	Principal £m	Type	Interest Rate	Borrowed	Maturity
Lancing PC	0.282	Variable	LA 7 day notice (0.35%)	Call - 7 day notice	Variable

### Worthing Borough Council – Temporary Borrowing

Lender	Principal £m	Type	Interest Rate	Borrowed	Maturity
Adur District Council	0.64	Fixed Principal and Interest	0.42% & 0.39%	July & Sept' 14	Aug & Sept '14
Yorkshire Joint Committee	5.00	Fixed Principal and Interest	0.48%	June '14	June '15
Crawley Borough Council	5.00	Fixed Principal and Interest	0.45%	July '14	May '15
Hyndburn Council	2.00	Fixed Principal and Interest	0.43%	July '14	July '15

## 6.0 BORROWING OUTTURN FOR 1 APRIL – 30 SEPTEMBER 2014

### Worthing Borough Council – Temporary Borrowing

Lender	Principal £m	Type	Interest Rate	Borrowed	Maturity
West Yorkshire Police	3.00	Fixed Principal and Interest	0.55%	Sept '14	Sept '15
Rhondda Cynon Taff	3.00	Fixed Principal and Interest	0.27%	August '14	August '14
Worcester- shire County Council	3.00	Fixed Principal and Interest	0.30%	July '14	August '14

6.3 Worthing obtained 7 new loans in the 6 month period totalling £21.6m, £6.6m of which was for daily cash flow purposes to cover timing differences, with £15m in respect of temporary loans that matured and were formerly obtained up to one year duration to fund the capital programme. These have been re-financed on a similar basis pending the receipt of future proceeds of expected asset sales that will replenish the Councils available funds.

6.4 For Adur Council the total cost of interest on all borrowing to 30 September 2014 amounted to £1.6m for average debt of £78.4m, equating to an average rate of 4.17%.

6.5 For Worthing Council the total cost of interest on all borrowing for the half year amounted to £55k for average debt of £16.7m, equating to an average rate of 0.66%.

### Debt Rescheduling

6.6 No debt was rescheduled during the half year for either Council.

## 7.0 INVESTMENT OUTTURN FOR HALF YEAR TO 30 SEPTEMBER 2014

### Investment Policy

7.1 The Councils' investment policy is governed by CLG guidance, and implemented in the Annual Investment Strategy and Treasury Management Practices approved by the Councils before the start of the 2014/15 financial year.

## 7.0 INVESTMENT OUTTURN FOR HALF YEAR TO 30 SEPTEMBER 2014

### Investment Policy

- 7.2 The investment policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 7.3 The investment activity during the year conformed to the approved strategy. The outturn performance of both Councils is summarised below:

Council	Average Rate of Return						Consolidated Average Rate of Return Half-Year
	Actual 1 Day	Benchmark 1 Day	Actual 3 Month	Benchmark 3 Month	Actual 1 Year	Benchmark 1 Year	
Adur	0.41%	0.35%	0.68%	0.42%	0.80%	0.88%	0.79%
Worthing	0.39%	0.35%	0.54%	0.42%	0.95%	0.88%	0.53%

- 7.4 As can be seen in the Table above, the mid year outturn for both Councils exceeded the average rate of return for all benchmarks (supplied by Capita) except for 1 year fixed deposits for Adur. For this benchmark, the return of 0.80% was just marginally below the benchmark of 0.88%, and reflects the effect of 2013/14 investments carried over into 2014/15 at lower rates than have been attainable in the current financial year. The total interest receivable from investments for Adur and Worthing at 30 September were £96k and £50k, relating to average balances of £22m and £11m respectively.

## 8.0 OTHER ISSUES

### Approved Counterparty List for Investments – Svenska Handelsbanken

- 8.1 The policy for choosing investment counterparties, is based on credit ratings provided by the three main credit rating agencies (Fitch, Standard & Poor's, and Moody's) supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 8.2 Credit and counterparty risk has fallen since the height of the global financial crisis but it remains one of the most important concerns for treasury management.
- 8.3 Members are requested to approve the addition of Svenska Handelsbanken to the Approved Counterparty List, for Adur Council. The bank is to be used for term deposits and call accounts with a maximum limit of £3m.
- 8.4 This Swedish Bank has a AA long-term rating, and has already been included on Worthing's approved investment list.

## 8.0 OTHER ISSUES

- 8.5 It is also proposed that The Local Capital Finance Company Limited is also added to the approved counterparty list of both Adur and Worthing with a maximum limit of £50,000 per council. This is to reflect the circumstances described in Paras 8.6-8.11 below concerning the Councils' investments in the Municipal Bonds Agency.

### **Update on Proposed Investment in Local Government Association Municipal Bonds Agency (MBA)**

- 8.6 The JSC meeting of 2 September, 2014 considered a report updating the progress made by the Local Government association in establishing a Municipal Bonds Agency to facilitate inter-authority lending at rates below market rates.
- 8.7 The report received approval in principle for an investment of no more than £50,000 per Council. However, the proposed level of investment was subject to further clarifications to be obtained by officers at an inaugural meeting of participating Councils to be held on 17 September, 2014
- 8.8 Consequently, delegated authority was granted by the JSC to the Chief Financial Officer, in consultation with the Cabinet Member for Resources of each Council, to make a final decision on the level of investment (if any). This was because it would not be possible for the JSC to consider the matter further before the deadline of 30 September for releasing the funds to MBA.
- 8.9 It was further agreed at the JSC meeting that any such investment that may ultimately be made into the MBA would be fully reported to the JSC at a later date. Therefore, this report advises members of the additional information obtained from the LGA at the meeting convened on 17 September, and confirms the resultant level of investment approved by the Cabinet Member for Resources of each Council.
- 8.10 The additional information obtained since the JSC Meeting of 2 September is briefly summarised as follows:

#### Initial Investment

- i) The LGA held its inaugural meeting as planned on 17 September and confirmed the actual amounts that participating Councils are required to invest into the MBA. The initial sums invested are to provide funds for Phase 1 fundraising (the "Mobilisation Phase") for which the MBA hoped to raise at least £900k. This is to be followed by a second phase of fundraising later in the year in which a further £800k is to be raised.
- ii) The Phase 1 round of fundraising has been oversubscribed by Councils such that Adur & Worthing Councils were only required to contribute a pro-rata share of the amount (i.e. £50,000 per Council) originally indicated in the letters of intent returned in July 2014. This amounted to £20,000 per Council, which was paid on 30<sup>th</sup> September 2014, following approval obtained from the Cabinet Members for Resources to invest £50,000 in total per Council. The balance of £30,000 per Council is to be paid later in the year at a date to be determined by the MBA.



## 8.0 OTHER ISSUES

### **Update on Proposed Investment in Local Government Association Municipal Bonds Agency (MBA)**

#### Phase 2 Investment Option

As part of the subscription agreement, the Councils have the option (also on a no obligation basis) to express an amount they may wish to commit to the Phase 2 fundraising exercise.

Adur and Worthing have not indicated at this point in time any commitment to invest more funds than the £50,000 approved by the JSC in the September report for Phase 1. However, this does not necessarily preclude the option to invest more funds in the future, subject to further consideration and approval by the JSC in a further report at the appropriate time.

#### Type of Investment

The nature of the investments made by the Councils is as “Ordinary Shareholder”, for which each Council has acquired 20,000 shares each, at a value of £1 per share.

On completion of the 2<sup>nd</sup> phase of fundraising the Councils are eligible to receive Bonus Shares in such number as may be required to ensure the aggregate price paid by the Councils shall be one third below the average price paid per share subscribed for in the 2<sup>nd</sup> fundraising. Thus by participating in Phase 1, the Councils have effectively secured a discount for future shares.

#### Accounting Implications

Because the investment is one of acquiring share capital in a new entity, accounting regulations require this to be treated as capital expenditure, for which corresponding capital finance is required.

The initial investment of £20,000 per Council is not presently included in the capital programme of either Council. Therefore, the respective capital programmes require modification to obtain approval for the inclusion of these sums. Given the relatively small level of expenditure, it is proposed that the capital programmes will be modified as part of the on-going quarterly budget monitoring process to be reported for quarter 3.

#### Joint & Several Liability for Losses

One of the concerns expressed at the JSC meeting of 2<sup>nd</sup> September was that by participating in the MBA, all Councils would be “jointly and severally liable for any losses” arising from the operation of the fund.

## 8.0 OTHER ISSUES

### Update on Proposed Investment in Local Government Association Municipal Bonds Agency (MBA)

#### Joint & Several Liability for Losses

The Subscription Agreement entered into by the Councils has been duly inspected and approved by Legal Services but includes a number of onerous declarations, not least of which is Paragraphs (g) & (h) which state:

- (g) *we can afford a complete loss of the investment in Subscription Shares and can afford to hold the investment in the Subscription Shares for an indefinite period of time and are acquiring the Subscription Shares subscribed for herein for investment purposes only and not with a view to distribution or resale of such Subscription Shares;*
- (h) *we understand that there are substantial risks of loss of investment incidental to the Subscription and that the value of the Subscription Shares can go down as well as up, and accordingly on disposal our Subscription Shares may not realise the full amount of our investment*

Clarification has been obtained that Joint & Several liability does not apply to investors in the MBA, only borrowing Councils. Therefore, only at the point that the Councils borrowed from the MBA would they become jointly liable for the overall liabilities of the fund. For Adur Council it may be two or more years before this position is reached as the current level of borrowing is above its Capital Financing Requirement (CFR, or the need to borrow) by close to £2m. Subject to the need to finance the Capital Programme, Worthing Council could borrow sooner, as its current indebtedness is significantly below the CFR.

Nevertheless, should the Councils opt to borrow from the MBA, it is still not entirely clear what level of exposure each Council would incur arising from the provisions for joint and several liability (as this may itself depend on the level of any default arising). However, it would be a value higher than the amount of debt held by the Councils at any time.

By way of bringing balance to the concerns raised, the MBA has pointed out that the chance of default by any participating Council is very small given that there has never been an incidence of this in the past. Moreover, the MBA justification for Joint & Several Liability is explained in the Business Case published in March 2014, which states:

*“We have conducted extensive conversations with banks and rating agencies on this point. There is a very strong consensus that a Joint & Several Guarantee will have a material impact on perceived credit quality, possibly on actual rating, and on price. Accordingly, borrowers from the Agency could have a reasonable expectation of savings of 20 to 25 basis points, under a Joint & Several Guarantee (See Section 8 for detailed calculations.) This represents our best and conservative estimate based on the discussions with the financial sector, which we have held.”*

## 8.0 OTHER ISSUES

### **Update on Proposed Investment in Local Government Association Municipal Bonds Agency (MBA)**

Furthermore, Section 7 of the Business case identifies numerous protections which may be used to ensure losses are avoided altogether or can be recovered. Briefly these are summarised thus:

*7.1.1 There are a number of elements which mitigate the risks of a call on the guarantee:*

- *The risk capital, liquidity and credit processes of the Agency*
- *Statutory and budgetary controls of Local Authorities*
- *The Prudential Code and Minimum Revenue Provision*
- *Responsibilities of Finance Directors (Section 151 officers),*
- *Access to the PWLB, and*
- *Government reserve powers*

*7.1.2 For the guarantee to be called upon, an unprecedented scenario would have to occur. In particular, both the processes of the Agency and statutory controls over the individual Local Authority finances would have failed and Government support evaporated.*

*7.1.3 Security over borrowing and the High Court process: Even if the guarantee is called upon, for the guarantors to suffer a permanent loss greater than £10,000, the receiver appointed by the High Court to administer a local authority in default, would have to be unable to recover those sums from its revenues.*

*7.1.4 Proportionality / Right of Recourse: Although the guarantee is Joint and Several, English law and the terms of the guarantee would enable authorities that are held liable under the guarantee to recover proportionate sums from other authorities who are party to the guarantee.*

8.11 In conclusion, this report confirms the part payment of £20,000 per council to the MBA as the first instalment of a total investment of £50,000. The investment has secured 20,000 ordinary shares per Council with another 30,000 shares due on payment of the balance of £30,000 per council on a date yet to be determined by the LGA. The investment will constitute capital expenditure for which revision will be required to the capital programme of each council.

## 9.0 LEGAL

9.1 Part 1 of the Local Government Act 2003 provides a legal framework of powers for and duties upon Local Authorities in relation to the borrowing of money and capital finance.

## **9.0 LEGAL**

- 9.2 The Local Authorities (Capital Finance and Accounting) (England) Regulation 2003 provide additional legislative guidance, including, the duty to have regard to the code of practice entitled the “Prudential Code for Capital Finance in Local Authorities” published by CIPFA, as amended or reissued from time to time.

## **10.0 CONCLUSIONS**

- 10.1 For both Councils, the outturn position for the 2014/15 half year was broadly in line with expectations. However, the context for treasury management activity was one of lower than anticipated interest rates for borrowing and investments than was forecast in the Treasury Management Strategy at the start of the year due to the on-going effects of the Government’s Funding for Lending Scheme and the economic climate.

## **11.0 RECOMMENDATIONS**

- 11.1 The Joint Governance and Audit Committee is recommended to:-
- a) note this report and refer any comments or suggestions to the next meeting of Joint Strategic Committee.
  - b) Agree the addition of Svenka Handelsbanken to Adur’s counterparty list with a maximum investment limit of £3m,
  - c) Agree the addition of The Local Capital Finance Company Limited (the Municipal Bonds Agency) to the Councils’ list of approved counterparties for investment purposes to facilitate proposed investments up to a limit of £50,000 per Council.
  - d) Agree to amend the list of approved non-specified investments to approve the acquisition of share capital in the MBA for an indeterminate period.

### **Background Papers:**

1. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2014/15
2. Housing Revenue Account – Budget 2013/14, to Adur Cabinet (February 2014)
3. Estimates 2014/15 and Setting of 2014/15 Council Tax, to Adur Cabinet and Worthing Cabinet (February 2014).
4. Joint Strategic Committee 2<sup>nd</sup> September, 2014, Agenda Item No: 6

**PROPOSALS TO ADVANCE LOANS TO REGISTERED SOCIAL LANDLORDS FOR HOUSING INVESTMENT & PROGRESS REPORT ON THE LOCAL GOVERNMENT ASSOCIATION PLANS FOR A MUNICIPAL BONDS AGENCY**

**Background Papers:**

5. Joint Annual Treasury Management Report 2013/14 to Joint Governance and Audit September 2014, and Joint Strategic Committee October 2014.
6. Capita Asset Services Mid Year Report Template 2014/15

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## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

1.1 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 following Council priority:

- To protect and enhance priority services.

### **2.0 SPECIFIC ACTION PLANS**

2.1 As contained within Councils' Treasury Management Strategy and Annual Investment Strategy 2014-2016/17, submitted to and approved by full Councils before the commencement of the 2014/15 financial year.

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 Matter considered and no issues identified

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 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.

### **10.0 HEALTH and SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 Matter considered and no issues identified

## ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED CAPITA ASSET SERVICES

### U.K.

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May and July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q1 or Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

## ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED CAPITA ASSET SERVICES

### U.S.

In September, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

### Eurozone

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

### China and Japan

Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.



## ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED CAPITA ASSET SERVICES

### Interest rate forecasts

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%
10yr PWLB rate	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%
25yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%
50yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%

Capita Asset Services undertook a review of its interest rate forecasts in mid August, after the Bank of England's Inflation Report. By the beginning of September, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, had caused a further flight into safe havens like gilts and depressed PWLB rates further. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2015.

Our PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows:-

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- UK strong economic growth is currently dependent on consumer spending and the unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.

## ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED CAPITA ASSET SERVICES

- Weak growth or recession in the UK's main trading partners - the EU and US, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalising of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

## **THE COUNCILS' PRUDENTIAL INDICATORS - Based on The Half Year Monitoring Reports**

In order to demonstrate that borrowing for capital expenditure purposes is affordable, sustainable and prudent, the Prudential Code for Capital Finance (The Prudential Code) requires the Councils to determine a number of Prudential Indicators before the start of the financial year, and to monitor these throughout and at the end of the year.

In particular, the borrowing activity of both Councils is constrained by the Prudential Indicators for Net Borrowing and the CFR, and by the Authorised Limit.

The complete set of Prudential and Treasury Management Indicators for each Council is estimated (where possible at the mid year point) for the full financial year 2014/15. These estimates are based on the half year outturn and forward projections.

The indicators are explained as follows:

### **Net borrowing and the CFR**

In order to ensure that borrowing levels are prudent over the medium term the Councils' external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Councils are not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, exceed the CFR for 2014/15 plus the expected changes to the CFR over 2015/16 and 2016/17.

This indicator allows the Councils some flexibility (if required or beneficial) to borrow in advance of its immediate capital needs. Both Councils have complied with this prudential indicator, as the actual or expected net borrowing position (i.e. gross borrowing less gross investments) is below the value of the CFR.

### **The Authorised Limit**

The authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. The Councils do not have the power to borrow above the respective limit. Neither Council exceeded its Authorised Limit by 30 September 2014, nor is expected to do so.

### **The Operational Boundary**

The operational boundary is the expected borrowing position of the Councils during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. Worthing Council exceeded its Operational Boundary on two brief occasions in the half year to 30 September (See Worthing Table below), while Adur Council remained within the limit.

The tables below compare the maximum actual borrowing position at 30 September, 2014 for both Councils with the authorised and operational limits.

**THE COUNCILS' PRUDENTIAL INDICATORS  
- Based on The Half Year Monitoring Reports**

<b>Adur District Council Actual Borrowing Compared to Prudential Limits</b>	<b>2014/15 £m</b>
Authorised limit	100
Maximum gross borrowing position during half year position	78.5
Operational boundary	94
Average gross borrowing position for half-year	78.4
Financing costs as a proportion of net revenue stream - Actual Forecast at 30 September 2014	58.27%
Financing costs as a proportion of net revenue stream - Expected	53.35%

<b>Worthing Borough Council Actual Borrowing Compared to Prudential Limits</b>	<b>2014/15 £m</b>
Authorised limit	25
Maximum gross borrowing position during half-year position	21.5
Operational boundary*	20
Average gross borrowing position for half-year	16.7
Financing costs as a proportion of net revenue stream - Actual Forecast at 30 September 2014	6.47%
Financing costs as a proportion of net revenue stream - Expected	7.08%

\* The maximum gross borrowing position exceeded the operational boundary by £1m-£1.5m in the period 25th July - 14th August, and by £875k for seven days from 22nd-29th September.

The first occasion reflected the drawdown of £3m temporary debt for operational cash flow purposes, and which was fully repaid on 15th August. The second occasion arose due to the drawdown of £3m in advance of the repayment of £5m debt obtained in 2012/13 to finance capital expenditure, and which was due to mature on 30th September.

**Actual financing costs as a proportion of net revenue stream**

This indicator, also shown in the Tables above, expresses the cost of capital (borrowing and other long term obligation costs net of investment income) as a percentage of the Councils' projected net revenue expenditure.

**THE COUNCILS' PRUDENTIAL INDICATORS**  
**- Based on The Half Year Monitoring Reports**

1	PRUDENTIAL INDICATORS - WORTHING Extract from budget and rent setting report	2013/14 Actual	2014/15 Original	2014/15 Revised
	<b>Capital Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Non HRA	5,025	5,026	4,435
	<b>TOTAL</b>	5,025	5,026	4,435
	<b>Ratio of financing costs to net revenue stream</b>			
	Non HRA	6.61%	7.08%	6.47%
	<b>Net Investments (-)/Borrowing</b>			
	Brought forward 1st April	8,720	12,773	11,992
	Carried forward 31st March	11,992	6,170	15,000
	In year Increase -/Decrease +	-3,272	6,603	-3,008
	<b>Capital Financing Requirement as at 31st March</b>			
	Non HRA	23,759	27,880	25,990
	<b>Annual change in Capital Financing Requirement</b>			
	Non HRA	3,208	2,664	2,231
	<b>Incremental impact of capital investment decisions</b>			
	Increase in Council Tax (Band D) per annum	£10.44	£5.23	-£3.69

2	TREASURY MANAGEMENT INDICATORS WORTHING BOROUGH COUNCIL	2013/14 Actual	2014/15 Original	2014/15 Revised
	<b>Authorised Limit for External Debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Borrowing	24,000	24,000	24,000
	Other long term liabilities	1,000	1,000	1,000
	<b>TOTAL</b>	25,000	25,000	25,000
	<b>Operational Boundary for external debt</b>			
	Borrowing	19,000	19,000	19,000
	Other long term liabilities	1,000	1,000	1,000
	<b>TOTAL</b>	20,000	20,000	20,000
	<b>Actual external debt</b>			
	<b>Upper limit for fixed interest rate exposure</b>			
	Expressed as either:			
	Net principal re fixed rate borrowing/investments	106%	100%	104%
	<b>Upper limit for variable rate exposure</b>			
	Expressed as:			
	Net principal re variable rate investments/borrowing	6%	-100%	-4%
	<b>Upper limit for total principal sums invested for over 364 days</b>	38%	50%	50%

**PRUDENTIAL INDICATORS**  
Based on The Half Year Monitoring Reports

Worthing Borough Council Maturity structure of fixed rate borrowing at 30 September 2014	Upper Limit	Lower Limit
under 12 months	100%	99%
12 months and within 24 months	100%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

\*\*\*\*\*

1	PRUDENTIAL INDICATORS - ADUR Extract from budget and rent setting report	2013/14 Actual	2014/15 Original	2014/15 Revised
	<b>Capital Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Non HRA	1,718	3,557	6,016
	HRA (applies only to housing authorities)	2,328	3,526	4,754
	<b>TOTAL</b>	4,046	7,083	10,770
	<b>Ratio of financing costs to net revenue stream</b>			
	Non HRA	15.06%	12.47%	15.64%
	HRA (applies only to housing authorities)	45.57%	40.88%	42.63%
	<b>Net Borrowing Requirement</b>			
	Brought forward 1st April	65,392	59,537	60,074
	Carried forward 31st March	60,074	57,722	70,981
	In year Increase -/Decrease +	5,318	1,815	-10,907
	<b>Capital Financing Requirement as at 31st March</b>			
	Non HRA	11,030	15,108	14,496
	HRA (applies only to housing authorities)	65,253	63,994	63,906
	<b>TOTAL</b>	76,283	79,102	78,402
	<b>Annual change in Capital Financing Requirement</b>			
	Non HRA	210	4,078	3,466
	HRA (applies only to housing authorities)	-1,706	-1,259	-1,347
	<b>TOTAL</b>	-1,496	2,819	2,119
	<b>Incremental impact of capital investment decisions</b>			
	Increase in Council Tax (Band D) per annum	-£0.39	£1.21	£5.64
	Increase in average housing rent per week (Housing Authorities only)	-£0.49	-£0.69	-£0.35

**THE COUNCILS' PRUDENTIAL INDICATORS**  
Based on The Half Year Monitoring Reports

2	TREASURY MANAGEMENT INDICATORS ADUR DISTRICT COUNCIL	2013/14 Actual	2014/15 Original	2014/15 Revised
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Authorised Limit for External Debt</b>			
	Borrowing	99,000	99,000	99,000
	Other long term liabilities	1,000	1,000	1,000
	<b>TOTAL</b>	100,000	100,000	100,000
	<b>Operational Boundary for external debt</b>			
	Borrowing	93,000	93,000	93,000
	Other long term liabilities	1,000	1,000	1,000
	<b>TOTAL</b>	94000	94000	94,000
	<b>Actual external debt</b>			
	<b>Upper limit for fixed interest rate exposure</b>			
	Expressed as either:			
	Net principal re fixed rate borrowing/investments	82%	82%	81%
	<b>Upper limit for variable rate exposure</b>			
	Expressed as:			
	Net principal re variable rate investments/borrowing	18%	18%	19%
	<b>Upper limit for total principal sums invested for over 364 days</b>	12%	50%	50%

Adur District Council	Upper Limit	Lower Limit
<b>Maturity structure of fixed rate borrowing at 30 September 2014</b>		
under 12 months	17%	3%
12 months and within 24 months	3%	2%
24 months and within 5 years	7%	6%
5 years and within 10 years	9%	8%
10 years and above	79%	65%

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS						
INVESTMENTS AT 31ST MARCH 2014						
Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5953	Bank of Scotland	08/05/2013	07/05/2014	364	1,000,000	1.05
5954	Lloyds TSB Bank Plc	13/05/2013	12/05/2014	364	1,000,000	1.05
5957	Leeds Building Society	03/06/2013	02/06/2014	364	1,000,000	0.72
5959	Barclays Treasury Deposit	28/06/2013	27/06/2014	364	1,000,000	0.87
5961	Lloyds TSB Bank Plc	04/07/2013	03/07/2014	364	1,000,000	1.01
5962	Nationwide Building Society	15/07/2013	14/07/2014	364	1,000,000	0.70
5963	Barclays Treasury Deposit	15/07/2013	14/07/2014	364	1,000,000	0.83
5964	Nationwide Building Society	22/07/2013	21/07/2014	364	1,000,000	0.70
5965	Nationwide Building Society	24/07/2013	23/07/2014	364	1,000,000	0.70
5966	Nationwide Building Society	05/08/2013	04/08/2014	364	1,000,000	0.70
5969	Leeds Building Society	07/10/2013	06/10/2014	364	1,000,000	0.57
5970	Federated Investors Prime Rate	15/10/2013	17/04/2014	184	135,000	0.39
5975	Coventry Building Society	28/02/2014	26/06/2014	118	1,000,000	0.46
5976	Coventry Building Society	05/03/2014	26/06/2014	113	1,000,000	0.45
5977	Skipton Building Society	28/03/2014	31/07/2014	125	2,000,000	0.49
5978	Barclays Treasury Deposit	31/03/2014	19/02/2015	325	1,000,000	0.81
50781	Kingston Upon Hull Council	02/12/2013	30/11/2018	1824	2,000,000	1.90
<b>TOTAL INVESTMENTS AT 31ST MARCH, 2014</b>					<b>18,135,000</b>	



ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS						
INVESTMENTS AT 30TH SEPTEMBER 2014						
Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5978	Barclays Treasury Deposit	31/03/2014	19/02/2015	325	1,000,000	0.81
5980	Barclays Treasury Deposit	22/04/2014	21/04/2015	364	1,000,000	0.86
5987	Barclays Treasury Deposit	27/06/2014	25/06/2015	363	1,000,000	0.96
5993	Barclays Treasury Deposit	15/07/2014	19/02/2015	219	1,000,000	0.67
5982	Bank of Scotland	07/05/2014	06/05/2015	364	1,000,000	0.95
5985	Lloyds TSB Bank Plc	22/05/2014	21/05/2015	364	1,000,000	0.95
5990	Lloyds TSB Bank Plc	03/07/2014	25/06/2015	357	1,000,000	0.92
5989	Santander Corporate Bank	01/07/2014	25/06/2015	359	2,000,000	0.90
5991	Santander Corporate Bank	07/07/2014	27/03/2015	263	2,000,000	0.71
5994	Coventry Building Society	15/07/2014	09/10/2014	86	1,000,000	0.45
5969	Leeds Building Society	07/10/2013	06/10/2014	364	1,000,000	0.57
5986	Leeds Building Society	02/06/2014	01/06/2015	364	1,000,000	0.65
5992	Nationwide Building Society	14/07/2014	22/12/2014	161	1,000,000	0.65
5995	Nationwide Building Society	23/07/2014	24/11/2014	124	1,000,000	0.54
5998	Blackrock	04/08/2014		On Call	930,000	0.38
5997	Federated Investors Prime Rate	01/08/2014		On Call	1,110,000	0.42
50781	Kingston Upon Hull City Council	02/12/2013	30/11/2018	1824	2,000,000	1.90
50782	Local Capital Finance Company Ltd	30/09/2014		Unspecified	20,000	Unspecified
<b>TOTAL INVESTMENTS AT 30TH SEPTEMBER 2014</b>					<b>20,060,000</b>	

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS							
BORROWING FOR 2014							
Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31.03.xx	Interest Rate %	Principal (£) at 30.09.xx
1388	Barclays Capital	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1389	Barclays Capital	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1390	Barclays Capital	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1391	DEPFA Bank Plc	30-Mar-07	30-Mar-67	60	3,250,000	6.660	3,250,000
1392	DEPFA Bank Plc	30-Mar-07	30-Mar-67	60	4,000,000	4.035	4,000,000
467323	Public Works Loan Board	16-Aug-89	11-Oct-14	25	500,000	9.375	500,000
476087	Public Works Loan Board	13-Jun-95	21-Dec-54	59	1,000,000	8.375	1,000,000
476088	Public Works Loan Board	13-Jun-95	21-Dec-53	58	1,000,000	8.375	1,000,000
476089	Public Works Loan Board	13-Jun-95	21-Dec-52	57	1,000,000	8.375	1,000,000
478322	Public Works Loan Board	17-Oct-96	07-May-56	60	1,000,000	8.000	1,000,000
479540	Public Works Loan Board	28-May-97	21-Dec-56	59	1,000,000	7.375	1,000,000
479868	Public Works Loan Board	24-Sep-97	12-Apr-57	60	1,000,000	7.125	1,000,000
479888	Public Works Loan Board	24-Sep-97	12-Apr-57	60	1,000,000	6.750	1,000,000
481007	Public Works Loan Board	09-Jun-98	11-Jan-58	60	1,000,000	5.750	1,000,000
481320	Public Works Loan Board	17-Sep-98	11-Apr-55	57	455,795	5.250	455,795
482485	Public Works Loan Board	22-Apr-99	11-Apr-59	60	1,000,000	4.750	1,000,000
483648	Public Works Loan Board	25-Nov-99	02-Aug-59	60	726,000	4.500	726,000
483649	Public Works Loan Board	25-Nov-99	02-Aug-59	60	273,531	4.500	273,531
484177	Public Works Loan Board	20-Apr-00	07-Nov-24	24	1,000,000	5.125	1,000,000
485172	Public Works Loan Board	18-Jan-01	15-Sep-25	24	335,133	4.625	335,133
485173	Public Works Loan Board	18-Feb-01	15-Sep-25	24	164,867	4.875	164,867
499487	Public Works Loan Board	28-Mar-12	28-Mar-42	30	47,772,667	3.030	46,919,583

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS							
BORROWING FOR 2014							
Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31.03.xx	Interest Rate %	Principal (£) at 30.09.xx
11	Salix Finance	28/01/2011	01/09/2014	3.59	2,875	0.000	0
12	Salix Finance	02/02/2012	01/09/2015	3.58	5,186	0.000	3,457
13	Salix Finance	07/02/2013	01/09/2016	3.57	803	0.000	643
17	Salix Finance	03/04/2013	01/03/2017	3.91	601	0.000	501
20	Salix Finance	02/08/2013	01/03/2017	3.58	10,559	0.000	8,799
21	Salix Finance	12/02/2014	01/09/2017	3.55	21,000	0.000	18,000
22	Lancing Parish Church	01/04/2014	On Call	1	0	0.35	182,170
<b>TOTAL BORROWING</b>					<b>78,208,826</b>		<b>77,528,289</b>
<b>NET BORROWING</b>					<b>60,073,826</b>		<b>57,468,289</b>

<b>WORTHING BOROUGH COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS</b>						
<b>INVESTMENTS AT 31ST MARCH 2014</b>						
<b>Deal Ref.</b>	<b>Counterparty</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Term (Days)</b>	<b>Principal (£)</b>	<b>Interest Rate %</b>
1119	Lloyds TSB Bank Plc	20/02/2014	19/02/2015	364	1,000,000	0.95
1120	Nationwide Building Society	17/03/2014	26/06/2014	101	1,000,000	0.47
1121	Federated Investors Prime Rate	31/03/2014	17/04/2014	17	730,000	0.39
<b>TOTAL INVESTMENTS AT 31ST MARCH, 2014</b>					<b>2,730,000</b>	
<b>INVESTMENTS AT 30TH SEPTEMBER, 2014</b>						
<b>Deal Ref.</b>	<b>Counterparty</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Term (Days)</b>	<b>Principal (£)</b>	<b>Interest Rate %</b>
1132	Barclays Bank Plc	02/06/2014	21/05/2015	353	2,000,000	0.87
1138	Barclays Bank Plc	14/07/2014	11/12/2014	150	1,000,000	0.57
1139	Barclays Bank Plc	15/07/2014	19/01/2015	188	1,000,000	0.66
1119	Lloyds TSB Bank Plc	20/02/2014	19/02/2015	364	1,000,000	0.95
1136	Nationwide Building Society	07/07/2014	20/10/2014	105	1,000,000	0.51
1137	Nationwide Building Society	14/07/2014	19/11/2014	128	1,000,000	0.55
1145	Blackrock	15/09/2014		On Call	350,000	0.42
1144	Federated Investors Prime Rate	08/09/2014	09/10/2014	31	170,000	0.43
9001	Local Capital Finance Company L'ted	30/09/2014		Unspecified	20,000	
<b>TOTAL INVESTMENTS AT 30TH SEPTEMBER, 2014</b>					<b>7,540,000</b>	

WORTHING BOROUGH COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS							
BORROWING FOR 2014							
Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31.03.xx	Interest Rate %	Principal (£) at 30.09.xx
15	Salix Finance	28/01/2011	01/09/2014	4.00	11,500	0.00	0
19	Salix Finance	02/02/2012	01/09/2015	4.00	34,179	0.00	22,786
20	Salix Finance	02/02/2012	01/09/2015	4.00	28,961	0.00	19,307
26	Nottingham Pol. & Crime Commissioners	14/01/2013	14/07/2014	1.00	2,000,000	0.70	0
27	Salix Finance	07/02/2013	01/09/2016	4.00	22,184	0.00	17,747
29	Salix Finance	03/04/2013	01/03/2017	3.91	1,341	0.00	1,118
31	South Yorkshire Joint Secretariat	01/07/2013	30/06/2014	0.99	1,800,000	0.50	0
32	Hyndburn Borough Council	15/07/2013	14/07/2014	0.99	2,000,000	0.40	0
33	Salix Finance	02/08/2013	01/03/2017	3.58	7,775	0.00	6,479
34	Leicester City Council	01/10/2013	30/09/2014	0.99	5,000,000	0.50	0
35	Salix Finance	23/12/2013	01/09/2017	3.69	40,588	0.00	34,790
36	Crawley Borough Council	02/01/2014	02/07/2014	0.50	3,000,000	0.48	0
37	Salix Finance	12/02/2014	01/09/2017	3.55	25,681	0.00	22,013
38	Barnsley, Doncaster, Rotherham & Sheffield	26/06/2014	25/06/2015	1.00	0	0.48	5,000,000
39	Crawley Borough Council	14/07/2014	14/05/2015	0.83	0	0.45	5,000,000
40	Hyndburn Borough Council	14/07/2014	13/07/2015	1.00	0	0.43	2,000,000
45	W. Yorkshire Police & Crime Commissioners	22/09/2014	21/09/2015	1.00	0	0.55	3,000,000
494864	Public Works Loan Board	07-Oct-08	01-Oct-14	6.00	750,000	4.36	750,000
<b>TOTAL BORROWING</b>					<b>14,722,209</b>		<b>15,874,240</b>
<b>NET BORROWING</b>					<b>11,992,209</b>		<b>8,334,240</b>



## Local Government Ombudsman's Annual Review

### Report by the Director for Customer Services

#### 1.0 Summary

1.1 This report reviews the Annual Review letters of the Local Government Ombudsman relating to Adur District Council and Worthing Borough Council for 2013/14.

#### 2.0 Background

2.1 The Commission for Local Administration in England was created by Part 3 of the Local Government Act 1974 to run the Local Government Ombudsman Service.

2.2 The Local Government Ombudsman investigates complaint by members of the public who, generally, have had complaints considered by the Local Authority, but still consider that they have been caused injustice by the administrative actions of Local Authorities and other bodies within the jurisdiction of the LGO.

2.3 The LGO provide a free, independent and impartial service. When they receive a complaint, they are on the side of neither the complainant nor the respondent Authority. In each case, they investigate whether there has been any administrative fault that has caused a personal injustice to the complainant.

2.4 If the LGO find that something has gone wrong and that a person has suffered as a consequence, they aim to get it put right with a satisfactory remedy. The remedy will depend on the circumstances of the complaint and, in some cases, the Authority will be asked to pay compensation.

2.5 Historically, the LGO provided an annual review to each Council setting out a summary of the complaints that had been investigated by the LGO. The annual review would provide comments on the Council's performance and complaint handling arrangements to assist with service improvement.

2.6 This year the LGO has only provided the number of complaints received rather than the more detailed information offered in previous years. The Councils have been advised that this is a result of changes by the LGO and the introduction of the new business model which means that the figures will not be directly comparable to previous years.

2.7 The LGO received 11 complaints about Adur District Council for the year ended 31 March 2014. A copy of the LGO's letter is appended to the report as Appendix 1.

- 2.8 Members have historically asked to have comparative information and Table 1 provides the total number of complaints received by the Local Government Ombudsman in relation to Adur District Council over the past 5 years.

**Table 1**

<b>Enquiries and Complaints Received</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Total</b>	11	12	11	12	11

- 2.9 The LGO received 18 complaints about Worthing Borough Council for the year ended 31<sup>st</sup> March 2014. A copy of the LGO's letter is appended to the report as Appendix 2.

- 2.10 The comparative information relating to Worthing Borough Council is set out in Table 2 below.

2.11 **Table 2**

<b>Enquiries and Complaints Received</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Total</b>	16	20	24	16	18

- 2.12 The Director for Customer Services has asked for increased scrutiny and analysis of complaints. From 1 August 2014 the LGO complaints have been registered on the Council's complaints logging tool 'Covalent' and this allows for officers to analyse trends and make service improvement where necessary. This analysis will be available in the next report to this Committee. The Councils Leadership Team do also regularly undertake an analysis on monthly complaints.

### **3.0 Proposals**

- 3.1 That the Committee notes the contents of the report.

### **4.0 Legal**

- 4.1 The role of the Local Government Ombudsman is governed by Part 3 of the Local Government Act 1974.
- 4.2 Section 111 of the Local Government Act 1972 allows the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

### **5.0 Financial implications**

- 5.1 There are no financial implications arising from this report.



## **6.0 Recommendation**

6.1 That the Committee notes the contents of the report.

### **Local Government Act 1972**

#### **Background Papers:**

Local Government Ombudsman Annual Reviews, Worthing Borough Council for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014.

Local Government Ombudsman Annual Reviews, Adur District Council for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014.

#### **Contact Officer:**

Mark Lowe  
Policy Officer  
Tel 01903 221009  
[mark.lowe@adur-worthing.gov.uk](mailto:mark.lowe@adur-worthing.gov.uk)

## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 Matter considered and no issues identified.

### **2.0 Specific Action Plans**

2.1 Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Responding in a timely and open manner to investigations by the Local Government Ombudsman assists the Council to improve their service, service delivery and reputation.

### **8.0 Consultations**

8.1 Matter considered and no issues identified.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

### **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

### **12.0 Partnership Working**

12.1 Matter considered and no issues identified.

7 July 2014

*By email*

Mr Alex Bailey  
Chief Executive  
Adur District Council

Dear Mr Alex Bailey

### **Annual Review Letter 2014**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2014. This is the first full year of recording complaints under our new business model so the figures will not be directly comparable to previous years. This year's statistics can be found in the table attached.

A summary of complaint statistics for every local authority in England will also be included in a new yearly report on local government complaint handling. This will be published alongside our annual review letters on 15 July. This approach is in response to feedback from councils who told us that they want to be able to compare their performance on complaints against their peers.

For the first time this year we are also sending a copy of each annual review letter to the leader of the council as well as to the chief executive. We hope this will help to support greater democratic scrutiny of local complaint handling and ensure effective local accountability of public services. In the future we will also send a copy of any published Ombudsman report to the leader of the council as well as the chief executive.

### ***Developments at the Local Government Ombudsman***

At the end of March Anne Seex retired as my fellow Local Government Ombudsman. Following an independent review of the governance of the LGO last year the Government has committed to formalising a single ombudsman structure at LGO, and to strengthen our governance, when parliamentary time allows. I welcome these changes and have begun the process of strengthening our governance by inviting the independent Chairs of our Audit and Remuneration Committees to join our board, the Commission for Administration in England. We have also recruited a further independent advisory member.

### ***Future for local accountability***

There has been much discussion in Parliament and elsewhere about the effectiveness of complaints handling in the public sector and the role of ombudsmen. I have supported the creation of a single ombudsman for all public services in England. I consider this is the best way to deliver a system of redress that is accessible for users; provides an effective and comprehensive service; and ensures that services are accountable locally.

To contribute to that debate we held a roundtable discussion with senior leaders from across the local government landscape including the Local Government Association, Care Quality Commission and SOLACE. The purpose of this forum was to discuss the challenges and opportunities that exist to strengthen local accountability of public services, particularly in an environment where those services are delivered by many different providers.

Over the summer we will be developing our corporate strategy for the next three years and considering how we can best play our part in enhancing the local accountability of public services. We will be listening to the views of a wide range of stakeholders from across local government and social care and would be pleased to hear your comments.

Yours sincerely

A handwritten signature in black ink that reads "Jane Martin". The signature is written in a cursive style with a long horizontal flourish at the end.

Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

## Local authority report – Adur District Council

For the period ending – 31/03/2014

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

### Complaints and enquiries received

Local authority	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection and regulation	Highways and transport	Housing	Planning and development	Total
Adur DC	1	0	0	0	1	1	6	2	11

### Decisions made

Local authority	<u>Detailed investigations carried out</u>		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not upheld					
Adur DC	6	0	0	4	0	5	15



7 July 2014

*By email*

Mr Alex Bailey  
Chief Executive  
Worthing Borough Council

Dear Mr Alex Bailey

### **Annual Review Letter 2014**

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Yours sincerely

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Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England



## Local authority report – Worthing Borough Council

For the period ending – 31/03/2014

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

### Complaints and enquiries received

Local authority	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection and regulation	Highways and transport	Housing	Planning and development	Total
Worthing BC	1	4	2	1	2	3	1	4	18

### Decisions made

Local authority	<u>Detailed investigations carried out</u>		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not upheld					
Worthing BC	0	1	0	9	0	8	18