

ADUR & WORTHING
COUNCILS

14 January 2019

**Joint Governance Committee
6.30pm on 22 January 2019
Gordon Room, Town Hall, Worthing**

Adur District Council: Councillors George Barton (Chairman), Kevin Boram (Vice-Chairman), David Balfe, Andrew McGregor, Paul Mansfield, Barry Mear, Peter Metcalfe and Debs Stainforth

Worthing Borough Council: Councillors Lionel Harman (Chairman), Nigel Morgan (Vice-Chairman), Mike Barrett, Louise Murphy, Jane Sim, Bryan Turner, Steve Waight and Steve Wills

Agenda

Part A	Page No.
1. Substitute Members	-
Any substitute members should declare their substitution.	
2. 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.	

3.	Minutes	-
	To approve the minutes of the Joint Governance Committee meeting held on 25 September 2018, copies of which have been previously circulated.	
4.	Public Question Time	-
	To receive any questions from members of the public.	
	<i>(Note: Public Question Time will operate for a maximum of 30 minutes.)</i>	
5.	Items Raised Under Urgency Provisions	-
	To consider any items the Chairman of the meeting considers to be urgent.	
6.	External Audit Plans for Adur and Worthing Councils	5
	To consider a report from the External Auditors, copy attached as item 6.	
7.	LGA Finance Peer Review and Improvement Action Plan	81
	To consider a report by the Director for Digital & Resources, copy attached as item 7.	
8.	Internal Audit Progress Report	115
	To consider a report by the Acting Head of Internal Audit, copy attached as item 8.	
9.	Mid Year Review of Treasury Management 2018-19, Adur District Council and Worthing Borough Council	131
	To consider a report by the Director for Digital & Resources, copy attached as item 9.	
10.	Joint Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 to 2021/22, Adur District Council and Worthing Borough Council	153
	To consider a report by the Director for Digital & Resources, copy attached as item 10.	

11. Risks & Opportunities Update 207

To consider a report by the Director for Digital & Resources, copy attached as item 11.

12. Adur and Worthing Scheme of Delegations to Officers 223

To consider a report by the Monitoring Officer, copy attached as item 12.

Part B Exempt Reports - Not for Publication

None.

Recording of this meeting

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

For Democratic Services enquiries relating to this meeting please contact:

Neil Terry
Senior Democratic Services Officer
01903 221073
neil.terry@adur-worthing.gov.uk

For Legal Services enquiries relating to this meeting please contact:

Susan Sale
Solicitor to the Councils
01903 221119
susan.sale@adur-worthing.gov.uk

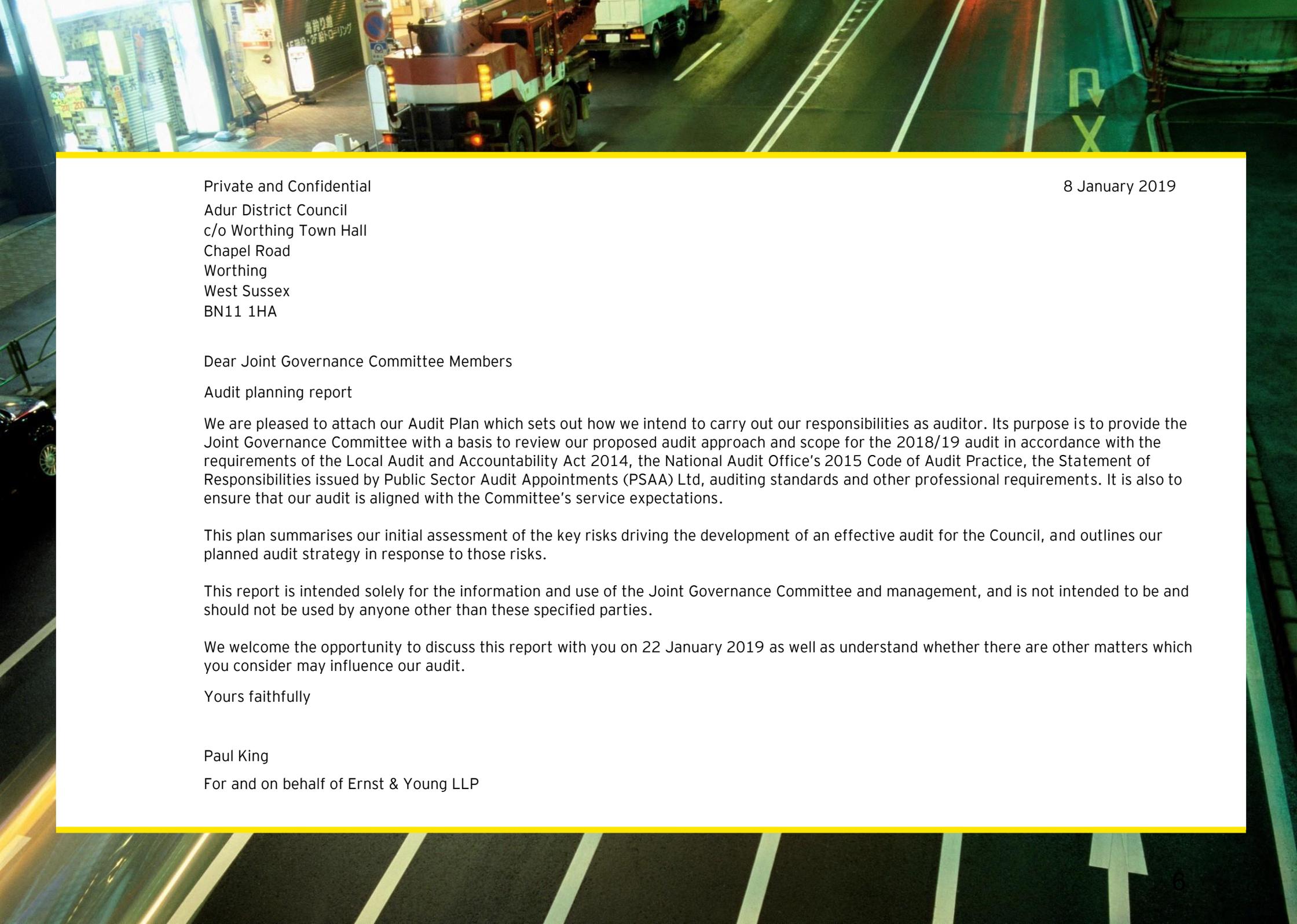
The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk



Adur District Council Audit planning report

Year ended 31 March 2019

8 January 2019



Private and Confidential
Adur District Council
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

8 January 2019

Dear Joint Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Joint Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Joint Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 22 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Adur District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee and management of Adur District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Adur District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure	Fraud risk	More focused risk this year.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Risk of fraud in revenue recognition - inappropriate change in minimum revenue provision	Fraud risk	More focused risk this year.	Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
New accounting standards	Other risk	New risk	The CIPFA Code of Practice for 2018/19 confirms that the local government bodies will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers this year.

Overview of our 2018/19 audit strategy

Materiality

Planning
materiality

£1.1m

Materiality has been set at £1.1 million, which represents 2% of the prior years gross expenditure on provision of services.

Performance
materiality

£800,000

Performance materiality has been set at £800,000, which represents 75% of materiality.

Audit
differences

£53,000

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £53,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Joint Governance Committee.

Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Adur District Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Misstatements due to fraud or error

Financial statement impact

We have assessed that the risk of management override is most likely to affect the estimates in the financial statements, such as year end accruals, provisions and asset valuations. These impact both on the Balance Sheet and Income Statement

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Reviewing accounting estimates for evidence of management bias.
- ▶ Evaluating the business rationale for significant unusual transactions.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself through the inappropriately capitalisation of revenue expenditure to improve the financial position of the general fund, as there is an incentive to reduce expenditure which is funded from Council Tax.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What will we do?

We will:

- ▶ Test PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Risk of fraud in revenue and expenditure recognition, through inappropriate change in minimum revenue provision

Financial statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition has the potential to occur through inappropriate changes in the minimum revenue provision. This would have the impact of affecting revenue expenditure and the General Fund. This therefore impacts both on the Balance Sheet and Income Statement

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19 to ensure compliance with new statutory guidance and to better match the cost and income streams.

What will we do?

- ▶ Review the revised MRP methodology and ensure that this is in line with the Local Authority Accounting Code of Practice;
- ▶ Consider using an internal specialist to review the Council's MRP calculations; and
- ▶ Assess the material accuracy of the Council's MRP estimate and historic over or under provision.

Guidance for teams: The matters included here should typically be those matters identified as higher inherent risk in Canvas. Examples provided, but if the nature of the risk is significant, teams should report them within the significant risks.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; and ▶ Test accounting entries have been correctly processed in the financial statements,
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £28,752 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Adur District Council; ▶ Assess the work of the Pension Fund actuary (Hymans Robertson Actuary) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.

We will:

- ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets; and
- ▶ Check additional disclosure requirements.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

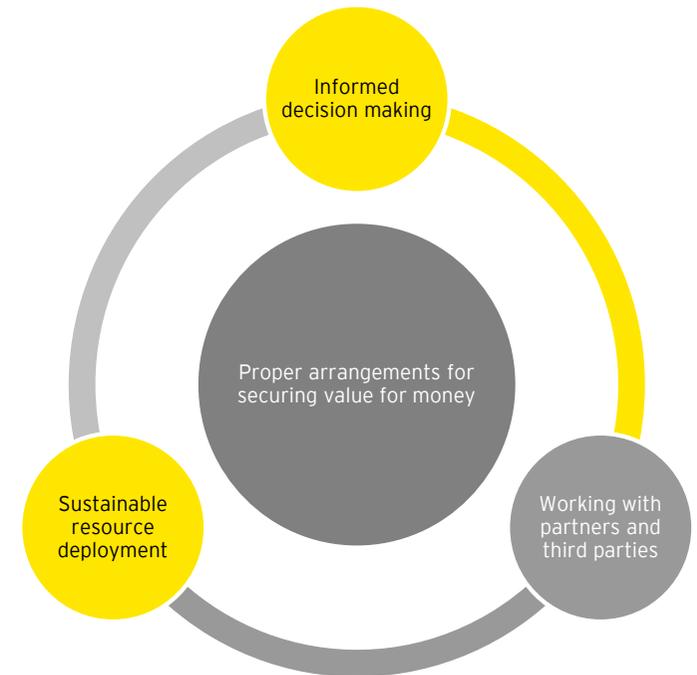
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by Adur District Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2018/19 budget.

In the 2018/19 budget, the Council originally identified a budget gap of £11.9 million over the next 4 years. It has identified £7.6 million of savings to mitigate this gap, however, the leaves £4.3 million of savings yet to be identified.

At 31 March 2018, the Council had £13.1 million of usable revenue reserves. This included your General Fund reserve of £518,000 which is just above the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved and leaves little resilience to meet unexpected issues.

What arrangements does the risk affect?

Deploy resources in a sustainable manner

What will we do?

Our approach will focus on:

- ▶ Using PSAA's value for money profile tool to assess Council spending against similar councils;
- ▶ Reviewing and assessing the updated assumptions within the Council's 2019/20 budget and medium term financial plan;
- ▶ Reviewing the outturn position against budget for 2018/19 and the Council's financial position at 31 March 2019; and
- ▶ Reviewing the Council's processes for identifying and monitoring the savings.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1.1 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that the Joint Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £800,000 which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Joint Governance Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team structure:

Paul King
Associate Partner

Hannah Lill
Manager

Francesca Churchhouse
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Wilkes, Head and Eve - RICS Registered Valuers
Pensions disclosure	EY pensions specialists Hymans Robertson - Actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Joint Governance Committee and we will discuss them with the Joint Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Joint Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
	November	Joint Governance Committee	
Walkthrough of key systems and processes	December		
	January	Joint Governance Committee	Audit Planning Report
Interim audit testing	February		
	March	Joint Governance Committee	Interim audit update
	April		
	May	Joint Governance Committee	
Year end audit Audit Completion procedures	June		
	July	Joint Governance Committee	Audit Results Report
	August - October	Joint Governance Committee	Audit opinions and completion certificates Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Paul King, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	37,054	37,054	48,122
Total audit	37,054	37,054	48,122
Other non-audit services not covered above (Housing Benefits)			27,019
Work in progress: Certification of pooling of housing capital receipts subsidy claims for 2014/15, 2015/16 and 2016/17			12,000
Total other non-audit services	0	0	39,019
Total fees	37,054	37,054	87,141

All fees exclude VAT

Our 2018/19 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. As at the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify the expected scale fee variation for these additional procedures. We will agree this with management, depending on the identified impact of the new standards. Any additional fee will be subject to approval by the PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Joint Governance Committee

We have detailed the communications that we must provide to the Joint Governance Committee.



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report

Appendix B

Required communications with the Joint Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report	
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report Audit Results Report	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report	

Appendix B

Required communications with the Joint Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of 	Audit results report	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report	
Certification work	Summary of certification work undertaken	Certification report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Governance Committee reporting appropriately addresses matters communicated by us to the Joint Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

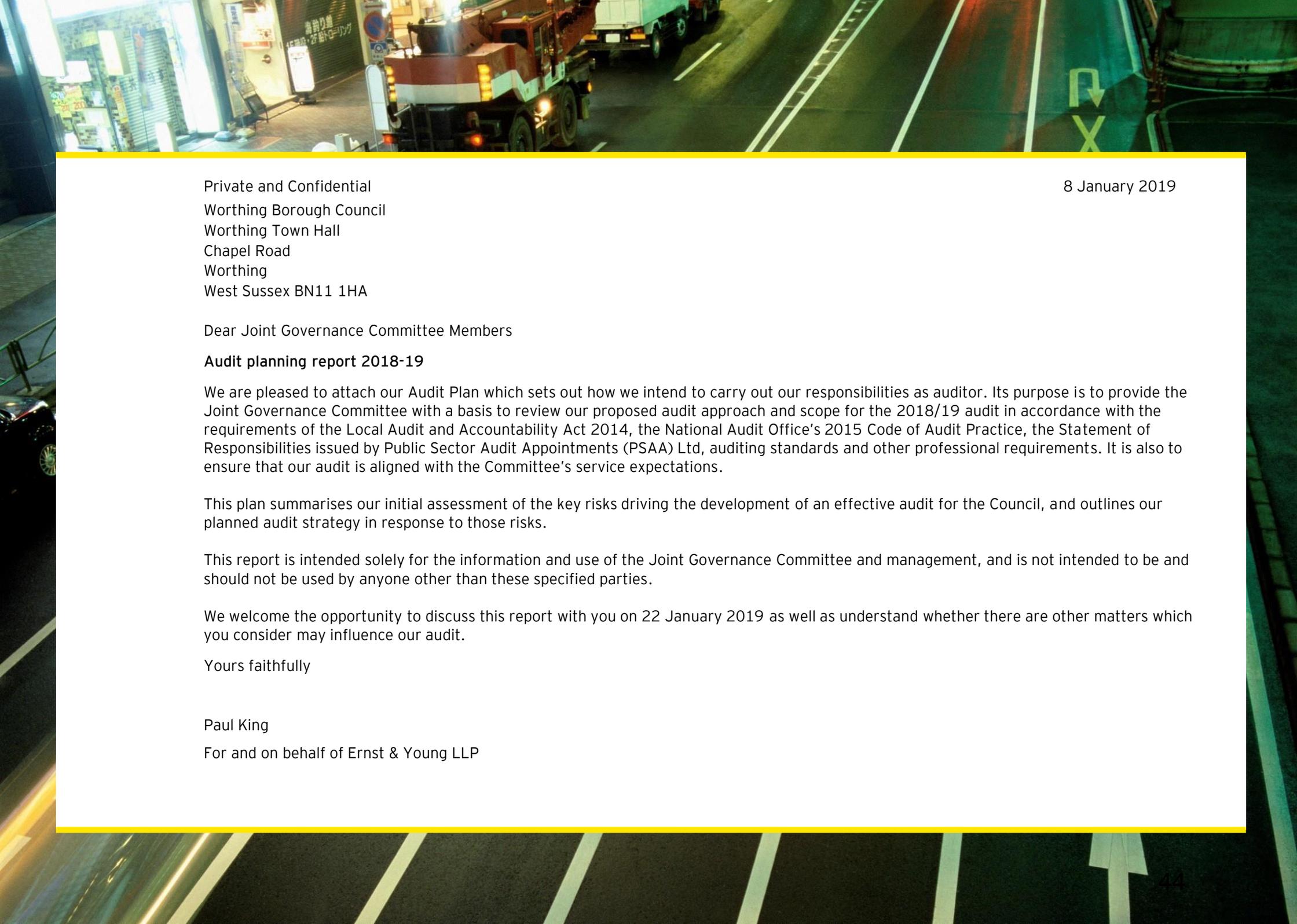


**Worthing Borough
Council**

Audit planning report

Year ended 31 March 2019

8 January 2019



Private and Confidential
Worthing Borough Council
Worthing Town Hall
Chapel Road
Worthing
West Sussex BN11 1HA

8 January 2019

Dear Joint Governance Committee Members

Audit planning report 2018-19

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Joint Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Joint Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 22 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Worthing Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee and management of Worthing Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Worthing Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure	Fraud risk	More focused risk this year.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Risk of fraud in revenue recognition - inappropriate change in minimum revenue provision	Other risk	More focused risk this year.	Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
New accounting standards	Other risk	New Risk	The CIPFA Code of Practice for 2018/19 confirms that the local government bodies will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers this year.

Overview of our 2018/19 audit strategy

Materiality

Planning
materiality

£1.4m

Materiality has been set at £1.4 million, which represents 2% of the prior years gross expenditure on provision of services.

Performance
materiality

£1.0m

Performance materiality has been set at £1.0 million, which represents 75% of materiality.

Audit
differences

£68,000

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £68,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Joint Governance Committee.

Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Worthing Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Misstatements due to fraud or error

Financial statement impact

We have assessed that the risk of management override is most likely to affect the estimates in the financial statements, such as year end accruals, provisions and asset valuations. These impact both on the Balance Sheet and Income Statement

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Reviewing accounting estimates for evidence of management bias.
- ▶ Evaluating the business rationale for significant unusual transactions.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself through the inappropriately capitalisation of revenue expenditure to improve the financial position of the general fund, as there is an incentive to reduce expenditure which is funded from Council Tax.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What will we do?

We will:

- ▶ Test PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

* Risk of fraud in revenue and expenditure recognition, through inappropriate change in minimum revenue provision

Financial statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition has the potential to occur through inappropriate changes in the minimum revenue provision. This would have the impact of affecting revenue expenditure and the General Fund. This therefore impacts both on the Balance Sheet and Income Statement

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19 to ensure compliance with new statutory guidance and to better match the cost and income streams.

What will we do?

- ▶ Review the revised MRP methodology and ensure that this is in line with the Local Authority Accounting Code of Practice;
- ▶ Consider using an internal specialist to review the Council's MRP calculations; and
- ▶ Assess the material accuracy of the Council's MRP estimate and historic over or under provision.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £32.596 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements,

We will:

- ▶ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Worthing Borough Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson Actuary) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.

We will:

- ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets; and
- ▶ Check additional disclosure requirements.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



03

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

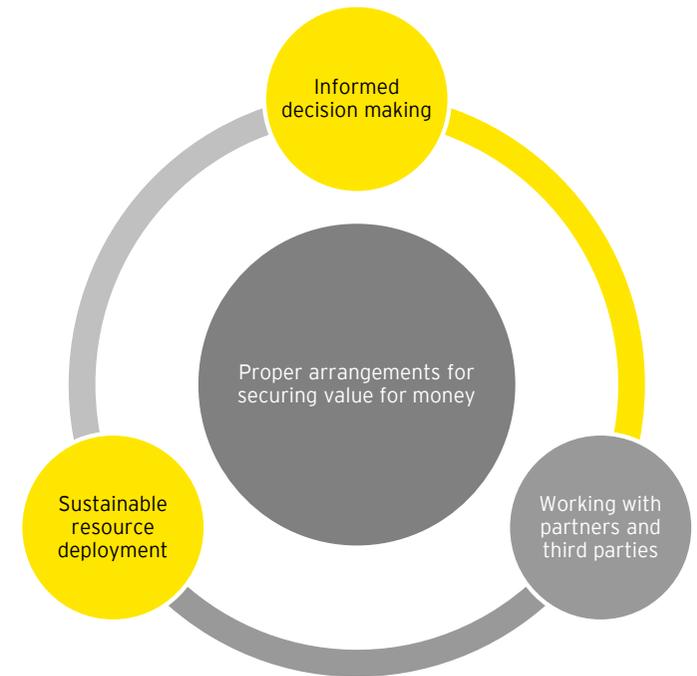
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by Worthing Borough Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p><i>The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</i></p> <p>The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2018/19 budget.</p> <p>In the 2018/19 budget, the Council originally identified a budget gap of £19.8 million over the next 4 years. It has identified £10.4 million of savings to mitigate this gap, however, the leaves £9.4 million of savings yet to be identified.</p> <p>At 31 March 2018, the Council had £13.6 million of usable revenue reserves. This included your General Fund reserve of £844,000 which is just above the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved and leaves little resilience to meet unexpected issues.</p>	<p>Deploy resources in a sustainable manner</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Using PSAA's value for money profile tool to assess Council spending against similar councils; ▶ Reviewing and assessing the updated assumptions within the Council's 2019/20 budget and medium term financial plan; ▶ Reviewing the outturn position against budget for 2018/19 and the Council's financial position at 31 March 2019; and ▶ Reviewing the Council's processes for identifying and monitoring the savings.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1.4 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that the Joint Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.0 million which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Joint Governance Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team structure:

Paul King
Associate Partner

Hannah Lill
Manager

Francesca Churchhouse
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Wilkes, Head and Eve - RICS Registered Valuers
Pensions disclosure	EY pensions specialists Hymans Robertson - Actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Joint Governance Committee and we will discuss them with the Joint Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Joint Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
	November	Joint Governance Committee	
Walkthrough of key systems and processes	December		
	January	Joint Governance Committee	Audit Planning Report
Interim audit testing	February		
	March	Joint Governance Committee	Interim audit update
	April		
	May	Joint Governance Committee	
Year end audit Audit Completion procedures	June		
	July	Joint Governance Committee	Audit Results Report
	August - October	Joint Governance Committee	Audit opinions and completion certificates Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Paul King, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audits fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	36,311	36,311	47,647*
Total audit	36,311	36,311	47,157
Other non-audit services not covered above (Housing Benefits)	x	x	12,858*
Total other non-audit services	x	x	12,858
Total fees	36,311	36,311	60,015

All fees exclude VAT

- The total code work fee includes a proposed a scale fee variation of £490, in relation to work done in 2017/18 to audit the PPE valuations. This work is outside the scope covered by the scale fee. An equivalent fee has not been charged in previous years. The proposed fee variation has been agreed with management but remains subject to agreement with PSAA.
- The total non-audit services fee includes a proposed a scale fee variation of £4,674, in relation to additional testing performed during the course of the housing benefit certification in 2017/18 in excess of the base year used to set the scale fee. The proposed fee variation has been agreed with management but remains subject to agreement with PSAA.

Our 2018/19 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. As at the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify the expected scale fee variation for these additional procedures. We will agree this with management, depending on the identified impact of the new standards. Any additional fee will be subject to approval by the PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Joint Governance Committee

We have detailed the communications that we must provide to the Joint Governance Committee.

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report	
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report	

Appendix B

Required communications with the Joint Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report	
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report Audit Results Report	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report	

Appendix B

Required communications with the Joint Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of 	Audit results report	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report	
Certification work	Summary of certification work undertaken	Certification report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Governance Committee reporting appropriately addresses matters communicated by us to the Joint Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



ADUR & WORTHING
COUNCILS

Joint Governance Committee
22 January 2019
Agenda Item 7

Ward(s) Affected: n/a

LGA Finance Peer Review and Improvement Action Plan

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 Earlier this year, the Councils commissioned a Peer Review from the Local Government Association. The aim of this review was to assess the Councils' performance across five key areas:

1. **Financial leadership:** Does the authority have plans for its long-term financial sustainability which are owned by its councillors and officer leaders?
2. **Financial strategy, planning and forecasting:** Does the authority understand its short and long-term financial prospects?
3. **Decision-making:** Are key decisions taken in the understanding of the financial implications, risks and options?
4. **Financial outcomes:** Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
5. **Partnership & innovation:** Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

Attached at Appendix 1 is the full report of the LGA Peer Review team.

1.2 In response to the outcome of the peer review, an action plan has been developed which is attached at Appendix 2 for members to consider. This action is focussed on the recommendations relating specifically to finance.

2. Recommendations

2.1 The Joint Governance Committee is recommended to consider and approve the action plan detailed at Appendix 2.

3. Context

3.1 The Council has successfully via a number of strategic initiatives maintained services through a continuing period of reducing budgets without undue reliance on reserves to deliver a balanced budgets. However, with significant financial challenges on the horizon, the Councils recognise that in order to deliver the scale of their ambitions and ensure long term improved outcomes for their residents, businesses and visitors, we require long term financial stability and security.

3.2 With continued uncertainties over local government funding, and the increasing reliance on local revenue and tax collection, this is a significant challenge. It is against this background that the Council's commissioned an LGA Finance Peer review to review the Council's performance on financial matters.

3.2 The outcome of that review is attached at Appendix 1. This recommends improvements in a number of areas including:

- Build a stronger financial management culture throughout the organisation, including commercial skills development
- Strengthen strategic financial capacity
- Maximise the potential of the new financial system
- Develop savings plans at pace with risk mitigation strategies in place

- Maintain and bolster reserves in line with risk exposure as necessary
- Review the way members and the political governance structure engage with the new agenda
- Harmonise policies and streamline processes and systems across both councils where ever possible
- Ensure that the key priorities of the Councils are clearly communicated and understood by staff and the community
- Performance management framework needs to support key priorities and signal early warnings regarding investment and value
- Ensure processes for commercial investment are transparent and involve rigorous internal controls to mitigate risk
- Develop the workforce and member development programme further to recognise the new agenda

4. Issues for consideration

- 4.1 Attached at Appendix 2 is the action plan resulting from the detailed work of the LGA. This is designed to address the key recommendations raised by the LGA over the coming year. It is intended to bring a progress report back to the Joint Governance Committee in 6 months time.

5. Engagement and Communication

- 5.1 In developing the report, the LGA:
- Spoke to more than 84 people including a range of council staff together with councillors and external partners and stakeholders.
 - Gathered information and views from more than 32 meetings and additional research and reading.
- 5.2 Officers and members have been consulted on the development of the action plan.

6. Financial Implications

- 6.1 As part of the report, the LGA peers have made some recommendations for further savings initiatives as part of the section titled 'Comprehensive

Examination of Financial Options'. These will be pursued early in 2019 as part of the development of the 2020/21 budget.

- 6.2 However, given the comments on the size of the reserves, an opportunity has been taken for the early implementation of the suggestion to create a Corporate Inflation Provision. Rather than applying general inflation to the majority of individual budget lines (excluding salaries, rates and utilities where inflation will be adjusted for), the inflation provision will be held centrally and transferred as necessary where inflationary cost pressures can be demonstrated. Local government is not typically affected by the same inflationary pressures as households. This will act as a contingency budget within year. Any unspent corporate inflation budget can be released as savings for the following budget round, with any unused provision at the year-end being taken into reserves

Finance Officer:

Date:

7. Legal Implications

- 7.1 The Review comments that there are opportunities to tighten the oversight and involvement of statutory officers and highlights the importance of such officers having assurance that their fiduciary duty can be effectively discharged. It is important that the Section 151 and Monitoring Officer statutory roles have clear opportunities to talk through probity and governance risks. Although the statutory officers do meet regularly, further opportunities will be sought to ensure there are adequate opportunities to address such issues.
- 7.2 The Councils' Financial Procedure Rules have not been updated for some time and it is accepted that there is opportunity for review and amendment to ensure that they are proportionate to risk, are more consistent with delegated responsibilities and are agile and supportive of the ambitious and entrepreneurial way of working that the Councils are embracing. The action plan commits to modernise the Councils' Financial Procedure Rules and to report back to Members with progress in 6 months.

Legal Officer: Susan Sale

Date: 10th January 2018

Background Papers

Attached

Officer Contact Details:-

Sarah Gobey,
Chief Financial Officer
Town Hall, Worthing
Telephone No: (01903) 221221
Email: sarah.gobey@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

The peer review has recommended that the Councils review the financial procedure rules. This review forms part of the proposed action plan.

Adur & Worthing Councils

A joint Council Finance Peer Review

27th – 29th November 2018

Draft Feedback Report

1. Executive Summary

The demographics of both Adur and Worthing are changing rapidly. The role of Worthing as a destination retirement area for London retirees is no longer that important. Younger people and families are moving to the area as house prices are generally significantly lower than Brighton or Hove and the area is within commuting distance of London. Providing homes to support this migration and demand is a significant challenge for areas with high environmental constraints, especially in Adur.

In response to these and other challenges, Adur and Worthing councils have set out an ambitious agenda for change in its 'Platforms For Our Places' (P4OP) initiative that builds on earlier strategies. This sets out a more interventionist and innovative agenda for change than many other traditional models of leadership or service delivery. The scale of these initiatives and projects is ambitious, as are the funding requirements arising from it. The councils have shown a clear ability to innovate and change illustrated by a Digital Strategy that has received widespread national recognition for building localised digital platforms that have saved money and provided easier customer interaction.

Both councils have generally performed well in maintaining services through a continuing period of reducing budgets without undue reliance on reserves to deliver a balanced budget. It is essential however to recognise that in order to deliver the scale of their ambitions and ensure long term improved outcomes for their residents, businesses and visitors, both councils require long term financial stability and security. With uncertainties over local government funding and the move away from Government grant to rely on local revenue and tax collection, this is a significant challenge.

At present the peer review team consider that the councils could be characterised as living too much on the basis of short-term financial planning. Day to day financial management is generally sound with systems improvements planned to address the need to provide better monitoring information to management. However, there are significant gaps in strategic financial management and long-term comprehensive budget planning. Efficiency savings of £1.8m required across the councils in planned budget savings for 2020/21 have still to be clearly identified. While the councils have a three-pronged approach to deliver budget savings, including commercialisation and strategic property investment – some of this is very new and brings significant risk.

Reserves at both councils are very low as evidenced by The Chartered Institute of Public Finance and Accountancy (CIPFA)'s resilience index. Although reserves and working balances are subject to annual scrutiny by the external auditors to the councils, and while additional provision in relation to initiatives such as property acquisitions is to be welcomed, wider financial stress tests against the council's new P4OP have yet to be undertaken. There is a need for a more comprehensive and integrated medium- and long-term financial strategy planning, especially given the increasing risks in the councils' ambitions to increase income.

Political leadership is clear and members are generally unified behind the P40P vision. Managerial leadership is stable and the peer team see clear opportunities for the councils to tackle the financial challenges for the area. Future opportunities exist to save money by bringing Adur and Worthing councils even closer together, if not in terms of one single unified council, certainly in terms of better streamlining of systems and procedures and recognising local jurisdictions through practical harmonisation of policy. Building stronger partnerships with West Sussex County Council in particular, will be important to avoid cost shunting.

2. Key Recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the councils:

- **Build a stronger financial management culture throughout the organisation, including commercial skills development** – financial business partnering is a relatively new approach within the councils and a greater clarity around the respective roles of finance and budget managers and a better budget system along with focused training would help to embed this. Expert training to upskill managers in commerciality would strengthen business performance and improve financial health.
- **Strengthen strategic financial capacity** – given the financial challenges both organisations face, increasing capacity for strategic financial planning should be a key consideration as should the lack of a strategic finance professional at the 'top table' of Corporate Leadership Team (CLT). CIPFA's statement on the role of the Chief Financial Officer provides useful guidance.
- **Maximise the potential of the new financial system** – the implementation of the new finance system should be used as a catalyst for change across the organisations, providing opportunity to challenge current working practices, streamline processes and free up finance capacity for more value-added work.
- **Develop savings plans at pace with risk mitigation strategies in place** – consideration of the risk to delivery of these plans along with alternative strategies and options should savings not be delivered is crucial.
- **Maintain and bolster reserves in line with risk exposure as necessary** – given the very low level of reserves against the backdrop of ambitious aspirations and the risks these bring within the Councils' Medium-Term Financial Strategies (MTFS) the level of reserves need to be critically reviewed. Reserves provide a cushion to cope with 'shocks

in the system' and help to avoid unplanned service cuts if savings cannot be delivered quickly enough.

- **Review the way members and the political governance structure engage with the new agenda** – In view of the relatively radical new approach to delivering services and facilitating the growth of the two communities it is essential to ensure the committee structure makes the best of the members skills. The present structure could be streamlined and clarified to better complement the direction of travel and member training refined to focus specifically on the contribution expected from each elected representative.
- **Harmonise policies and streamline processes and systems across both councils where ever possible** – the peer team understand that each council has local jurisdiction and will have its own priorities, but where possible harmonising approaches will help to deliver operational efficiencies and potentially improve clarity for citizens.
- **Ensure that the key priorities of the Councils are clearly communicated and understood by staff and the community** – lack of clarity and focus inevitably drives additional cost.
- **Performance management framework needs to support key priorities and signal early warnings regarding investment and value** – financial data is largely backward looking and needs to be seen in the context of wider performance data so that rounded insight is used to drive action and value for money.
- **Ensure processes for commercial investment are transparent and involve rigorous internal controls to mitigate risk** – a clear framework is in operation but timely input from all relevant stakeholders is important to ensure sound due diligence.
- **Develop the workforce and member development programme further to recognise the new agenda** – building financial understanding and capacity underpins a strong financial management culture and targeted programmes to develop both officers and members would be beneficial.

3. Summary of the Peer Review approach

Summary of the Peer Review approach

Peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the Council's requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with the Council. The peers who delivered the peer challenge at Adur and Worthing councils were:

- Karen Iveson, Chief Finance Officer, Selby District Council
- Cllr Jeff Cant, Leader, Weymouth and Portland Borough Council
- Stuart Bobby, Director Corporate Services, Gravesham Borough Council,
- Helen Seechurn, LGA Associate
- Robert Hathaway, LGA Peer Review Manager

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Finance Peer Reviews. These are the areas we believe are critical to councils' financial performance and improvement:

- 1. Financial leadership:** Does the authority have plans for its long-term financial sustainability which are owned by its councillors and officer leaders?
- 2. Financial strategy, planning and forecasting:** Does the authority understand its short and long-term financial prospects?
- 3. Decision-making:** Are key decisions taken in the understanding of the financial implications, risks and options?
- 4. Financial outcomes:** Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
- 5. Partnership & innovation:** Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

You also asked the peer team to look at 9 related areas and these were covered as part of the 5 themes above. These are

- How can we increase our strategic finance capacity for the councils overall, and particularly in key areas such as property investment, housing, commercial income generation?
- How might we develop more of a consultancy approach to strategic finance for our business leaders?
- How can we make the most of the strategic skills currently within the finance team, and how might we develop flexible arrangements externally to augment internal skills and capacity build?
- Are there opportunities to improve the interface between the finance team and service department to align financial service resources and skills to the needs of the business?
- How might budget management and reporting be improved in terms of forecasting accuracy, and clarity and consistency of information with managers?
- Are there opportunities to streamline standard processes to increase efficiency?
- Are we providing effective and clear reports to members and CLT?
- Is our interpretation of the use of capital monies up to date? For example, we build software in-house, and we are not currently using capital to do so.
- Is our reserves position well managed? Could we safely be identifying a larger 'innovation' fund?

It is important to stress that this was not an inspection. Peer reviews and challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The process is not designed to provide a technical assessment or due diligence on financial matters. Neither is it intended to provide prescriptive recommendations. The peer review process intends to provide feedback, observations and insights from experienced practitioners that will help validate, reality check and further develop the Council's current plans, proposals and evolving thinking about the future.

The peer review process

The peer team prepared for the peer review by considering a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent two and a half days onsite at the Council, during which they:

- Spoke to more than 84 people including a range of council staff together with councillors and external partners and stakeholders.

- Gathered information and views from more than 32 meetings and additional research and reading.
- Collectively spent more than 160 hours to determine their findings – the equivalent of one person spending nearly 4 weeks in Adur and Worthing councils.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (27th-29th November 2018). In presenting feedback to the Council, they have done so as fellow local government officers and members, not as professional consultants, auditors or inspectors.

By its nature, the peer review is a snapshot in time. The peer team appreciates that some of the feedback may be about areas the councils are already addressing and progressing.

4. Feedback

4.1 Financial Leadership

General

Political and managerial leadership remains innovative in the face of delivering services in periods of continuing austerity. Both councils have a long tradition of innovation, being two of the first councils in the country to join up their structures in 2008. In particular the Chief Executive working with the two political leaders has led the organisations into a new phase of innovation leading both councils to be more outward facing and outcome focussed.

At a strategic level the peer team observed strong ownership of financial management. However, whilst the senior team were able to articulate the Councils' financial strategy, this was not the case with the majority of middle managers.

Priorities

Helpful articulation of the vision for the communities of Adur and Worthing are expressed in P4OP (refreshed) 2018-20. This sets out a three-year programme of activity to 'create the essential Platforms for prosperous, healthy, happy and connected communities.' 'Services and Solutions' is one of the five main Platforms to deliver a better quality of life, and this lists 'financial management' and 'use of our property assets' as key components. This recognition that sustainable financial management lies at the heart of investment and opportunities to support priorities in P4OP is an important theme.

While the programme of activity – with over 140 projects in P4OP – is impressive and comprehensive, the peer team did not get a clear sense of prioritisation. However, the peer team concurred with the councils' view that one of the challenges looking ahead is the need for clearer prioritisation and political decisions concerning what not

to invest in or grow. Also, while finance and other staff had caught sections of the vision and Platforms, it was difficult for them to consistently see their role and their team's place in driving this forward, and what priority of the councils they should be investing their efforts in at any moment in time.

The peer team appreciate that P4OP is not a full list of all the council's activities and that prioritisation involves hard choices. You shared your concerns that allegiance to defined priorities would unnecessarily curtail innovation and 'just doing the right thing'. As the saying goes, if everything is a priority, nothing is. And in order to sharpen financial support for key political priorities, these need to be chosen, relentlessly implemented and backed by good strategic communications to publicise success. Reducing key priorities also has the potential to increase capacity both in terms of staff and money. Such prioritisation of course does not rule out the ability to seize new opportunities as they arise but in order to ensure delivery, a 'one in, one out' approach may need to be considered so as not to overload staff.

Strategic Gap in Financial Management

Additional strategic financial capacity is required as part of CLT. This is particularly pertinent given the size of the financial challenge beyond the current year and with an enhanced risk profile through taking on a greater range of commercial activity and regeneration with its attendant risks. The current would be better served with complementary finance professional able to provide strategic financial advice and exercise independent judgement on financial standing and risk exposure. Embedding strategic financial capacity at the 'heart' of the organisations is a clear recommendation for Adur and Worthing.

It appeared to the peer team that the councils were not adequately getting ahead of the curve in working on clear savings or income generation over the medium term. This is exemplified by the fact that barely 15 months away from the 2020/21 financial year, when savings would be required from April onwards, there remains a £1.8m gap in the budgets of the two councils, and during the course of the visit the plans to bridge this funding gap could not be comprehensively articulated. One of the recommendations is that savings plans or income generation are developed and implemented at greater pace (subject to appropriate risk controls).

Integrated working with statutory officers

The councils ensure that all committee reports benefit from review by statutory legal and financial officers. However, the peer team consider that there are opportunities to tighten the oversight and involvement of statutory officers in contributing to strategic direction, commercial due diligence and effective risk mitigation in the absence of routine representation at CLT. Some councils adopt a practice of regular statutory officer meetings to provide assurance that their fiduciary duty can be effectively discharged. In the increasing commercial operating environment for the councils it is important that the Section 151 and Monitoring Officer statutory roles have clear opportunities to talk through probity and governance risks.

Reporting

Financial reporting to members provides opportunities for engagement however ownership among members appears variable. Formal reporting occurs through reports to Joint Strategic Committee, Joint Overview and Scrutiny Committee (JOSC) reports and full Council. The Director of Digital and Resources and Head of Finance have regular meetings with Executive members for resources, and regular meetings with Executive members in regard to Strategic Property Investment Programme. The CLT receive monthly update financial reports.

Members on JOSC advised that they valued the financial reports and had trust and confidence in officer reports. They commended the Head of Finance for her technical ability and willingness to helpfully address members' questions at committee.

The 2019/20 – 2023/24 MTFs reported to members on JOSC indicates there is 'no prospect of any easing of the financial pressure for the next few years'. However, the peer team did not sense that there was overall appreciation by members of the size and scale of future savings required and the need to consider a number of opportunities for savings and boosting income. The peer team would encourage a greater sense of 'whole councils' ownership of the financial challenges.

A strong variation in members' understanding of the financial direction exists with a lack of clear sight on the savings programme. Adur members seemed better connected to the strategic finances, while a smaller number of Worthing councillors had a good grasp of strategic finances and especially lack clarity on the MTFs. Some suggestions were made around the delivery of further training sessions for members as a way of improving this financial understanding and ownership.

Two Councils and Governance

The two-council model of governance appears to produce some inconsistencies in service delivery and produces additional costs. Despite a decade of joint strategies, strategic management and staff, Adur and Worthing remain sovereign councils with the attendant needs in financial management of reporting, accounts, external audit etc. In effect, this results in the day-to-day maintenance of three ledgers for the councils – one for each sovereign council and one acting as a holding account for central services that are then reapportioned across the two councils. It was mentioned during conversations with staff that this can result in difficulties understanding the true budget costs of individual services, and a significant amount of time being invested in recharging of costs across both councils which could otherwise be spent supporting the aspirations and activities that the councils are involved in.

The majority of staff interviewed considered that the financial challenges faced by both councils should concentrate the minds of councillors to consider formal merger. This they saw as a significant way of acting strategically to reduce overheads and costs to balance the budgets. Staff saw this as the logical next step in the evolution of the local areas, especially given the level of shared vision and strategy. They

recognised how hard this would be for those councillors who held strong allegiance to the distinctions between Adur and Worthing but noted that up and down the country, local models of governance were changing as councils merged.

However, in discussing this with political leaders at the councils there is little political appetite from leaders to consider formal merger or unify in the short term. Notwithstanding this there are opportunities for the councils to harmonise policies, processes and systems in order to save resources. Finance staff and budget managers said that there were times that they struggled with different demands and systems given inconsistencies in approach. The peer team did not undertake an audit of possible areas but those brought to our attention were council tax support, planning, taxis, and environmental health.

4.2 Financial strategy, planning and forecasting

Strategic Financial Direction and Budget Challenges

The councils can be commended for taking £3-4m out of the base budget with savings of 5 percent of gross spend. They have also managed to maintain generally good service delivery in the age of austerity without drawing on their reserves.

However, the councils currently operate with low working balances and this absence of a strong contingency budget remains an area of risk that needs to be tackled; especially given the large-scale ambitions for improving the quality of life for residents, businesses and visitors to the area. As demonstrated by **Table 1** below, both councils face a significant – and in Worthing’s case a growing – budget deficit.

Reserves at both councils are very low. Both councils are lower quartile for south east district councils in relation to the level of un-ringfenced non-Housing Revenue Account (HRA) reserves 2017/18 (as a percentage of net revenue expenditure) with Adur and Worthing ranked 54 and 52 respectively out of 55 councils[1]. While the overall level of reserves is ultimately a matter of local judgement taking into account local factors, future requirements, risks and issues, the sufficiency of reserves to provide a buffer is a key factor in maintaining overall financial health.

Table 1 – Budget Challenges

	Adur		Worthing	
Net Revenue Spend (2018/19) £m	8.6		13.5	
Current remaining gap:				
2020/21	0.5	5%	1.0	7%
2023/24	0.3	3%	1.6	12%
Financing costs as % of Net Revenue Spend Non HRA (2020/21)	63%		38%	
Estimated Un-ring-fenced reserves as % of Net Revenue Expenditure – rank of SE districts (55) 2017/18	54		52	

Source: Adur and Worthing councils

Of particular note, while Adur has a current revenue budget gap by 2023/24 of 3 per cent, it is faced with a growing capital financing cost^[2] expected to rise to 63 per cent by 2020/21. This in turn reduces scope for the development of future savings. Furthermore, at Worthing, a cumulative saving gap of £1.6m remains by 2023/4 (that is, £1 in every £8 spent needs to be found in savings).

The councils asked the peer team on site what it would take in cash terms if Adur and Worthing were to have reserves at a south east district council mean. Work that the peer team has done off site suggests this should be an additional £9m for Adur and £12m for Worthing based on current budget size and distance to the mean. However, this is a crude measure and as suggested during our on-site period, an assessment of reserves based on risk would be more appropriate. Examples of good practice will be shared with the councils.

In summary, financial resilience is a concern given very low reserves and inherent risks. This view is supported by the councils ranking in CIPFA's resilience index.

Especially given that the long-term savings plan is not nailed down with commercial investment financed by increased borrowing. Long-term community outcomes cannot be built without financial sustainability and the peer team are concerned that the councils could be overstretching themselves especially through getting locked into borrowing.

Financial Management Arrangements

It was clear to the peer team that the Head of Finance is a highly respected individual both within the finance service, and by wider officers and members. The officer has taken personal ownership of many aspects of the councils' savings plan, such as improvements in procurement practice, to ensure that the desired outcomes are achieved.

Some aspects of financial management arrangements in terms of budget monitoring and forecasting could be improved with the need for proactive budget ownership and tracking required to deal with over and underspends. Financial business partnering is a relatively new approach within the councils and greater clarity around the respective roles of finance and budget managers along with focused training would help to embed this.

Budget managers and staff considered that the application of recharges late in the year as a weakness in financial management. The peer team saw a need for greater clarity in relation to the level and setting of recharges which was causing budget holders challenges in terms of presenting the final budget out-turn.

A particular area of concern among budget managers was budget setting with a number feeling disconnected and lacking ownership of budget lines. Some referred to the decision-making process as being 'done to us' and 'death by salami slicing'. Recognising that hard decisions need to be made concerning prioritisation it appears to the peer team that a way needs to be found to increase budget managers' ownership of the service budget process. The councils should review what opportunities could be taken to increase ownership of savings and income plans at this key delivery and management level. Budget managers expressed a desire to be more involved in the delivery of budget savings, and this could well be an opportunity for the organisation as it seeks to develop a more comprehensive budget strategy.

Generally good relationships exist between service departments and the finance team and finance understands the business. Budget managers reported good team working and trust and confidence in financial managers and accountants. Business partnering is relatively new and the peer team were told quality depends on individuals. Financial management culture in the organisation is improving but ownership throughout the organisations is inconsistent. In terms of broader financial awareness and commercial skills there is a need to build ownership and confidence and provide with necessary skills. Business planning, management and processes need to be more effectively supported. The peer team were told that the current tools and systems do not work for all service managers with concerns about the modernity of IT support.

Managers advised of planned investment in a new finance system that would be more efficient and had the potential to release some capacity into the system. Improved systems should build more capacity and importantly, act as a catalyst for change across the organisations. The peer team strongly recommend that the councils maximise the potential of the new financial system.

In overall terms there is a need to modernise the finance system with a focus on:

- building capacity;
- streamline Financial Procedure Rules (FPR) (this is discussed elsewhere at the moment);
- systems;
- training;
- proactive budget monitoring; and
- review recharges policy.

Housing Revenue Account

Adur Homes and Adur Council are improving their strategic financial approach to the local authority housing stock via the HRA. Recognising weaknesses in stock condition surveys and under investment in the housing stock, a 30-year business plan is now in place that restructures the debt portfolio and plans to bring the HRA out of deficit in 2022/23. This seeks to deal with a fall in rental income and use of HRA reserves that has been driven by Government policy changes around rent setting.

Adur Homes is now starting to build homes and the 'Hidden Homes' scheme is using under utilised land to build small groups of new homes.

Opportunities to use the HRA exist to improve financial performance and these include:

- Transferring HRA garage and shops income to the General Fund - typically when shops and garages within the housing revenue account were built, they were used by housing tenants only. With the introduction of the right to buy legislation this is no longer the case and those assets are generally used by the wider population rather than just housing tenants. The law therefore allows for a proportion of the income to be appropriated the general fund (or the assets more generally).
- Use of HRA stock for homelessness with service charge – for stock holding authorities, the HRA stock can be used for temporary accommodation purposes, backed by the introduction of a homelessness service charge which is claimable through Housing Benefit. This has the advantage of keeping money within the Council rather than paying out for private sector accommodation which falls on the General Fund.

- Introduction of new repairs management functions/system (HRA) – an efficient repairs allocation and workforce monitoring system can ensure that operatives are carrying out the right jobs, in the right amount of time, and with the right supplies, reducing down-time, wastage and customer satisfaction levels, but ultimately delivering cost savings for the HRA.
- The movement of HRA properties to formula rents upon re-letting to maximize rental income from those properties.

4.3 Decision Making

Risk Control

It appeared to the peer team that the councils were properly considering most risks, and their corporate risk register/service risk registers were all in place. As stated earlier in this report the peer team consider that this was not fully translating into financial provision to mitigate those risks.

Strategic Finance Board

The Strategic Finance Board (SFB) advises and monitors the Strategic Property Investment Programme. Chaired by the Chief Executive, it plays an integral role in this Property Investment and Regeneration schemes.

The councils have only recently decided to invest in commercial property through direct purchase or development over the next five years. This lags behind the pace of many other councils although the £150m programme between the two councils seeks to work at significant pace in investing in commercial property. The councils are aware of Government concerns over council borrowing to invest in areas outside of their boundaries and this needs to form a major part of their scenario planning for the future.

The MTFs up to 2023/24 projects net income from this programme as £905k for Adur Council and £850k at Worthing. So far both councils have purchased two properties each with anticipated net annual income of £308k and £294k respectively. The councils are mitigating for the risk of finding suitable properties and for void periods and re-letting costs and have set up a specific reserve to cover this. Caution is necessary however. For example, if the councils achieve circa £10m per annum coming in from property acquisitions, that is a significant gross income stream relative to their net revenue budgets. And with risks such as Brexit on the horizon, changes such as a 10 per cent reduction in rental income could place significant pressure on their working balances.

The peer team found the framework in relation to decisions about whole life costing to property acquisition to be detailed. This ensured that appropriate expertise was obtained by external consultants in terms of liabilities and this advised the council's investment decisions. It will be important for the councils to ensure that sufficient planned maintenance with supporting budgets is provided for the acquisitions of land or buildings.

This is doubly important as the councils recognise significant historic weaknesses in maintenance and long-term financial provision to maintain its asset base. This is currently being rectified through more detailed examination of the requirements for adequately maintaining the council's asset base through a programme of condition surveys and better capital programme planning. The councils recognise the need for a full strategic asset review to repair, sell or repurpose and the SFB is commissioning consultant support to begin that review.

Many councils set out 10-year asset maintenance plans looking at the repair and improvement of buildings, car parks, playgrounds, vehicle replacements etc. Clearly this brings with it the need to set aside adequate sums to meet the maintenance specification or replacement of plant/vehicles. Given the tightness of the current budgets and the financial gaps for 2020/21 and beyond the challenge will be to set aside adequate monies to cover these costs.

Financial Procedure Rules

Given the ambition of the councils to act in an entrepreneurial manner the peer team question whether the Financial Procedure Rules (FPR) are proportionate to the risks and whether these require review. In relation to commercial property investments there is significant level of delegated responsibility to officers to decide acquisitions in consultation with Executive members up to the agreed £150 million of investment.

However, this is at odds with certain requirements under the FPR where certain expenditure of £20k is subject to significant compliance requirements backed by 62 pages of guidance and requiring full Council approval for many items of expenditure such as the use of section 106 monies. This suggests a review of the FPR would potentially benefit the larger number of smaller spends, and align the councils FPRs with the innovative and entrepreneurial style that is being implemented in relation to delivery of services.

Comprehensive Examination of Financial Options

The peer team's analysis of current strategies and discussions suggests that there were wider opportunities to explore in relation to savings and income. The peer team discussed a number of these with you while on site in the spirit of 'action learning' and peer support. It is suggested that the councils review whether they have comprehensively examined all realistic strategic financial management options in an integrated manner. Some recommendations for areas of examination are provided in different areas of our report but other examples include:

- Corporate Inflation Provision - rather than applying inflation to individual budget lines, can instead be calculated and applied to a corporate budget line (being transferred as necessary where inflationary pressures require). As local government is not typically affected by the same inflationary pressures as households any unspent corporate inflation budget can be released as savings.

- Adoption of a vacancy savings allowance to take account of historical salary savings at the start of the year rather than delivery of these at the end of year in the form of a budget underspend.
- Review of Council Tax Support Schemes - with only one council requiring those of working age to make a contribution to their council tax where they are eligible for Council Tax Support the opportunity presents itself to impose this across both Councils and/or to increase the amount that working age claimants pay towards their Council Tax. At a circa 15 per cent contribution, Adur's policy is one of the more generous schemes in place, and experience elsewhere shows that the "tipping point" where contributions received are outweighed by the impact on debt collection, is around 25 per cent. Nationally councils are now considering ways to simplify their schemes and this could provide an opportunity for efficiency as administration grants reduce.
- Consideration of Single Loans Pool – authorities can either operate a single-loans pool – where debt costs of borrowing are treated corporately and applied to both the General Fund and HRA in accordance with the underlying need for borrowing on those two accounts through the Capital Financing Requirement (but not the actual need for borrowing) – or multiple debt pools, where the authority accounts for General Fund debt costs on the General Fund, and HRA debt costs on the HRA. Depending upon the financial sustainability of the two funds, and historical uses of the debt, an authority could therefore switch between the two models.
- Extraction of Social Value Act from contractors – contractors are now legally required to demonstrate how their contract is providing social value to the local area. Some authorities are using this to extract sponsorship contributions from contractors to enable community events to proceed that would otherwise have to cease as a result of austerity measures.
- Retaining court costs post liability stage – during the visit it was observed that court costs for non-payment of Council Tax are often waived if residents enter into a payment plan for clearing their debts. Modelling would have to be carried out, but where costs are not waived in other authorities, this has not led to a significant decrease in collection rates for Council Tax.
- Investment (LT) of cash-flow balances into property/funds – by analysing the long-term cash flow position of the authority over a period of ten years, longer-term investment decisions can be taken in relation to that cash. Without a long-term cash-flow model, investments will be limited to 3-6 months typically, with returns of around 0.7 per cent, whereas longer term investments (3-5 years) can yield around 4 per cent per annum from the same cash balances, thereby helping to reduce pressure on service cuts.
- Root and branch review of all service areas – by carrying out a review of all Council services, the authority will be able to determine the degree to which services are being provided discretionarily or statutorily, and how that service

is performing relative to its comparators (such as in terms of performance and cost per head of population). This can enable a more targeted approach to be taken to the delivery of savings, as opposed to salami-slicing of all services, and ensure that services delivered are commensurate with the demand in any given area.

4.4 Financial Outcomes

General

The strategic aim of both council's current financial strategy is clearly set out in the joint budget strategy. This aim is to ensure that they would be community funded by 2020 with no continuing reliance on Revenue Support Grant from Government. Funds to run the councils would come from trading and commercial activities, council tax income and business rate income.

The councils have successfully delivered on budget savings to date. The savings strategy comprises of three strands:

- investing in property;
- commercialisation of services; and
- redesign of digitalisation of services.

In support of achieving the aim of community funding, the councils have set up several strategic programmes to deliver savings. These include programmes including Major Projects leading on regeneration and housing and Service Redesign leading on the Digital Strategy. Other larger programmes include Strategic Asset Management delivering income growth utilising the £150m Strategic Property Fund and Commercial examining income growth.

Service Redesign (Digital)

The Digital Programme (aimed at the councils designing and building their own digital products) successfully achieved annual savings in the region of £190k between 2016/17 and 2018/19 against a target of £200k. This is a significant achievement and the councils' expertise and innovation in this area is widely known and a major success story. The financial plans are for similar annual savings up to 2023/24.

Commercialisation

Income has exceeded target since this programme started in 2016/17. Between 2016/17 and 2018/19 income grew by £2.3m significantly beating the target of £1.8m. The focus has largely been on generating fees and charges for services currently delivered for example planning and building control and garden waste. The councils have strengthened their capacity in this area through the appointment of a Business Development Manager and the councils are becoming more clearly focused on increasing income through improved marketing of their own services.

To date the councils have not set up a Local Authority Trading Company which is a potential area to explore given the emphasis on regeneration in P4OP and the need to build more homes, especially in Worthing.

To assist in building the capacity and skills of the two councils there would be benefit in building a stronger financial management culture throughout the organisation, including commercial skills development.

Regeneration

The councils can clearly point to the use of their capital finances and levered grant aid in support of P4OP activities such as ‘investment in and delivery of Major Projects and key infrastructure’. Associated capital projects supported by Council finance include Adur Civic Centre redevelopment, Colonnade House (digital and creative hub) and the Grafton and Union Place sites in Worthing town centre. As part of support to the digital and creative economy in the area the councils are working with the County Council in the laying down of gigabit infrastructure.

Work is underway on a new Adur Council funded office block in Shoreham which will see over 250 jobs retained in the area with the prospect of more to come. The £9.5m redevelopment owned by the council will be then leased to the private sector.

A joint venture scheme with a major private sector company to deliver a mixed use (residential/ commercial/ food and drinks offer) at Worthing demonstrates a different approach to prudential borrowing. The peer team discussed with the councils whether they have taken opportunities to consider all relevant methods of financing ambitions, for example using head leases and partnership work to avoid paying with cash. Examining all relevant ways of growing the area without direct income would be beneficial given the councils’ financial position.

Managing Underspends

One particular area of concern that the councils are aware of includes the monitoring of spend. In 2017/18 Worthing underspent by £813k or 6 per cent of its budget. In the same period Adur underspent by £504k, or 5.5 per cent of its budget.

However, it should be noted that a significant proportion of these underspends was driven by technical issues such as changes to capitalisation debt financing, rather than an underlying trend in service underspending, albeit, that did play a part. Members expressed particular concerns about this. Given the knock in confidence that this generated in financial management processes at the councils it will be important for them to clearly understand how they can learn from this and what early warning systems are put in place. It is important therefore for the councils to more proactively manage in year budget performance to take corrective action where necessary based on emerging trends

Longer-term strategic financial planning – moving away from a “hand-to-mouth” approach to budget balancing would help to alleviate pressures caused by such underspending, regardless of its origin, as such underspends can be used to build reserves that provide a further cushion against financial challenges in the years ahead.

Homelessness

A key budgetary pressure is the increase in demand for emergency and temporary accommodation. This is due to significantly larger number of people, especially single people, presenting as homeless. The area does not benefit from truly affordable homes and the councils had previously been slow to develop compressive approaches across the sectors focusing on prevention. This is now being strategically tackled by a partnership including the voluntary sector, led by the councils, which is a major improvement. Examples of council involvement include buying up properties and leasing them to landlords to provide emergency and temporary accommodation and working with landlords to prevent homelessness occurring in the first place. This improved focus and investment on joining up a preventative approach is cutting through silos and decreasing costs.

Performance Management and Post Implementation Reviews

Strategically, the P4OP provides a six monthly largely narrative review of performance against the 146 projects. The peer team did not detect a strong corporate performance management culture that linked financial and performance data together with a strong focus on benchmarking against similar district councils. It is felt that such a suite of indicators would not only enable the authorities to quickly identify areas of concern/pressure at a time of limited financial resources – most recently demonstrated by increased demand for homelessness services – but could also sit side-by-side with the councils' budget strategy. In this way it could more easily and quickly identifying services that are costing more or less than nearest neighbour comparators – thereby creating an opportunity for a more targeted approach to where future savings should be generated rather than a salami-slicing approach. Ultimately, this would enable the organisations to have a greater understanding of their value for money relative to their comparators.

The peer team would also encourage a stronger focus on post implementation reviews so that benefits and lessons learned can be shared across the two councils

4.5 Partnership & Innovation

Service Redesign (Digital)

The councils have significantly improved the way they interact with citizens and have become far more digitally focused in the way services are provided. The results achieved from adopting new, self-built digital technologies saw the councils win a national innovation award for 2015. This cutting-edge development frees up resources.

The Digital Programme (aimed at the council designing and building its own digital products) successfully achieved annual savings in the region of £190k between 2016/17 and 2018/19 against a target of £200k. This is a significant achievement and the councils expertise and innovation in this area is widely known and a major success story. The financial plans are for similar annual savings up to 2023/24.

Partnership Funding

The councils have been very successful in leveraging money in via the Local Enterprise Partnership. This has led to the part funding of four projects including the demolition of Teville Gate car park and adjoining buildings to prepare for alternative redevelopment.

The councils have successfully led the Gigabit West Sussex project that has secured £4.66m investment from the Department for Digital, Cultural, Media and Sport's Local Full Fibre Network. This project will enable the provision of high-speed broadband in the area with the next generation of fibre cables.

The peer team discussed the success that Weymouth and other similar sized coastal towns were having through improved engagement with their local MPs and through them better access to speak to Government departments and partner agencies. One specific opportunity is to enhance opportunities to fund P4OP projects through the Coastal and Communities Fund which has supported improvements in coastal areas such as Weymouth.

Contract and Procurement

The councils have reacted to recognised weaknesses that it was aware of in relation to procurement and contract management. In order to increasing procurement and contract management expertise and resilience it has entered into the Orbis shared services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council. Joining Orbis is providing the council with additional expertise, resilience and opportunities.

County Partners

There appeared to be the opportunity for stronger joint working with West Sussex County Council in relation to avoiding cost shunting and working more closely on areas such as supporting vulnerable young people and their housing needs and waste. It appeared that the County may unilaterally withdraw significant levels of funding in these areas without significant engagement or long-term planning. This would place a greater cost burden on the councils along with potentially poorer outcomes.

The peer team did not have chance to discuss in detail the broader corporate issues of the strength of county/district relationships and the structures for engagement and partnership working. However there appears to be scope for improving dialogue with the County. Examples of districts who have worked more collaboratively with their counties include Gloucester and Gloucestershire and Mendip and Somerset.

Some authorities have entered into negotiations with their County Councils regarding sharing in the savings that are made from delivering waste and recycling materials to the Waste Transfer Centres in the ideal format for the County Council to deal with. This can lead to the most efficient waste collection and disposal model for the local taxpayer generally, and incentivises the District Council to increase recycling as they share in the returns from that resource stream, with the County Council benefitting as well.

Theatre and Museum Models

The councils were not in the first wave of those whose leisure and cultural offers were encouraged to go down the Trust model. South Downs Leisure commenced delivery of sport and leisure facilities in Worthing in 2015 with services performing well. Worthing is now exploring potential delivery models for theatre and museum provision. The peer team would encourage the councils to continue along this path that has proved very successful in other areas. Careful consideration should however be given to the true taxation benefits of such models to ensure that business rates savings are not eroded through movement away from the less beneficial VAT and taxation arrangements that exist for certain models of operation.

One area of review suggested for the Worthing theatre is to review the venue's offer. One way to save money is to be clear about what the offer is from the theatre – for example, converting the hall to a private hire venue will mean that acts pay a hire fee for the facility and take the risk on ticket sales rather than the local authority. Typically, this can result in a lower quality of act (as some of the larger acts require a subsidy in order to perform at some of the smaller theatres), but these can be budget limited to a handful each year as a means of increasing the patron database.

Audit

Given the peer team's findings after three days work, it was surprising that strategic finances and risk control were not stronger features in the internal and external audit plans and findings. However, reference to an increased focus in the forthcoming year by the councils' external auditor were made during conversations with the audit lead. In order to increase the focus and support of Internal Audit (IA) on improving financial standing the peer team suggest that CLT are more involved in shaping the IA plan to make sure that it truly captures the initiatives and risks that are being implemented across the two councils. This would help IA obtain a good grasp of existing opportunities and threats and future challenges.

Organisational Development and Training

The councils recognise that in order to fully develop into the innovative and enabling organisations they aspire to, that more focus needs to be placed on developing new skill sets in areas including partnering, financial management and commercialisation. Financial business partnering is a relatively new approach within the Councils and greater clarity around the respective roles of finance and budget managers along with focused training would help to embed this.

5. Next steps

We appreciate the Councils will want to reflect on these findings and suggestions with the senior managerial and political leadership.

As part of the peer review/challenge process, there is an offer of further support. The Local Government Association (LGA) is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement. We would be happy to discuss this. William Brooks, Principal Adviser is the main contact between your authority and the LGA. His contact details are: Tel. 07949054421 and Email William.Brooks@local.gov.uk

In the meantime, we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform ongoing consideration.

[1] LG Inform

[2] based on the Council's Treasury Management strategy 2018/19

Financial Strategy & Management

DRAFT Improvement Action Plan

January 2019

Introduction

Following the [LGA Finance Peer Review](#) in November 2018, we have begun analysis of the recommendations contained in the report issued 20/12/18 and have developed a draft Improvement Action Plan for financial strategy and management.

Overall, the peer review found us as ambitious and innovative councils which have generally performed well without undue reliance on reserves. While our property investment programme started comparatively late, it is performing well, and our commercial services are delivering above the targets set. Our digital programme is delivering efficiencies, recognised as a considerable achievement, and our work to prevent homelessness is recognised.

However, the review team raised concerns about the relatively short-term nature of the financial strategy. Whilst initiatives are in place and tracked by the Strategic Finance Board, the peer review team recommended further work to develop clear and longer term plans to bridge the gap. Since the peer review was done in November, this gap had been reduced to less than £1m for the most challenging year 2020/21, but with the more recent West Sussex County Council budget announcements, there are now significant additional pressures.

The review team raised concerns about operating with low working balances and growing capital financing costs, especially in Adur, and provided technical recommendations for building up reserves through corporate inflation provision, exploration of a single loans pool and investment of cash flow balances to reduce borrowing. These are either being immediately implemented or explored further.

Awareness and ownership of the financial strategy was generally good, although additional member training and greater involvement of middle managers was recommended. Strengths were reported in our whole life costing approach for property acquisitions, but the review team supported our internal view that asset strategy development and 10-year asset maintenance planning must be prioritised.

The review team also highlighted the need to modernise our Financial Procedure Rules, giving more agility in decision making, and they were clear that the finance IT system project is an opportunity for wider modernisation, including process change and the upskilling of budget managers and finance business partners, and clarification of roles and expectations.

The Strategic Finance Board was recognised as playing a key role in financial strategy and governance. Regular financial reporting to committees, briefing meetings with Executive members and the expertise of the Head of Finance were well regarded. The review team did, however, consider there was a lack of involvement of the statutory officers at the strategic level, and concern was raised about the lack of prioritisation of the projects within Platforms for Our Places given resource constraints.

The review team acknowledged concerns about reported underspends and recharging practices, and whilst finding that a significant proportion of underspends were driven by technical issues, recommended better proactive management of budgets in year - this was actioned some time ago.

Improvement Actions

The key recommendations from the review are listed below, with key actions set out under each section. A project plan with timescales will be developed by the end of January.

- ***Build a stronger financial management culture throughout the organisation, including commercial skills development*** – *financial business partnering is a relatively new approach within the councils and a greater clarity around the respective roles of finance and budget managers and a better budget system along with focused training would help to embed this. Expert training to upskill managers in commerciality would strengthen business performance and improve financial health.*
 - We will engage LGA support to develop and deliver budget manager training to increase skills across the organisation
 - We will commission Orbis to deliver contract management training
 - We will develop a ‘business coach’ offer for leaders, managers and finance business partners to build commercial capacity including business innovation, business planning and marketing skills
 - Skills and techniques from the commercialisation exemplar underway in waste will be rolled out to other commercial managers
 - We will communicate financial challenges to middle managers, members and staff more widely through various channels

- ***Strengthen strategic financial capacity*** – *given the financial challenges both organisations face, increasing capacity for strategic financial planning should be a key consideration as should the lack of a strategic finance professional at the ‘top table’ of Corporate Leadership Team (CLT). CIPFA’s statement on the role of the Chief Financial Officer provides useful guidance.*
 - Strategic planning sessions are planned with CLT in January and Operational Leaders in February to review the position and identify key strategic challenges and initiatives. The CFO will develop and deliver the approach with the Director for Digital & Resources.

- Additional strategic capacity will be brought in on a consultancy basis to help develop a long term financial strategy, upskill senior finance officers and provide expert assistance to key strategic programmes
 - The MTFS strategic programme tracker is being further developed to capture all strategic initiatives
 - Strategic Finance Board will identify strategic programmes requiring investment in early 2019
 - Regular CLT+ meetings will be held to fully involve statutory officers in financial strategy development and decision making.
- ***Maximise the potential of the new financial system – the implementation of the new finance system should be used as a catalyst for change across the organisations, providing opportunity to challenge current working practices, streamline processes and free up finance capacity for more value-added work.***
 - We will engage LGA expert support to help develop and be a critical friend to a comprehensive modernisation programme
- ***Develop savings plans at pace with risk mitigation strategies in place –consideration of the risk to delivery of these plans along with alternative strategies and options should savings not be delivered is crucial.***
 - A plan is in place to undertake strategic financial planning from January 2019 for the years 2020/21 and beyond, and this will be inclusive of middle managers and Executive members. A consultant will be engaged to provide challenge and new perspective.
 - With consultant support, we will benchmark costs per service with other councils
 - We will stress test delivery of our Platforms strategy
 - We will assess options for service changes
- ***Maintain and bolster reserves in line with risk exposure as necessary – given the very low level of reserves against the backdrop of ambitious aspirations and the risks these bring within the Councils’ Medium-Term Financial Strategies (MTFS) the level of reserves need to be critically reviewed. Reserves provide a cushion to cope with ‘shocks in the system’ and help to avoid unplanned service cuts if savings cannot be delivered quickly enough.***
 - We will implement a corporate inflation budget provision which is expected to generate an underspend for passing into reserves
 - We will analyse the long term cash-flow position with a view to investing more into property/funds and reducing borrowing
 - We will explore the flexible use of single and multiple debt pools for the treatment of debt costs of borrowing
 - We will regularly review the vacancy savings allowance at start of year to ensure that it reflects current spending patterns.

- **Review the way members and the political governance structure engage with the new agenda** – *In view of the relatively radical new approach to delivering services and facilitating the growth of the two communities it is essential to ensure the committee structure makes the best of the members skills. The present structure could be streamlined and clarified to better complement the direction of travel and member training refined to focus specifically on the contribution expected from each elected representative.*
 - We will discuss these suggestions further with the peer review team
- **Harmonise policies and streamline processes and systems across both councils where ever possible** – *the peer team understand that each council has local jurisdiction and will have its own priorities, but where possible harmonising approaches will help to deliver operational efficiencies and potentially improve clarity for citizens.*
 - We see relatively limited scope for further change here, but we will explore these with managers within the service planning process
- **Ensure that the key priorities of the Councils are clearly communicated and understood by staff and the community** – *lack of clarity and focus inevitably drives additional cost.*
 - We have improved our communications through the newly created Leadership College, where an overview of the finance picture was provided. We will identify further opportunities for communication and engagement in 2019.
- **Performance management framework needs to support key priorities and signal early warnings regarding investment and value** – *financial data is largely backward looking and needs to be seen in the context of wider performance data so that rounded insight is used to drive action and value for money.*
 - We do not see sufficient benefit in creating a corporate performance indicator regime, which we did have in place in 2014-15, and moved away from.
 - However, better provision of data and analysis skills are a priority for 2019, and the learning and development programme will seek to address the skills gap, as well as the digital programme support better reporting and dashboards in its transformation work
- **Ensure processes for commercial investment are transparent and involve rigorous internal controls to mitigate risk** – *a clear framework is in operation but timely input from all relevant stakeholders is important to*

ensure sound due diligence.

- We will request further information from the peer review team on the details behind this recommendation
- ***Develop the workforce and member development programme further to recognise the new agenda – building financial understanding and capacity underpins a strong financial management culture and targeted programmes to develop both officers and members would be beneficial.***
 - We will develop a business coaching model to help managers and finance business partners develop commercial skills
 - We will develop member training on council finances in general and our medium term financial strategy
 - We will develop budget manager training via LGA
 - We will deliver contract management training via Orbis

Other actions that we will pursue as part of this action plan arising from the report of the LGA include:

- We will modernise our Financial Procedure Rules
- We will engage more closely with Heads of Service over the development of the internal audit plan.



ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT

REPORT BY THE ACTING HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

This report seeks to update Members of this Committee with:

- 1.1 The current performance of the Internal Audit Section.
- 1.2 Summary information on the key issues raised in final audit reports issued since our last report to the Committee.
- 1.3 The current status on the implementation of agreed audit recommendations.
- 1.4 Fraud work conducted by the Councils' Corporate Investigations Team.

2. Recommendations

2.1 Recommendation One

That the Committee note the contents of this report.

3. Context

3.1 Background

Each quarter, a report is produced for this Committee which details the Internal Audit Section's performance against the current Annual Internal Audit Plan and summarises the results of audit work carried out.

4. Issues for Consideration

4.1 Internal Audit Performance - 2018/19

The 2018/19 Annual Internal Audit Plan presented to the Joint Governance Committee on 27th March 2018 contained 511 days and 36 items of audit work to be undertaken by the Internal Audit Service during the year.

Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	6	73.5	14.4%
Quarter 2 (July – September)	5	67.5	13.2%
Quarter 3 (October – December)	11	151.5	29.6%
Quarter 4 (January – March)	17	218.5	42.8%
	39	511	100%

As at 31st December, 287.56 days (56.3%) of the planned days had been delivered. Attached as **Appendix 1** is a summary of the current status of audits in the plan.

4.2 Final Audit Reports

Recommendations made in audit reports are categorised according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management.
Priority 2	Other recommendations for local management action.
Priority 3	Minor matters.

Internal Audit's assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system's control adequacy. The assurance levels and their associated explanations are:

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

A summary of the final reports issued since our last report to this Committee, including the key issues raised, is attached as **Appendix 2**.

Since our report to the Committee in September 2018, nine reports have been finalised, seven of which were given a Satisfactory Assurance opinion. Two P1 recommendations were raised within these reports. We are pleased to report that the other two reports were given Full Assurance.

Details of the Priority 1 and Priority 2 recommendations raised within these reports have been circulated to Members prior to the meeting in a separate briefing note.

4.3 Follow up of Audit Recommendations

In accordance with the Council's Follow-Up Protocol, we have continued following-up the status of implementation of recommendations contained in final audit reports.

Follow-up is undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The current performance in relation to these targets for the last 3 years is shown in the tables below:

Analysis of status of recommendations 2016/17

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	17	15	88.2%	0	0%	2	11.8%	0	0%	11.8%	0	17
P2	92	65	70.6%	10	10.9%	17	18.5%	0	0%	29.4%	0	92
P3	11	8	72.7%	1	9.1%	2	18.2%	0	0%	27.3%	0	11
Other	18	16	88.9%	0	0%	2	11.1%	0	0%	11.1%	0	18
Total	138	104	75.4%	11	8%	23	16.6%	0	0%	24.6%	0	138

Analysis of status of recommendations 2017/18

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	24	20	83.3%	0	0%	4	16.7%	0	0%	16.7%	10	34
P2	50	39	78%	0	0%	11	22%	0	0%	22%	24	74
P3	15	14	93.3%	0	0%	1	6.7%	0	0%	6.7%	8	23
Other	1	0	0%	0	0%	0	0%	1	100%	100%	0	1
Total	90	73	81.1%	0	0%	16	17.8%	1	1.1%	18.9%	42	132

Analysis of status of recommendations 2018/19

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	1	1	100%	0	0%	0	0%	0	0%	0%	1	2
P2	1	1	100%	0	0%	0	0%	0	0%	0%	22	23
P3	2	2	100%	0	0%	0	0%	0	0%	0%	9	11
Total	4	4	100%	0	0%	0	0%	0	0%	0%	32	36

Attached as **Appendices 3, 4 & 5**, are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2016/17, 2017/18 and 2018/19 Audit Plans. The shaded boxes indicate where changes have occurred since our last report.

There are also seven recommendations still outstanding from 2015/16 audits, one of which is a priority 1, which we will continue to monitor until their completion.

4.4 **Fraud**

We periodically provide an update/summary of fraud work conducted within the Councils. Attached as **Appendix 6** is an update on the work completed by the Councils' Corporate Investigations Team since April 2018.

5. Engagement and Communication

5.1 Internal Audit attends monthly meetings with the Chief Financial Officer on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary.

6 Financial Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 There are no legal matters arising as a result of this report.

Background Papers

None

Officer Contact Details:

Pat Stothard
Acting Head of Internal Audit
Town Hall, Worthing
Tel: 01903 221255
pat.stothard@mazars.co.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The report does not seek to meet any particular Council priority.

	Project	Field Work complete	Draft Issued	Final Issued	Assurance level	1	2	3	Total	P1 issues
1	Right to Buy	Y	Y	Y	Satisfactory	0	2	1	3	None
1	Bereavement Services	Y	Y	Y	Satisfactory	1	3	0	4	Monitoring of expired burial rights
1	Business Travel - Vehicles	Y	Y	Y	Satisfactory	1	4	6	11	Agreeing and signing of new contract
1	Place & Economy	Y	Y	Y	Satisfactory	0	6	2	8	None
1	Disabled Adaptations	Y	UR							
1	Car Parks - LED replacement lighting contract	Y	Y	Y	Satisfactory	0	1	4	5	None
2	Private Sector Leasing	WIP								
2	NSL Contract Management	Y	Y	Y	Full	0	0	0	0	None
2	Corporate Governance	Y	Y							
2	Fire Doors - vertical contract audit	Y	Y	UR						
2	Emergency Planning	Y	Y	Y	Satisfactory	0	2	1	3	None
3	Compliance with the Freedom of Information Act	Y	Y							
3	Cashiering	Y	Y	Y	Satisfactory	0	1	0	1	No P1 recs
3	Development Management	Y	Y							
3	Treasury Management	Y	Y	Y	Full	0	0	0	0	
3	Waste Management	Y	Y							
3	Theatres Box Office	Y	Y							
3	Creditors	Y	Y	Y	Satisfactory	0	2	0	2	None
3	Debtors	Y	Y	Y	Satisfactory	0	3	0	3	None
3	Revenues (Council Tax & NDR)	WIP								
3	Benefits	WIP								
3	Housing Repairs (Matsoft)	WIP								
4	Air & Water Quality	WIP								
4	Risk Management	WIP								
4	Capital	P								
4	General Ledger	P								
4	Payroll	P								
4	Food Safety & Registration for Businesses	P								
4	Health & Safety	P								
4	Tenancy Management	P								
4	Rent Collection and Collection of Arrears	P								
4	Asset Management									
4	Energy Management									
4	Housing Allocations									
4	Construction - Adur Civic Centre Phase 1									
4	Contact Centre - management of call volumes									
4	To be agreed following ICT Needs Assessment									
4	To be agreed following ICT Needs Assessment									
4	To be agreed following ICT Needs Assessment									

KEY

P = PLANNING

WIP = WORK IN PROGRESS

UR = UNDER REVIEW

Key issues from finalised audits

Appendix 2

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised
Bereavement Services (2018/19)	Satisfactory (One Priority 1 and Three Priority 2 recommendations)	Priority 1 recommendation relates to the review and monitoring of expired burial rights.
NSL Contract Management (2018/19)	Full (No recommendations)	
Treasury Management (2018/19)	Full (No recommendations)	
Creditors (2018/19)	Satisfactory (Two Priority 2 recommendations)	No Priority 1 recommendations
Debtors (2018/19)	Satisfactory (Three Priority 2 recommendations)	No Priority 1 recommendations
Cashiering (2018/19)	Satisfactory (One Priority 2 recommendation)	No Priority 1 recommendations
Car Parks LED Lighting Replacement Contract (2018/19)	Satisfactory (One Priority 2 and Four Priority 3 recommendations)	No Priority 1 recommendations
Emergency Planning (2018/19)	Satisfactory (Two Priority 2 and One Priority 3 recommendations)	No Priority 1 recommendations
Business Travel (Vehicles) (2018/19)	Satisfactory (One Priority 1, Four Priority 2 and Six Priority 3 recommendations)	The Priority 1 recommendation related to the agreement and signing of a new contract with Enterprise as the existing contract had expired.

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
Director for Economy																	
Culture																	
Theatres Catering	WBC	Nov-17	Limited		8	7	88%			1	1				13%	A Thomas	Met with Bars & Catering Manager and confirmed completion of 7 recommendations. Remaining recommendation is in progress
Place & Investment																	
Management of the Council's Commercial Property Portfolio	*	Feb-17	Satisfactory		10	8	80%			2	0	1	1		20%	C Cronin	Update provided through App confirmed that work is still required to complete 2 outstanding recommendations - revised deadlines of 31/3/19 set
Director for Communities																	
Housing																	
Rent Collection and Collection of Arrears	ADC	Jun-17	Satisfactory		3	3	100%										COMPLETE
Right to Buy	ADC	May-17	Satisfactory	1	4	4	100%										COMPLETE
Sheltered Accommodation	ADC	Jun-17	Satisfactory		5	5	100%										COMPLETE
Works to Void Properties	ADC	Jun-17	No		11	11	100%										COMPLETE
Wellbeing																	
Voluntary & Community - contract procurement	*	Feb-17	Limited		6	6	100%										COMPLETE
ADC Taxi Licensing fact find	ADC	Sep-17	No Opinion work	7	18	16	89%			2	0	0	0	2	11%	K Adderson	Update provided via Audit App - confirmed 2 recommendations still being progressed .
Leisure																	
South Downs Leisure Trust - Contract Management	WBC	Jun-17	Satisfactory	2	4	4	100%										COMPLETE
Director for Customer Services																	
Revenues & Benefits																	
WBC Revenues (Council Tax & NDR)	WBC	Aug-17	Satisfactory	1	4	1	25%	3	75%								3 outstanding recs re-raised in 17/18 audit
WBC Benefits	WBC	Jun-17	Satisfactory		2	1	50%	1	50%								1 outstanding rec re-raised in 17/18 audit
CenSus - NDR	ADC	Jun-17	Satisfactory	3													Recs no longer applicabel following return of Adur NDR to A & W
Waste & Cleansing																	
Fleet & Transport Management	*	Feb-17	Satisfactory		4	4	100%										COMPLETE
Building Control & Land Charges																	
Local Land Charges	*	Aug-16	Satisfactory		4	2	50%			2	0	2	0		50%	M Perryman	Update provided confirmed completion of the outstanding recommendations relates to implementation of a new system which the service is discussing with the suplier
Director of Digital & Resources																	
Finance																	
Medium Term Financial Strategy	*	Nov-16	Full														No recommendations to follow up
General Ledger	*	Jun-17	Satisfactory		5	2	40%	3	60%								17/18 confirmed 2 recs complete & 3 re-iterated
Capital Accounting	*	May-17	Satisfactory		1	1	100%				0						COMPLETE
Treasury Management	*	Apr-17	Satisfactory		1	1	100%										COMPLETE
Creditors	*	Mar-17	Satisfactory		2			1	50%	1	0	1	0		50%	Y Stillwell	17/18 audit confirmed outstanding rec cannot be addressed until implementation of new FMS
Debtors	*	Apr-17	Satisfactory	1	2	1	50%			1	0	1	0		50%	Y Stillwell	17/18 audit confirmed rec cannot be addressed until implementation of new FMS
Payroll	*	Apr-17	Satisfactory		9	8	89%	1	11%								17/18 audit re-iterated 1 rec.
Cashiering	*	May-17	Satisfactory	1	5	4	80%			1	0	1			20%	A Simmons	In the 18/19 audit we confirmed the recommendation is being addressed and that a completion date of 31st March 2019 has been set.
Invest to Save Schemes	*	Nov-16	Satisfactory		7					7	0	7	0		100%	E Thomas	Update provided confirmed action is being taken to address recommendations.
Legal																	

Corporate Governance	*	Jun-17	Satisfactory		5	2	40%	2	40%	1	1				20%	S Gobey	Outstanding P1 recommendation relates to Management Assurance Statements - process to be put in place for 18/19 and a meeting has been arranged to progress.	
Design & Digital																		
Risk Management	*	May-17	Satisfactory	1	3	1	33%			2	0	1	1		67%	M Lowe	oustanding recommendations are in progress and will be tested as part of 18/19 annual audit	
Business & Technical Services																		
Splashpoint Gym Equipment Fact Finding	WBC	N/A	No Opinion work														No follow up required	
Corporate Planned Maintenance Programme	*	Jun-17	Satisfactory	2													No follow up required	
Project Cost Control - Final Accounts - Project Closure	*	Feb-17	Satisfactory	1	2	2	100%										COMPLETE	
Computer Audits																		
Remote Access protals/VPN	*	Apr-17	Satisfactory		2	2	100%											COMPLETE
Telecomm Management	*	Apr-17	Satisfactory	1	1	1	100%											COMPLETE
Cross Service Audits																		
Fire Risk Management	*	Jun-17	Satisfactory		10	7	70%			3	0	3	0		30%		Update requested	
					138	104	75%	11	8%	23	2	17	2	2	17%			

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
Director for Communities																	
Housing																	
Rent Collection and Collection of Arrears	ADC	Jan-18	Satisfactory		2					2	0	1	1	0	100%	P Turner	Recommendations will be followed up during annual audit in Q4 18/19
Leaseholder Charges	ADC	Mar-18	No		39	4	10%			35	12	20	3	0	90%	C Anthill/ N Freeman C Barber	Update on Action Plan requested
Gas Safety Inspections	ADC	Jul-18	Limited	4	16	11	69%			5	1	4	0	0	31%		Recommendations were owned by previous Head of Housing - owner changed. Update provided confirmed work is in progress, completion deadlines revised.
Housing Repairs Handyman Service	ADC *	Jan-18	Limited	10	1	1	100%										COMPLETE - Decision taken to discontinue service therefore all other recs no longer applicable.
Garage Management Decorating Vouchers	ADC ADC																
Wellbeing																	
Contract Management audit - Voluntary & Community contract	*	Feb-18	Satisfactory	1	1	1	100%										COMPLETE
Director of Digital & Resources																	
Finance																	
Budget Management	*	Dec-17	Satisfactory	1	1	1	100%										COMPLETE
General Ledger	*	Mar-18	Satisfactory		5	3	60%			2	0	2	0	0	40%	J Gamlin	1 recommendation to be actioned once new system in place - deadline revised to April 19. Other recommendation will be tested as part of 18/19 audit in Feb 19
Capital Accounting	*	Apr-18	Satisfactory		1	1	100%										COMPLETE
Treasury Management	*	Dec-17	Satisfactory		2	2	100%										COMPLETE
Compliance with IR35 - Tax legislation	*																
Creditors	*	Feb-18	Satisfactory		2	2	100%										COMPLETE
Debtors	*	Feb-18	Satisfactory	1	2	2	100%										COMPLETE
Payroll	*	Apr-18	Satisfactory		4	2	50%			2	0	1	1	0	50%	G Townsend	These 2 recommendations will be followed up on when annual audit conducted in Q4 (18/19)
Cashiering	*	Mar-18	Satisfactory		2	2	100%										COMPLETE
Legal																	
Corporate Governance & Ethical Standards	*	Jan-18	Satisfactory		2	2	100%										COMPLETE
Design & Digital																	
Compliance with the Data Protection Act	*	Apr-18	Satisfactory		9	9	100%										COMPLETE
Risk Management	*	Apr-18	Satisfactory		4	1	25%			3	0	3	0	0	75%	M Lowe	update provided via App confirmed 1 rec as actioned - other 3 will be assessed as part of the annual audit currently in progress
People																	
Human Resources	*	Feb-18	Limited	1	6	6	100%										COMPLETE
Revenues & Benefits																	
Revenues (Council Tax & NDR)	*	Jul-18	Satisfactory	1	3					3	0	2	1	0	100%	P Tonking	Recommendations being followed up as part of current 18/19 audit
Benefits	*	Feb-18	Satisfactory		2	2	100%										COMPLETE
Computer Audits																	
Firewall & Cyber Security	*	Oct-17	Satisfactory		5	5	100%										COMPLETE
GDPR Readiness Gap Analysis	*	Apr-18	Limited	4	16	16	100%										COMPLETE
Revs & Bens - Academy application	*																
Mats - governance & management arrangements	*																
Review of Technology Strategy	*	Apr-18	No opinion given		1					1	0	0	0	1	100%	P Brewer	update requested
Contract Audits																	
Procurement Compliance	*	Sep-18	Satisfactory		6					6	1	2	3		100%	S Gobey	Recommendation to be followed up through Audit App when due
					132	73	55%	0	0%	59	14	35	9	1	45%		

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
Director for Communities																	
Adur Worthing Contract Services																	
Waste Management	*																
Environment																	
Bereavement Services	*	Nov-18	Satisfactory		4					4	1	3	0		100%	K Greening	Recs to be followed up through App when due
Housing																	
Tenancy Management	ADC																
Private Sector Leasing	*																
Right to Buy	ADC	Jul-18	Satisfactory		3	1	33%			2	0	2	0		67%	N Freeman	Recs to be followed up through App when due
Rent Collection and Collection of Arrears	ADC																
Disabled Adaptations	ADC																
Housing Allocations	ADC																
Housing Repairs - Matsoft processes	ADC																
Wellbeing																	
Food Safety & Registration for Businesses	*																
Air & Water Quality	*																
Director of Digital & Resources																	
Business & Technical Services																	
Business Travel - Vehicles	*	Jan-19	Satisfactory	3	8	1	13%			7	0	4	3	0	88%	S Spinner	Recs to be followed up through App when due
Health & Safety	*																
Customer Contact																	
NSL Contract Management	*	Sep-18	Full														No Follow up due as recommendations made
Contact Centre - Management of Call volumes	*																
Customer & Digital Services																	
Risk Management	*																
Compliance with the Freedom of Information Act	*																
Finance																	
General Ledger	*																
Capital & Fixed Asset Accounting	*																
Treasury Management	*	Nov-18	Full														No Follow up due as recommendations made
Creditors	*	Nov-18	Satisfactory		2					2	0	2	0		100%	Y Stillwell	Recs to be followed up through App when due
Debtors	*	Dec-18	Satisfactory	1	2					2	0	2	0		100%	S Corner	Recs to be followed up through App when due
Payroll	*																
Cashiering	*	Nov-18	Satisfactory		1					1	0	1	0		100%	A Simmonds	Rec to be followed up through App when due
Legal																	
Corporate Governance	*																
Revenues & Benefits																	
Revenues (Council Tax & NDR)	*																
Benefits	*																
Director for Economy																	
Culture																	
Theatres Box Office	WBC																
Place & Investment																	
Asset Management	*																
Planning & Development																	
Place & Economy	*	Sep-18	Satisfactory		8					8	0	6	2		100%	A Willems	Recs to be followed up through App when due
Development Management	*																
Computer Audits																	
Data Centre Access Procedure	*																
Database Architecture & Security	*																
Content Management (Website- Internet)	*																
Contract Audits																	
Construction - Adur Civic Centre Phase 1	*																
Fire Doors	ADC																
Car Parks - LED lighting replacement	WBC	Jan-19	Satisfactory		5					5	0	1	4		100%		Recs to be followed up through App when due
Cross Service Audits																	
Emergency Planning	*	Nov-18	Satisfactory		3	2	67%			1	0	1	0		33%	L Harris	Recto to be followed up through App when due
Energy Management	*																

					36	4	11%	0	0%	32	1	22	9	0	89%		
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Corporate Investigations Team (CIT) – Fraud update
(statistical information from 1 April 2018 to 31 December 2018)

Update on work since last report to JGC in March 2018

The CIT continue to verify all applications to be placed onto the Adur & Worthing Housing Register and all applications to exercise the Right to Buy of an Adur Homes property.

CIT would like to see all applications for Succession of Adur Homes tenancies being referred automatically to them as this is an area of high risk identified by the National Fraud Initiative Report and hope to implement this with the assistance of the new Head of Housing. Currently these applications are being processed without any verification from the CIT.

The Team are about to embark on a Single Person Discount exercise covering all properties in the Adur area currently in receipt of the 25% discount on their Council Tax for being the sole occupant of a property. This will be conducted in the same manner as the previous exercise undertaken by CIT in 2016 of all properties in the Worthing area, from which falsely claimed discounts of £429,807.89 were removed. The Team anticipates that approximately the same amount will be removed in the exercise covering the Adur area.

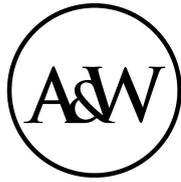
Detailed below is the recovery/savings achieved by the Team from their successful investigations since April 2018:

Investigation type	No of successful investigations	* Saving per case £	Recovery/Saving £
Housing - Breach of Tenancy	2	93,000	186,000
Housing – Housing Register	36	3,240	116,640
Housing - Right to Buy	5	79,000	395,000
Housing - Succession	1	93,000	93,000
Housing – Abandonment of Adur Homes property	1	93,000	93,000
Housing – Homeless Assistance Application	1	3,240	3,240
Council Tax	4	actual	4,188.95
Council Tax - SPD	2	actual	1,343.72
Housing Register Review – Adur	86 removed	3,240	278,640
Housing Register Review – Worthing	484 removed	3.240	1,568,160
			2,739,212.67

** The figures used in the above calculations are those used in the National Fraud Initiative Report 2018.*

Detailed below is a breakdown of the number of various referrals and enquiries received by the CIT since April 2018:

Type of Referral	No
Housing – Breach of Tenancy	2
Housing – Housing Register	122
Housing – Right to Buy	15
Housing – Subletting	33
Housing - Succession	1
Council Tax	24
Housing Register Enquiries	588
Homeless Prevention	38
DWP Enquiries	56
DPA Requests	20
PoSHFA Enquiries	402
CTRS Enquiries	3
Housing Register Review – Adur	886
Housing Register Review – Worthing	1562



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
4 December, 2018
Agenda Item 7

Joint Governance Committee
22 January 2019
Agenda Item 9
Key Decision : No
Ward(s) Affected:

MID YEAR REVIEW OF TREASURY MANAGEMENT 2018-19, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

- 1.1 This report asks Members to note the Treasury Management mid-year performance for Adur and Worthing Councils at the 30 September 2018, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 Recommendation One

The Joint Strategic Committee is recommended to note this report.

2.2 Recommendation Two

The Joint Strategic Committee is recommended to approve the amendment of the Treasury Management Strategy Statement and the Annual Investment Strategy to remove the minimum sovereign credit rating requirement from investment in UK institutions. In the unlikely event that the UK's sovereign rating is downgraded, the Councils must still be able to invest in UK banks and building societies.

2.3 Recommendation Three

The Joint Governance Committee is recommended to note this report and refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 31st January 2019.

3. CONTEXT

3.1 This report summarises the treasury management activities and portfolio for both Adur and Worthing Councils for the half year to 30 September 2018.

3.2 This is one of 3 treasury management reports that are required to be presented during the financial year (see Para. 4.1.3).

3.3 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

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

A report setting out our Capital Strategy was approved by the full Councils on 17th July 2018 (Worthing) and 19th July 2018 (Adur).

3.4 Treasury Management

The Councils operate balanced budgets, which broadly means cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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 need of the Councils, essentially the longer term cash flow planning to ensure the Councils can meet their capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

3.5 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 Councils'

priorities set out in Platforms for our Places.

4. ISSUES FOR CONSIDERATION

- 4.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Councils' treasury management activities.
 2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Councils will seek to achieve those policies and objectives.
 3. Receipt by the full Councils of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
 4. Delegation by the Councils of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 5. Delegation by the Councils of the role of scrutiny of treasury management strategy and policies to a specific named body. For these Councils the delegated bodies are the Joint Governance Committee and the Joint Strategic Committee.
- 4.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first part of the 2018/19 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Councils' capital expenditure (prudential indicators);
 - A review of the Councils' investment portfolios for 2018/19;
 - A review of the Councils' borrowing strategy for 2018/19;
 - A review of any debt rescheduling undertaken during 2018/19;

- A review of compliance with Treasury and Prudential Limits for 2018/19.

5. THE ECONOMY AND INTEREST RATES

*The following commentary has been supplied by **Link Asset Services Ltd**, the professional consultants for the Councils' shared treasury management services provider. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.*

5.1 Economics update

UK. The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

EUROZONE. Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

5.2 **Interest rate forecasts**

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

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the

national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.

- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

6. TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by the Joint Strategic Committee on 1st February 2018 and by Adur Council on 22nd February 2018 and by Worthing Council on 20th February 2018. On the 24th April 2018 Worthing Council approved the amendment of the Annual Investment Policy and Strategy document to allow the investment in Boom Credit Union (formerly the West Sussex Credit Union) to be increased to £50,000 for Worthing.

7. THE COUNCILS' CAPITAL POSITION (PRUDENTIAL INDICATORS)

This part of the report is structured to update:

- The Councils' capital expenditure plans
- How these plans are being financed
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
- Compliance with the limits in place for borrowing activity

7.1 Prudential Indicator for Capital Expenditure

These tables show the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Adur District Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
HRA	7.006	1.127	5.305
Non HRA	38.007	17.625	41.488
Total capital expenditure	45.013	18.752	46.793

The change in the Adur revised capital expenditure estimate is due mainly to:

- HRA: reprofiling of major works contracts for leaseholder consultation and procurement

- Non HRA: re-profiling of budgets from 2017/18

Worthing Borough Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
Total capital expenditure	34.565	12.156	40.908

The increase in the Worthing revised capital expenditure estimate is due mainly to:

- Re-profiling of budgets from 2017/18
- The addition of new schemes which have previously been reported to and approved by JSC

7.2 Changes to the Financing of the Capital Programme

The tables below draw together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure.

The borrowing element of the tables increases the underlying indebtedness of the Councils by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Adur District Council

	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
Total Capital Expenditure	45.013	46.793
Financed by:		
Capital receipts	0.764	0.943
Government Grants	0.699	0.983
Reserves and contributions	6.187	7.685
Total financing	7.650	9.611
Borrowing requirement	37.363	37.182

Worthing Borough Council

	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
Total Capital Expenditure	34.565	40.908
Financed by:		
Capital receipts	0.192	0.289
Government Grants	0.858	0.767
Reserves & contributions	0.199	0.864
Total financing	1.249	1.920
Borrowing requirement	33.316	38.988

7.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The tables below show the CFR, which is the underlying external need to incur borrowing for a capital purpose. Due to the re-profiling of the 2017-18 expenditure on strategic property investment, the CFRs will be lower than forecast in the TMSS, which was prepared before the full year expenditure figures for 2017-18 were available. The tables also show the expected debt position over the period. "Other long term liabilities" includes finance leases, when there are any.

Adur District Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
Prudential Indicator			
Capital Financing Requirement			
CFR - HRA	61.474	60.103	60.103
CFR – non HRA	79.785	45.321	64.666
Total CFR	141.259	105.424	124.769
Net movement in CFR	36.157	16.821	36.166
	Op Boundary	Actual Debt	Op Boundary
Borrowing	140.000	102.236	140.000
Other long term liabilities	1.000	0.000	1.000
Total debt	141.000	102.236	141.000

Worthing Borough Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
Prudential Indicator			
Capital Financing Requirement			
CFR – non housing	100.445	49.661	77.027
Net movement in CFR	31.820	10.551	37.877
	Op Boundary	Actual Debt	Op Boundary
Borrowing re Worthing Homes	10.000	10.000	10.000
Other Borrowing	90.000	37.443	90.000
Other long term liabilities	1.000	0.000	1.000
Total debt	101.000	47.443	101.000

7.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Councils have approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

Adur District Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
Borrowing	136.648	102.236	120.321
Other long term liabilities	0.000	0.000	0.000
Total debt	136.648	102.236	120.321
CFR	141.259	105.424	124.769

Worthing Borough Council

	2018/19 Original Estimate	Actual at 30 Sept 2018	2018/19 Revised Estimate
	£m	£m	£m
Borrowing	93.585	47.443	71.738
Other long term liabilities	0.000	0.000	0.000
Total debt	93.585	47.443	71.738
CFR	100.445	49.661	77.027

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

7.4 Limits to Borrowing Activity

Adur District Council

	2018/19 Original Indicator	Actual at 30 Sept 2018	2018/19 Revised Indicator
	£m	£m	£m
Authorised Limit for external debt			
Borrowing	145.000	102.236	145.000
Other long term liabilities	1.000	0.000	1.000
Total	146.000	102.236	146.000

Worthing Borough Council

	2018/19 Original Indicator	Actual at 30 Sept 2018	2018/19 Revised Indicator
	£m	£m	£m
Authorised Limit for external debt			
Borrowing re Worthing Homes	10.000	10.000	10.000
Other Borrowing	95.000	37.443	95.000
Other long term liabilities	1.000	0.000	1.000
Total	106.000	47.443	106.000

8 INVESTMENT PORTFOLIO 2018/19

8.1 Investment performance – Adur District Council

In accordance with the Code, it is the Councils' priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Councils' risk appetite. As shown by forecasts in section 5.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

Adur District Council held £14.8m of investments for varying durations as at 30 September 2018, (£10.8m at 31 March 2018) and the investment portfolio yield for the first 6 months of the year is 1.22% p.a. against benchmark rates of 0.94% for 12 month deposits and 0.71% for 6 month deposits (supplied by Link Asset Services). The portfolio is shown below. Adur District Council's budgeted investment return for 2018/19 for both the General Fund and the HRA is £176k and the current forecast will result in an under achievement of about £10k.

Investment portfolio – Adur District Council

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Barclays Bank (RFB)	26.04.18	26.04.19	£1,000,000	0.91%	A
Blackrock MMF	n/a	n/a	£5,000	var	AAA
CCLA MMF	n/a	n/a	£2,340,000	var	AAA
Close Brothers Ltd	29.03.18	29.03.19	£1,000,000	1.10%	A
Federated Investments MMF	n/a	n/a	£1,140,000	var	AAA
Goldman Sachs Intern'l Bank	03.04.18	03.04.19	£2,000,000	1.275%	A
Goldman Sachs Intern'l Bank	24.04.18	24.04.19	£1,000,000	1.21%	A
Handelsbanken	n/a	n/a	£10,000	0.50%	AA
Kingston Upon Hull City CI	02.12.13	30.11.18	£2,000,000	1.90%	n/a
Lloyds Bank (RFB)	26.06.18	25.06.19	£1,000,000	1.00%	A+
Local Authority Property Fund	25.04.17	n/a	£1,000,000	Var	n/a
Santander UK	03.05.18	03.05.19	£1,000,000	0.90%	A
Santander UK 95 day notice	12.07.18	n/a	£1,000,000	0.70%	A
Santander UK 95 day notice	12.07.18	n/a	£250,000	0.70%	A
Local Capital Finance Co Ltd	30.09.14	n/a	£50,000	n/a	n/a
Boom Credit Union	06.03.15	n/a	£25,000	n/a	n/a
TOTAL			£14,820,000		

Investment performance – Worthing Borough Council

Worthing Borough Council held £19.5m of investments for varying durations as at 30 September 2018, (£11.6m at 31 March 2018). The investment portfolio yield for the first 6 months of the year is 0.82% p.a. against benchmark rates of 0.94% for 12 month deposits and 0.71% for 6 month deposits. The Council has also made a loan of £10m to Worthing Homes at 0.7% above the rate at which the funds were borrowed; this is treated as capital expenditure rather than a treasury investment.

Worthing's investment portfolio yield is lower than Adur's because Adur has been able to place longer term investments, for example Adur took out a 5 year deal for £2m in 2013 at 1.9% - a far higher rate than has been available over the last 2 years. Worthing needs to retain more of its cash in short term investments, including Money Market Funds, where rates have been very low. The portfolio is shown below.

Worthing Borough Council's budgeted investment income for 2018/19, excluding for the Worthing Homes loan, is £88k and performance for the year to date is above budget.

Investment Portfolio - Worthing Borough Council

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Barclays Bank (RFB)	19.07.18	21.01.19	£1,000,000	0.74%	A
Barclays Bank (RFB)	01.08.18	14.02.19	£1,000,000	0.80%	A
Barclays Bank (RFB)	19.04.18	23.04.19	£1,000,000	0.93%	A
Blackrock MMF	n/a	n/a	£50,000	var	AAA
CCLA MMF	n/a	n/a	£2,640,000	var	AAA
Close Brothers Ltd	26.07.18	25.01.19	£1,000,000	0.80%	A
Eastleigh BC	11.09.18	06.12.18	£1,000,000	0.75%	n/a
Federated Investments MMF	n/a	n/a	£2,075,000	var	AAA
Goldman Sachs Intern'l Bank	09.07.18	09.07.19	£1,000,000	1.23%	A
Goldman Sachs Intern'l Bank	04.09.18	14.02.19	£1,000,000	0.81%	A
Handelsbanken	n/a	n/a	£100,000	0.50%	AA
Lloyds Bank (RFB)	02.05.18	16.05.19	£1,000,000	1.0%	A+
Lloyds Bank (RFB)	09.07.18	14.02.19	£1,000,000	0.78%	A+
Lloyds Bank (RFB)	04.09.18	10.01.19	£1,000,000	0.80%	A+
Local Authority Property Fund	27.04.17	n/a	£500,000	Var	n/a
Santander UK	09.05.18	09.05.19	£1,000,000	0.90%	A
Santander UK	11.07.18	11.04.19	£1,000,000	0.93%	A
Santander UK	19.07.18	25.07.19	£1,000,000	0.95%	A
Santander UK 180 day notice	19.07.18	14.02.19	£1,000,000	0.80%	A
Local Capital Finance Co Ltd	03.09.14	n/a	£50,000	n/a	n/a
Boom Credit Union	Various	n/a	£50,000	n/a	n/a
TOTAL			£19,465,000		

Investment Performance – Approved Limits

The Head of Financial Services confirms that no approved limits for Adur District Council or Worthing Borough Council within the Annual Investment Strategy were breached during the first 6 months of 2018/19.

8.2 Investment counterparty criteria

The current investment counterparty criteria selection approved in the Treasury Management Strategy Statement is meeting the requirements of the Adur and Worthing treasury management function. The Annual Investment Strategy for Worthing was amended by the Joint Strategic Committee (11th April 2018) and approved by Council (24th April 2018) in order to increase the investment in deferred shares in BOOM Credit Union (formerly West Sussex Credit Union) from £25k to £50k.

Due to the current economic and political uncertainty, it is recommended that the Joint Strategic Committee should approve the removal of the current minimum sovereign rating from UK counterparties. In the unlikely event that the UK's rating is downgraded, the Councils still need to invest in UK banks and building societies.

9 BORROWING

9.1 The Capital Financing Requirement (CFR) denotes the Councils' underlying need to borrow for capital purposes. If the CFR is positive the Councils may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. For both Adur and Worthing Councils capital expenditure in 2018/19 is funded from grants, capital receipts, contributions, reserves and revenue contributions as well as borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring.

9.2 Adur District Council's revised CFR forecast for 2018/19 is £124.8m. The relevant table in 7.4 shows the Council has borrowings of £102.2m at 30 September 2018.

Worthing Borough Council's revised CFR for 2018/19 is £77.0m. The relevant table in 7.4 shows the Council has borrowings of £47.4m at 30 September 2018.

9.3 Due to the overall financial position and the underlying need to borrow for capital purposes, new external borrowing was undertaken as shown in the tables below. It is anticipated that further borrowing will be undertaken by both Councils during this financial year to fund capital expenditure, including the purchase of properties.

Adur District Council – new loans

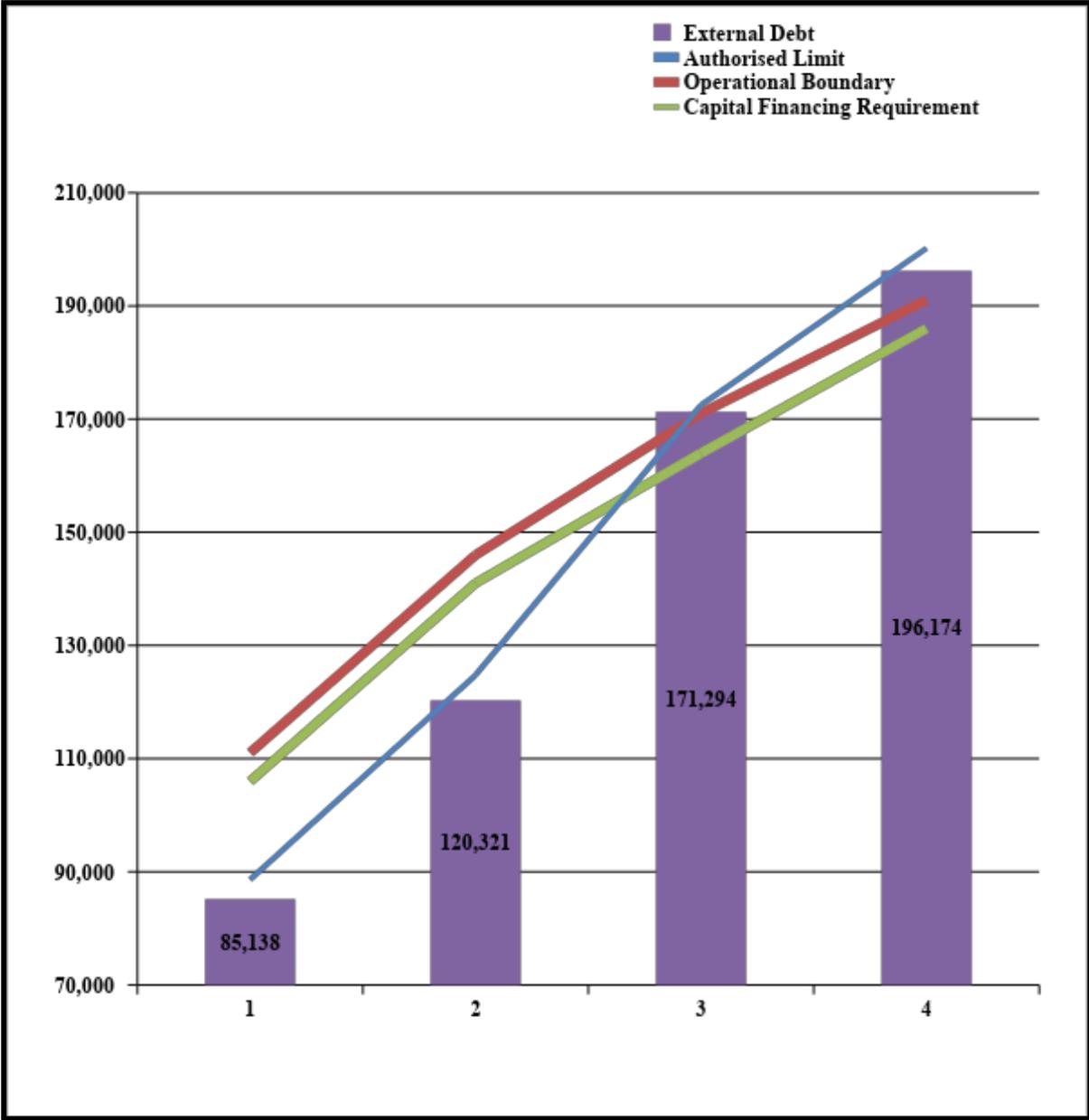
Lender	Principal	Type	Interest Rate	Maturity
PWLB (Office construction)	£2m	Fixed interest rate	2.44%	26/04/2038
PWLB	£2m	Fixed interest rate	2.20%	21/06/2038
PWLB (Property purchase)	£2.8m	Fixed interest rate	2.05%	06/09/2033
PWLB (Property Purchase)	£11.4m	Fixed interest rate	2.10%	13/09/2033
Lancing Parish Council	£0.3m	Variable interest rate		On request

Worthing Borough Council – new loans

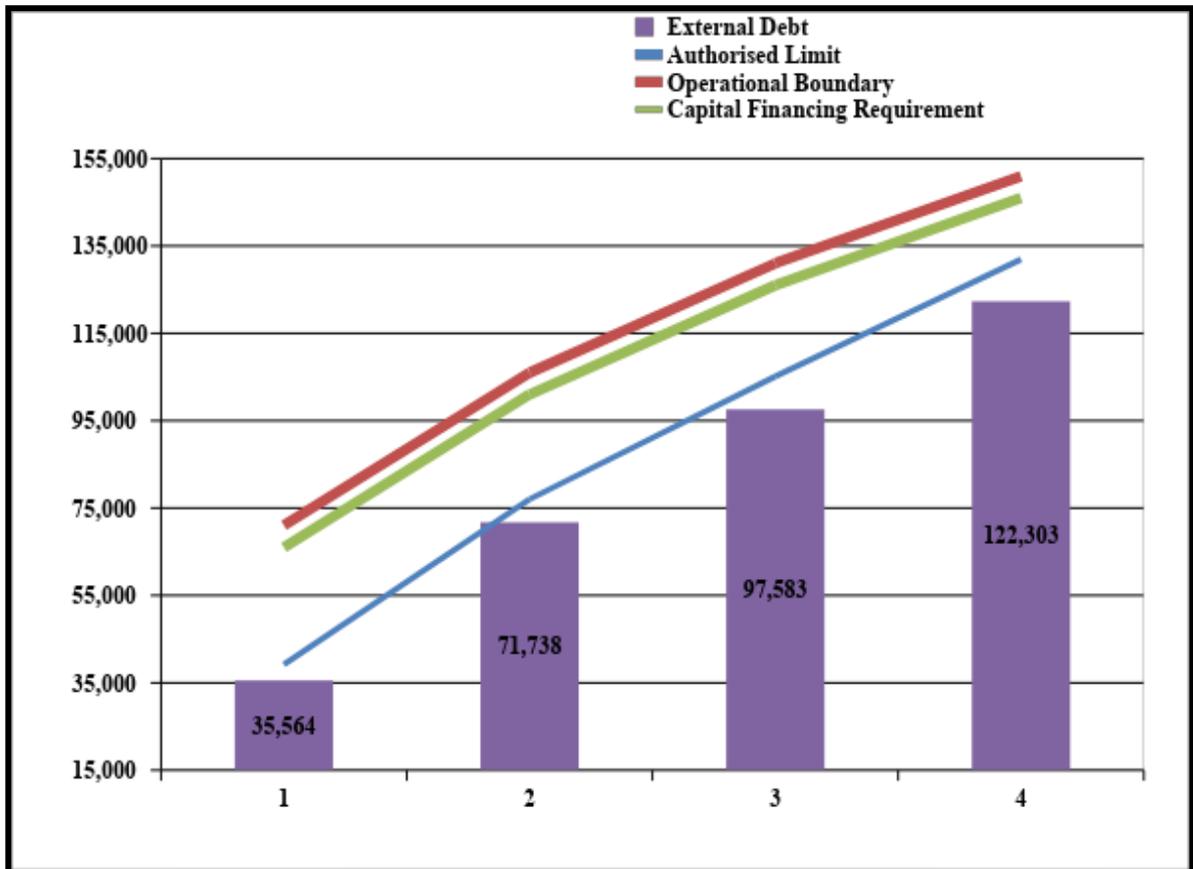
Lender	Principal	Type	Interest Rate	Maturity
PWLB (property purchase)	£5m	Fixed interest rate	1.56%	17/07/2023
PWLB (property purchase)	£5m	Fixed interest rate	2.18%	17/07/2038
Yorkshire Purchasing Auth	£2m	Fixed interest rate	0.72%	18/06/2019

9.4 The graphs below show the relationship between the Capital Financing Requirement, actual external debt, the Operational Boundary and the Authorised Limit for borrowing.

Adur District Council



Worthing Borough Council



10 DEBT RESCHEDULING

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year for either Council.

11 OTHER

11.1 UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Councils will continue to assess the new-formed entities in the same way that they do others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

11.2 IFRS9 accounting standard

This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted. However the Ministry of Housing, Communities and Local Government (MHCLG), has approved a temporary override of 5 years to allow English local authorities time to adjust their portfolio of investments. The impact on the Councils is likely to be minimal.

11.3 Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members’ attention in treasury management update reports.

11.4 Member Training

The treasury advisors for the shared treasury management service, Link Asset Services, provided a training session for Members on the 19th June 2018. The session included reviews of the Councils’ Balance Sheets and current debt and investment portfolios, as well an overview of developments in local government treasury management and UK economic data.

12. ENGAGEMENT AND COMMUNICATION

- 12.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years.
- 12.2 Information and advice is supplied throughout the year by Link Asset Services Ltd, the professional consultants for the Councils' shared treasury management service.

13. FINANCIAL IMPLICATIONS

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

14. LEGAL IMPLICATIONS

- 14.1 The presentation of the Half Year Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2018/19.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2018/19 to 2020/21 – Joint Strategic Committee 1 February 2018, and Joint Governance Committee, 30 January 2018

Annual Joint In-House Treasury Management Operations Report 1 April 2017 – 31 March 2018 for Adur District Council and Worthing Borough Council – Joint Governance Committee, 31 July 2018 and Joint Strategic Committee, 11 September 2018

Link Asset Services Ltd Half Year Report Template 2018/19

Link Benchmarking Club Reports

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

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

Officer Contact Details:-

Pamela Coppelman

Group Accountant (Strategic Finance)

Telephone: 01903 221236

Email: pamela.coppelman@adur-worthing.gov.uk

SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

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

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

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

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2018/19 - 2020/21, submitted and approved before the commencement of the 2018/19 financial year.

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



JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20 to 2021/22, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

- 1.1 This report asks Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 to 2021/22 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 Recommendation One

The Joint Governance Committee is recommended to note the report (including the Prudential Indicators and Limits, and MRP Statements) for 2019/20 to 2021/22.

2.2 Recommendation Two

The Joint Governance Committee is recommended to refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 31st January 2019.

2.3 Recommendation Three

The Joint Strategic Committee is recommended to approve and adopt the TMSS and AIS for 2019/20 to 2021/22, incorporating the Prudential Indicators and Limits, and MRP Statements.

2.4 Recommendation Four

The Joint Strategic Committee is recommended to forward the Prudential Indicators and Limits, and MRP Statements of the report for approval by Worthing Council at its meeting on 26 February 2019, and by Adur Council at its meeting on 28 February 2019.

3. INTRODUCTION

3.1 Background

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

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

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

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

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy has been reported separately.

For both Councils, commercial activity is confined to the Strategic Property Investment Fund, which is used to purchase commercial property to generate a long-term income stream for the Councils.

3.2 Reporting requirements

3.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report to provide the following:

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

The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy for 2019/20 to 2021/22 and the Commercial Property Strategy were approved by Adur Council on the 19th July 2018 and by Worthing Council on the 17th July 2018.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the strategy for commercial investments which is governed by different principles which are detailed in the Councils' Commercial Property Investment Strategy.

The capital strategy shows:

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

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

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

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

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

3.2.2 Treasury Management Reporting

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

Prudential and treasury indicators and treasury strategy (this report), to be approved by the Joint Strategic Committee (JSC) and by the Councils - the first, and most important report covers:

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

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

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

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

3.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

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

Treasury management issues

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

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

3.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training for Members was provided by Link Asset Services in June 2018 and further training will take place in 2019 as required.

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

3.5 Treasury management consultants

The Councils last undertook a joint re-tender for treasury management consultancy services in 2017. This culminated in the re-appointment of the Councils' incumbent consultants, Link Asset Services, on similar terms for 3 years from 1 April 2017.

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

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

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

4. THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

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

4.1 Capital expenditure

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

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

ADUR DISTRICT COUNCIL

Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Non-HRA	5.785	16.041	3.304	1.841	1.432
HRA	2.936	5.305	8.420	8.437	6.790
Commercial activities	11.579	45.193	18.228	0.000	0.000
TOTAL	20.300	66.539	29.952	10.278	8.222
Financed by:					
Capital receipts	0.583	0.975	1.870	1.045	0.464
Capital grants and contributions	2.488	4.091	1.491	0.350	0.350
Revenue Reserves & contributions	2.926	4.577	4.482	4.391	4.082
Net financing need for the year	14.303	56.896	22.109	4.492	3.326

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

Adur DC Commercial property	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Expenditure	11.579	45.193	18.228	n/a	n/a
Financing costs	11.579	45.193	18.228		
Net financing need for the year	14.303	56.896	22.109		
Percentage of total net financing need	81%	79%	82%		

WORTHING BOROUGH COUNCIL

Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Non-HRA	29.550	14.941	7.749	4.399	4.147
Commercial activities	0.000	45.228	16.835	0.000	0.000
TOTAL	29.550	60.169	24.584	4.399	4.147
Financed by:					
Capital receipts	5.226	0.164	1.000	1.000	1.000
Capital grants and contributions	6.542	1.179	1.706	0.770	0.750
Revenue Reserves & contributions	0.207	0.452	0.210	0.129	0.379
Net financing need for the year	17.575	58.374	21.668	2.500	2.018

Worthing BC Commercial property	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Expenditure	0.000	45.228	16.835	n/a	n/a
Financing costs	n/a	45.228	16.835		
Net financing need for the year	17.575	58.374	21.668		
Percentage of total net financing need	n/a	77%	78%		

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

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

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

ADUR DISTRICT COUNCIL

Capital Financing Requirement (£m)	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
CFR – non-HRA	16.921	27.758	28.279	28.125	27.915
CFR Commercial	11.579	56.622	74.025	72.943	71.831
CFR – HRA	60.103	60.103	62.473	65.970	68.303
Total CFR	88.603	144.483	164.777	167.038	168.049
Movement in CFR	13.591	55.880	20.294	2.261	1.011
Movement in CFR represented by					
Net financing need for the year (above)	14.303	56.896	22.109	4.492	3.326
Less: MRP/VRP and other financing movements	(0.712)	(1.016)	(1.815)	(2.231)	(2.315)
Movement in CFR	13.591	55.880	20.294	2.261	1.011

Worthing Borough Council

Capital Financing Requirement (£m)	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
CFR – non-HRA	39.150	51.185	54.916	56.197	56.946
CFR Commercial	0.000	45.228	61.478	60.657	59.811
Total CFR	39.150	96.413	116.394	116.854	116.757
Movement in CFR	16.766	57.263	19.981	0.460	(0.097)
Movement in CFR represented by					
Net financing need for the year (above)	17.575	58.374	21.668	2.500	2.018
Less: MRP/VRP and other financing movements	(0.809)	(1.111)	(1.687)	(2.040)	(2.115)
Movement in CFR	16.766	57.263	19.981	0.460	(0.097)

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

4.3 Minimum revenue provision (MRP) policy statement

The Councils are required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although they are also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP). MHCLG regulations require the full Councils to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

For both Councils, the MRP relating to built assets under construction will be set aside once the asset is completed. The Councils are recommended to approve the following MRP Statements:

ADUR DISTRICT COUNCIL

For Adur District Council it was approved by Joint Strategic Committee on 2 June 2016 that for capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt. No such policy was required by Worthing Borough Council which had no debt as at 1 April 2008.

4.3.1 General Fund

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

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

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

It is proposed to use the same policy for 2019/20.

4.3.2 Housing Revenue Account

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

WORTHING BOROUGH COUNCIL

- 4.3.3 Worthing applies the same MRP policy as Adur for unfunded capital expenditure from 1 April 2008. Worthing has the same discretion as Adur Council in the application of MRP in respect of loans to RSLs. It is proposed to retain this policy for 2019/20.

If any finance leases are entered into the repayments are applied as MRP.

MRP Overpayments – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31st March 2019 Adur had not made any VRP overpayments, but Worthing had made a £300k VRP overpayment which will be reclaimed over the following 5 years.

5. BORROWING

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

5.1 Current portfolio position

The Councils' treasury portfolio positions at 31 March 2018 and for the position as at 31 December 2018 are shown below.

Adur District Council

	Principal at 31.03.18 £m	Actual 31.03.2018 %	Principal at 31.12.18 £m	Actual 31.12.2018 %
External Borrowing				
PWLB	(67.198)	79%	(83.513)	82%
Other Borrowing	(17.940)	21%	(18.212)	18%
Finance lease	(0.000)		(0.000)	
TOTAL BORROWING	(85.138)	100%	(101.725)	
Treasury Investments:				
Local Authority Property Fund	0.968	9%	0.968	8%
In-house:				
Banks	5.000	46%	7.010	63%
Building societies	2.000	18%	0.000	0%
Bonds	0.080	1%	0.055	1%
Local authorities	2.000	18%	0.000	0%
Money market funds	0.800	8%	3.155	28%
TOTAL INVESTMENTS	10.848	100%	11.188	100%
NET DEBT	(74.290)		(90.537)	

Worthing Borough Council

	Principal at 31.03.18 £m	Actual 31.03.2018 %	Principal at 31.12.18 £m	Actual 31.12.2018 %
External Borrowing				
PWLB	(31.536)	76%	(45.263)	87%
Other Borrowing	(10.028)	24%	(7.000)	13%
Finance lease	(0.000)		0.000	
TOTAL BORROWING	(41.564)	100%	(52.263)	100%
Treasury Investments:				
Local Authority Property Fund	0.484	4%	0.484	3%
In-house:				
Banks	7.000	60%	13.000	78%
Building societies	1.000	9%	0.000	0%
Bonds	0.075	1%	0.075	0%
Local authorities	0.000	0%	0.000	0%
Money market funds	3.000	26%	3.225	19%
TOTAL INVESTMENTS	11.559	100%	16.784	100%
NET INVESTMENTS	(30.005)		(35.479)	

Worthing Borough Council has also made a £10m loan to Worthing Homes, which is categorised as capital, rather than a treasury investment.

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

ADUR DISTRICT COUNCIL

Adur District Council External Debt	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Debt at 1 April	(74.552)	(85.138)	(138.622)	(158.735)	(161.030)
Expected change in Debt	(10.586)	(53.484)	(20.113)	(2.295)	(1.026)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(85.138)	(138.622)	(158.735)	(161.030)	(162.056)
The Capital Financing Requirement	88.603	144.483	164.777	167.038	168.049
Under/(over) borrowing	3.465	5.861	6.042	6.008	5.993

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

Adur District Council	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(11.179)	(55.103)	(72.506)	(71.424)	(70.312)
Percentage of total external debt %	13%	40%	46%	44%	43%

Worthing Borough Council

Worthing BC	2017/18	2018/19	2019/20	2020/21	2021/22
External Debt	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Debt at 1 April	(22.309)	(41.564)	(93.297)	(113.280)	(113.695)
Expected change in Debt	(19.255)	(51.733)	(19.983)	(0.415)	(0.018)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(41.564)	(93.297)	(113.280)	(113.695)	(113.713)
The Capital Financing Requirement	39.150	96.413	116.394	116.854	116.757
Under/(over) borrowing	(2.414)	3.116	3.114	3.159	3.044

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

Worthing B C	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	0.00	45.228	61.478	60.657	59.811
Percentage of total external debt %	n/a	48%	54%	53%	53%

Within the prudential indicators there are a number of key indicators to ensure that the Councils operate their activities within well-defined limits. One of these is that the Councils need to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

5.2 Treasury Indicators: limits to borrowing activity

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

ADUR DISTRICT COUNCIL

Operational boundary	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
Debt	143.0	166.0	166.0	166.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	144.0	167.0	167.0	167.0

WORTHING BOROUGH COUNCIL

Operational boundary	2018/19 Approved	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Other Debt	90.0	110.0	110.0	110.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	101.0	121.0	121.0	121.0

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

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

ADUR DISTRICT COUNCIL

Authorised limit	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
Debt	147.0	170.0	170.0	170.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	148.0	171.0	171.0	171.0

WORTHING BOROUGH COUNCIL

Authorised limit	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Other Debt	95.0	115.0	115.0	115.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	106.0	126.0	126.0	126.0

The Councils have agreed a maximum spend of £75m each in respect of commercial property purchases.

Abolition of HRA debt cap - in October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap. The Chancellor announced in the Budget that the applicable date was 29.10.18.

5.3 Prospects for interest rates

The Councils have appointed Link Asset Services as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial

crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. 2016 saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in Sept 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.4 Borrowing Strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Fixed rate funding probably will be drawn whilst interest rates are still lower than they are projected to be in the next few years.*

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

- 5.5 Both Councils will refer in the first instance to the Public Works Loan Board (PWLB) for sourcing their borrowing needs, given that they are eligible to access the PWLB "Certainty" rate of interest, being 20 basis points below the normal prevailing PWLB rates. However, borrowing from other sources,

including other Local Authorities and the Local Government Association Municipal Bonds Agency, may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

Given the expected under borrowing position of the Councils, the borrowing strategy will give consideration to new borrowing in the following order of priority:-

- i) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing;
- ii) Weighing the short term advantage of internal borrowing against potential long term borrowing costs, in view of the overall forecast for long term borrowing rates to increase over the next few years;
- iii) PWLB fixed rate loans for up to 20 years;
- iv) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB, market debt and loans from other councils in the debt portfolio;
- v) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.
- vi) Short term loans from other Councils where appropriate;
- vii) Longer term PWLB loans

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

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

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

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

5.8 **Debt rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings

will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancement of the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identifying any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Adur's debt portfolio includes a large proportion of long term loans with a duration of over 10 years left to run, and at rates above prevailing market rates for equivalent loans. The cost to redeem these loans early would incur a large debt premium, making this an unaffordable option.

By contrast, Worthing's existing fixed rate debt portfolio is at or below current interest rates, so options for early settlement do not really apply.

All rescheduling will be reported to the Councils at the earliest meeting following its action.

5.9 Municipal Bond Agency

The Municipal Bond Agency intends to offer loans to local authorities in the future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). These Authorities intends to make use of this new source of borrowing as and when appropriate.

6. ANNUAL INVESTMENT POLICY AND STRATEGY

6.1 Investment Policy – Management of risk

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

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

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

The Councils' investment priorities will be security first, portfolio liquidity second and then yield, (return).

- 6.1.3 The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. As conditions in the financial markets remain uncertain, the proposed maximum limits for Specified and Unspecified Investments for 2019/20 are the same as for 2018/19, with the exception of an increase in the investment limit for each Council with the Local Authorities' Property Fund to £3m.
- 6.1.4 Investment instruments identified for use in the financial year are listed in Appendix B under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Councils' treasury management practices.
- 6.1.5 The guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Councils have adopted a prudent approach to managing risk and define risk appetite by the following means: -
- a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - b) **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Councils will engage with the advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
 - c) **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - d) The Councils have defined the list of types of investment instruments that the treasury management team is authorised to use. There are two lists in Appendix B under the categories of 'specified' and 'non-specified' investments.
 - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
 - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - e) Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix B.

- f) Transaction limits are set for each type of investment in Appendix B.
- g) The Councils will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 6.10).
- h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see paragraph 6.5). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.
- i) The Councils have engaged external consultants, (see paragraph 3.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Councils in the context of the expected level of cash balances and need for liquidity throughout the year.
- j) All investments will be denominated in sterling.
- k) As a result of the change in accounting standards for 2018/19 under IFRS 9, the Councils will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. Consequently any fluctuations in the value of the Councils' investments in the Local Authorities' Property Fund will not be taken through the general fund for the period of the override).

6.1.6 However, the Councils will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 6.16). Regular monitoring of investment performance will be carried out during the year.

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

The investment limit for each Council for the Local Authorities' Property Fund has been increased to £3m.

6.2 **Creditworthiness Policy**

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

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

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

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

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

6.2.4 The service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

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

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

- If a downgrade results in the counterparty/investment scheme no longer meeting the Councils' minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Councils will be advised by Link of movements in Credit Default Swaps and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils' lending lists.

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

6.2.8 Accordingly, the Councils may exercise discretion to deviate from Link's suggested durational bands for counterparties where sudden changes in financial markets, the banking sector, or other circumstances warrant a more flexible approach being taken.

The Councils' Minimum Investment Creditworthiness Criteria

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

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

6.4 UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Councils will continue to assess the new-formed entities in the same way that they do others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

6.5 Country Limits and Proposed Monitoring Arrangements

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

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

6.6 Although the Councils can control the foreign exposure for fixed term deposits via the choice of counterparties, the ability to do this for instant access Money Market Funds (MMFs) is more difficult, as the assets which comprise the funds generally consist of loans to other financial institutions (UK and worldwide).

6.7 Recognising the present financial climate, and that any investment is only as good as the underlying assets, the Councils shall use a Money Market Fund Portal for placing and redeeming transactions. This will allow access to information on the underlying composition of the MMFs, including the geographic spread of the underlying assets.

Investment Strategy

6.8 In-house funds

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified

that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the Councils will seek to use notice accounts, money market funds and short-dated deposits to benefit from the compounding of interest.

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

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

6.9 Investment returns expectations

Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 in 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

The overall balance of risks to economic growth in the UK is probably neutral.

The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

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

ADUR DISTRICT COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2019/20	2020/21	2021/22
Principal sums invested > 365 days	50%	50%	50%

WORTHING BOROUGH COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2019/20	2020/21	2021/22
Principal sums invested > 365 days	50%	50%	50%

Both Councils are currently holding only the Local Authorities' Property Fund and other small bonds (£50k each Council) which are expected to be invested for more than 365 days.

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

6.12 The Councils' proposed investment activity for placing cash deposits in 2019/20 will be to use:

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

Other Options for Longer Term Investments

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

- a) **Supranational bonds greater than 1 year to maturity**
- b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
- c) **Building societies not meeting the basic security requirements under the specified investments.** The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use the top five building societies by asset size up to £2m, (£4m Nationwide).
- d) Any **bank or building society** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).
- e) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and exposure up to the limit applicable to the parent.
- f) **Registered Social Landlords** (Housing Associations) - subject to confirming the Councils have appropriate powers, consideration will be given to lending to Registered Social Landlords. Such lending may either be as an investment for treasury management purposes, or for the provision of "social policy or service investment", that would not normally feature within the Treasury Management Strategy.
- g) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment.
- h) **Other local authorities**, parish councils etc.
- i) **Loan capital** in a body corporate.
- j) **Share capital in a body corporate** – *The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be*

invested in corporate bodies.

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

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

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

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

6.17 At the end of the financial year the Councils will report on investment activity as part of the Annual Treasury Report.

7. OTHER MATTERS

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

7.2 **Worthing Leisure Trust** - the arrangements for establishing The Worthing Leisure Trust include provision for Worthing Council to provide the Trust with temporary cash flow advances (if required) up to a maximum of £500k to assist it in the early start-up years. Such advances as may be made shall be repayable as soon as practical and attract a rate of interest for the loan term of Bank Base Rate plus 5%.

8. ENGAGEMENT AND COMMUNICATION

8.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years.

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

9. FINANCIAL IMPLICATIONS

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

Finance Officer: Sarah Gobey

Date: 10th January 2019

10. LEGAL IMPLICATIONS

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

Legal Officer: Susan Sale

Date: 9th January 2019

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2018/19 to 20/21 – Joint Strategic Committee 2 February 2017, and Joint Governance Committee, 30 January 2018

Annual Joint In-House Treasury Management Operations Report 1 April 2017 – 31 March 2018 for Adur District Council and Worthing Borough Council – Joint Governance Committee, 31 July 2018 and Joint Strategic Committee, 11 September 2018

Overall Budget Estimates 2019/20 and Setting of 2019/20 Council Tax Report

Link Asset Services Ltd TMSS Template 2019/20

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

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

CLG Investment Guidance

Funding and Management Agreement with South Downs Leisure Trust

Officer Contact Details:-

Pamela Coppelman

Group Accountant (Strategic Finance)

Telephone: 01903 221236

Email: pamela.coppelman@adur-worthing.gov.uk

SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

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

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

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

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2019/20 - 2021/22, submitted and approved before the commencement of the 2019/20 financial year.

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

Appendix A

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

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

Adur District Council

Adur Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Non-HRA	5.785	16.041	3.304	1.841	1.432
HRA	2.936	5.305	8.420	8.437	6.790
Commercial activities	11.579	45.193	18.228	0.000	0.000
TOTAL	20.300	66.539	29.952	10.278	8.222

Worthing Borough Council

Worthing Capital expenditure	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Non-HRA	29.550	14.941	7.749	4.399	4.147
Commercial activities	0.000	45.228	16.835	0.000	0.000
TOTAL	29.550	60.169	24.584	4.399	4.147

1.2 Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

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

Adur District Council

Adur %	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non-HRA	17.68	20.67	21.15	20.14	20.39
HRA	25.43	25.19	25.49	26.39	26.06
Commercial activities		(5.16)	(10.41)	(15.00)	(14.68)
TOTAL	43.11	40.70	36.23	31.53	31.77

WORTHING BOROUGH COUNCIL

Worthing %	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non-HRA	8.78	10.44	10.66	12.22	12.33
Commercial activities		(1.57)	(4.20)	(7.09)	(7.07)
TOTAL	8.78	8.87	6.46	5.13	5.26

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

HRA Ratio

Adur	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt £m	57.875	56.168	56.832	58.623	59.249
Number of HRA dwellings	2591	2582	2580	2576	2563
Debt per dwelling	£22.3k	£21.8k	£22.0k	£22.8k	£23.1k

1.3 Maturity structure of borrowing

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

Adur District Council

Limits to maturity structure of fixed interest rate borrowing 2019/20		
	Lower Limit	Upper Limit
Under 12 months	0%	20%
12 months to 2 years	0%	25%
2 years to 5 years	0%	40%
5 years to 10 years	0%	50%
10 years to 20 years	0%	60%
20 years to 30 years	0%	60%
30 years to 40 years	0%	60%
40 years to 50 years	0%	45%

WORTHING BOROUGH COUNCIL

Limits to maturity structure of fixed interest rate borrowing 2019/20		
	Lower Limit	Upper Limit
Under 12 months	0%	45%
12 months to 2 years	0%	75%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%

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

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

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

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

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

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

SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Councils

Specified Investments will be those that meet the criteria in the MHCLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year or where the Councils have the right to be repaid within 12 months

- meets the “high” credit criteria as determined by the Councils or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Councils’ use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) or appropriate Low Volatility Net Asset Value (LVNAV) under the new regulations.
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

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

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

Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent

Or

Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

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

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

ADUR DISTRICT COUNCIL - SPECIFIED AND NON SPECIFIED INVESTMENTS**Specified Investments identified for use by the Council**

New specified investments will be made within the following limits:

Instrument	Country and Sovereign Rating	Counterparty	Maximum Exposure Limit £m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK	Santander (UK)	£4m
Term Deposits/Call Accounts	UK	Bank of Scotland/Lloyds	£4m
Term Deposits/Call Accounts	UK	Barclays	£4m
Term Deposits/Call Accounts	UK	Clydesdale	£4m
Term Deposits/Call Accounts	UK	Svenska Handelsbanken UK	£3m
Term Deposits/Call Accounts	UK	HSBC	£4m
Term Deposits/Call Accounts	UK	Royal Bank of Scotland Group	£4m
Term Deposits /Call / Overnight Accounts	UK	Close Brothers Limited	£4m
Term Deposits/Call Accounts	Germany – AAA	Deutsche Bank AG	£3m
Term Deposits/Call Accounts	Australia – AAA	National Australia Bank	£3m
Term Deposits/Call Accounts	US – AA+	JP Morgan Chase Bank	£3m
Term Deposits/Call Accounts	UK	Goldman Sachs International Bank	£3m
Gilts	UK	Debt Management office (DMO)	£3m or 25% of funds
Bonds	EU	European Investment Bank/Council of Europe	£3m or 25% of funds

ADUR DISTRICT COUNCIL
SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

Instrument	Country	Counterparty	Maximum Exposure Limit £m
AAA Rated Money Market Funds		Constant Net Asset Value or appropriate replacement LVNAV MMFs	£5m or 30% of funds
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS	£4m
Term Deposits	UK	Yorkshire BS	£2m
Term Deposits	UK	Coventry BS	£2m
Term Deposits	UK	Skipton BS	£2m
Term Deposits	UK	Leeds BS	£2m
Share Capital	n/a	Local Capital Finance Company.	£0.05m
Share Capital/Loans	n/a	West Sussex Credit Union	£0.025k Share Capital

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

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

NB Investments in AAA rated Money Market Funds are limited to £5m or 30% of funds except that this limit may be breached for liquidity purposes for up to 1 week at any time.

APPENDIX B - ANNEX 1

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

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

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
<ul style="list-style-type: none"> ☒ Deposits with banks and building societies ☒ Certificates of deposit with banks and building societies ☒ Deposits with Local Authorities ☒ The UK Government 	√	√	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution	No
<p>Gilts and Bonds:</p> <ul style="list-style-type: none"> ☒ Gilts ☒ Bonds issued by multilateral development banks ☒ Bonds issued by financial institutions guaranteed by the UK government ☒ Sterling denominated bonds by non-UK sovereign governments 	√	√	5 years	The higher of £3m or 25% of funds	No
<p>Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.</p>	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
<p>Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies</p>	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

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

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

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.
3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

WORTHING BOROUGH COUNCIL
SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

Instrument	Country and Sovereign Rating	Counterparty	Maximum Exposure Limit £m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK	Santander UK	£4m
Term Deposits/Call Accounts	UK	Bank of Scotland/Lloyds	£4m
Term Deposits/Call Accounts	UK	Barclays	£4m
Term Deposits/Call Accounts	UK	Clydesdale	£4m
Term Deposits/Call Accounts	UK	HSBC	£4m
Term Deposits /Call / Overnight Accounts	UK	Close Brothers Limited	£4m
Term Deposits/Call Accounts	UK	Royal Bank of Scotland Group	£4m
Term Deposits/Call Accounts	Australia – AAA	National Australia Bank Limited	£3m
Term Deposits/Call Accounts	Germany - AAA	Deutsche Bank AG	£3m
Term Deposits/Call Accounts	UK	Svenska Handelsbanken UK	£3m
Term Deposits/Call Accounts	US – AA+	JP Morgan	£3m
Term Deposits/Call Accounts	UK	Goldman Sachs International Bank	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

**WORTHING BOROUGH COUNCIL
SPECIFIED AND NON SPECIFIED INVESTMENTS**

Instrument	Country and Sovereign Rating	Counterparty	Maximum Exposure Limit £m
Bonds	EU	European Investment Bank/Council of Europe	£3m or 25% of funds
AAA Rated Money Market Funds		Constant Net Asset Value or appropriate replacement LVNAV MMFs	£5m or 30% of funds
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS	£4m
Term Deposits	UK	Yorkshire BS	£2m
Term Deposits	UK	Coventry BS	£2m
Term Deposits	UK	Skipton BS	£2m
Term Deposits	UK	Leeds BS	£2m
Share Capital	n/a	Local Capital Finance Company	£0.05m
Share Capital	n/a	West Sussex Credit Union	£0.05m Deferred shares
Term Deposits	n/a	Worthing Homes Limited (10 year loan)	£10m
Temporary Loans	n/a	Worthing Leisure Trust	£0.5m

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

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

NB Investments in AAA rated Money Market Funds are limited to £5m or 30% of funds except that this limit may be breached for liquidity purposes for up to 1 week at any time.

APPENDIX B - ANNEX 2

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

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

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
<ul style="list-style-type: none"> ☒ Deposits with banks and building societies ☒ Certificates of deposit with banks and building societies ☒ Deposits with Local Authorities ☒ The UK Government 	√	√	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution	No
<p>Gilts and Bonds:</p> <ul style="list-style-type: none"> ☒ Gilts ☒ Bonds issued by multilateral development banks ☒ Bonds issued by financial institutions guaranteed by the UK government ☒ Sterling denominated bonds by non-UK sovereign governments 	√	√	5 years	The higher of £3m or 25% of funds	No
<p>Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.</p>	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
<p>Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies</p>	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

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

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

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.
3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

**COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO
PROFESSIONAL INVESTOR STATUS**

(i) **Money Market Funds**

Invesco
Federated Investors
CCLA

(ii) **Building Societies**

Skipton Building Society
Coventry Building Society

(iii) **Brokers**

BGC (Sterling)
Tradition
ICAP

(iv) **Other**

ICD (Portal used for money market fund investments)
Link Asset Services

These arrangements will be regularly reviewed as appropriate.

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

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

(ii) Joint Strategic Committee

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

(iii) Joint Governance Committee

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

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

(iv) The S151 (responsible) officer

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

TREASURY MANAGEMENT SCHEME OF DELEGATION

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

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

ECONOMIC BACKGROUND

GLOBAL OUTLOOK World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit.

However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower

economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries Argentina and Turkey are currently experiencing major headwinds

and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 5.3 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments**. Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such

corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- Brexit – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.



**ADUR & WORTHING
COUNCILS**

Joint Governance Committee
22 January 2019
Agenda Item 11

Ward(s) Affected:N/A

Risk & Opportunities Update

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 This report provides the regular updates on the management of the Councils' risks and opportunities.

2. Recommendations

- 2.1 That the progress in managing risks and opportunities be noted;**
- 2.2 That the Committee consider if it would like any further information on any of the Risk/Opportunities; and**
- 2.3 That the Committee agree to receive a further progress report in March 2019.**

3. Context

- 3.1 The Committee has previously requested that progress update reports on the management of the Councils' risks and opportunities should be reported to the Committee to assist it in its role monitoring the effective development and operation of risk management and corporate governance in the Councils. The Committee has also requested that more detailed information be provided on the 'High/Red' Service Risks for each Directorate. A further update report will also be presented to the Committee in March.

4. Issues for consideration

- 4.1 Progress continues to be made to monitor and review the full Risk and Opportunity registers. Corporate Risks and Opportunities, which reflect the aims set out in Platforms for our Places are reported quarterly to the Councils Leadership Team. The Joint Strategic Committee will also receive an annual summary report on the management of the Corporate Risks and Opportunities. Service Risk registers are regularly updated in consultation with Directors, Heads of Service and Departmental Management Team meetings.
- 4.2 Risk and Opportunity management continues to be integrated into the culture and working practices of the organisation and has been embedded in the new Business Planning approach.

5.0 A Summary of the Risk and Opportunities Management updates

- 5.1 A summary of the main changes to the Risks and Opportunities since the last update report in September 2018 is included in the table attached as Appendix A to this report. At the request of the Committee, this report also includes details of the mitigation measures in place for all 'High/Red' Risks (Corporate and Service) and these are attached at Appendix B to the report.
- 5.2 The number of 'High' Risks now reported is 5 Corporate and 8 Service (4 for Housing and 4 for Financial Services) - This is the same number as in September 2018 but one Risk that was 'High' has since been reduced to 'Medium' (Major Projects and Investment) and one Risk has since increased to 'High' (Financial Services), the details of which are set out in Appendix A to this report. Some new Risks and Opportunities have been added, several removed (This includes 4 in Environmental Services, 2 in Wellbeing Services and 2 in the Culture Service) and the details of these are also attached at Appendix A to this report. This highlights the good practice being followed across the organisation in the management of Risks and Opportunities and the importance of risk and opportunity management.

6. Engagement and Communication

6.1 The Councils Leadership Team and Heads of Service have been consulted on the production of this report.

7. Financial Implications

7.1 There are no direct financial implications as a result of this report but there are some financial implications if the Risks/Opportunities occur.

8. Legal Implications

8.1 There are no legal matters arising as a result of this report. The Joint Governance Committee does have responsibility for receiving risk reports and also for monitoring the effective development and operation of risk and opportunity management.

8.2 Risk and Opportunity management is an important element in ensuring that service delivery objectives are achieved.

Background Papers

Adur and Worthing Councils Risk and Opportunity Management Strategy - 2018 - 2020

Officer Contact Details:-

Mark Lowe
Scrutiny and Risk Officer
Town Hall,
Worthing
Tel: 01903 221009
mark.lowe@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered. The Risks and Opportunities are directly linked to the projects and work streams that are in place to help deliver the commitments and activities contained in the Councils' strategic vision 'Platforms for our Places'. Some of these will impact on the economic development of the areas if they occur.

2. Social

2.1 Social Value

Matter considered. Some of the Risks and Opportunities do impact on communities.

2.2 Equality Issues

Matter considered. Some of the Risks and Opportunities refer to equalities issues.

2.3 Community Safety Issues (Section 17)

Matter considered. Some of the Risks and Opportunities may relate to crime and disorder issues.

2.4 Human Rights Issues

Matter considered and no direct issues identified.

3. Environmental

Matter considered and no direct issues identified.

4. Governance

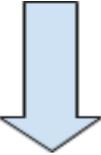
Matter considered. As part of good governance the Council's need to manage Risks and Opportunities. The Council's Risk and Opportunity Management Strategy sets out clear governance controls for the management of Risks and Opportunities and part of these include provision for the Service Risks and Opportunities to be considered three times a year by the Joint Governance Committee.

Updates on Risk and Opportunity Management

Risk & Opportunity Management Dashboard	November 2017 update	March 2018 update	September 2018 update	January 2019 update
Number of Corporate Risks & Opportunities	Risks - 7 Opportunities - 5	Risks - 8 Opportunities - 5	Risks 9 Opportunities 5	Risks - 9 Opportunities - 5
Number of Service Risks & Opportunities	Environment - 4 Risks Housing - 11 Risks/ 2 Opportunities Wellbeing - 5 Risks AWCS - 5 Risks Business & Technical Services - 5 Risks Customer Contact & Engagement - 6 Risks Digital & Design - 6 Risks Financial Services - 8 Risks/ 1 Opportunity Human Resources - 6 Risks/ 1 Opportunity Legal Services - 2 Risks/ 1 Opportunity Revenues & Benefits - 5 Risks Building Control & Land Charges - 6 Risks/1 Opportunity Culture - 12 Risks/ 5 Opportunities Place & Investment - 6	Environmental Services (AWCS and Environment) - 9 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 6 Risks Business & Technical Services - 5 Risks Customer & Digital - 11 Risks Financial Services - 7 Risks/1 Opportunity Human Resources 6 Risks Legal Services - 2 Risks/1 Opportunity Revenues & Benefits - 5 Risks	Environmental Services - 8 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 7 Risks Business & Technical Services - 5 Risks Customer & Digital - 9 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 2 Risks/1 Opportunity Revenues & Benefits - 5 Risks	Environmental Services - 4 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 5 Risks Business & Technical Services - 5 Risks Customer & Digital - 8 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 2 Risks/1 Opportunity Revenues & Benefits - 5 Risks

	Risks Planning & Development - 16 Risks	Culture - 11 Risks/5 Opportunities New service/n/a New service/n/a Planning & Development (Incl Building Control & Land Charges) - 23 Risks/1 Opportunities	Culture - 12 Risks/5 Opportunities Major Projects & Investment - 9 Risks Place & Economy - 3 Risks Planning & Development - 17 Risks/1 Opportunity	Culture - 12 Risks/4 Opportunities Major Projects & Investment - 10 Risks Place & Economy - 5 Risks Planning & Development - 17 Risks/1 Opportunity
Number of High Risks on Service Registers	Environment - 1 Housing - 7 AWCS - 1 Customer Contact & Engagement - 2 Digital & Design - 2 Financial Services - 3 Revenues & Benefits - 1 Culture - 4 Place & Investment - 1	Environmental Services - 1 Housing - 6 Customer & Digital - 3 Financial Services - 3	Housing - 4 Financial Services - 3 Major Projects & Investment - 1	Housing - 4 Financial Services - 4

 Risks where assessment score has increased since the last report	Financial Services - Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend - Risk increased from Medium to High because of the uncertainty over WSCC spending plans and implications for Adur & Worthing which could mean that the Councils have under budgeted.
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 <p>Risks where assessment score has reduced since the previous report.</p>	<p>Major Projects and Investment - Shoreham Airport - Risk reduced to Medium because of internal controls in place.</p>
<p>New Risks/Opportunities added since last report</p>	<p>Environmental Services - Implementation of new refuse and recycling collection arrangements.</p> <p>Place and Economy - Risk of not achieving commercial income connected with commercial activities.</p> <p>Place and Economy - Seafront Planning.</p> <p>Planning and Development - Fire Safety - Failure to bring in additional fee income to cover the costs of the service.</p>
<p>Risks/Opportunities removed since last report.</p>	<p>Environmental Services - Future management arrangements for Brooklands lake and purpose as a balancing pond - (Matter has now been resolved.)</p> <p>Environmental Services - Vibration equipment (Matter has now been resolved).</p> <p>Environmental Services - Waste Management Admin - new legislation regarding agency staff (No longer reliant on agency staff as part of wider review of service).</p> <p>Wellbeing - The management and provision of service at the Shoreham Centre - Issues with the management of the Centre. (Risk treated - No longer a Risk)</p> <p>Wellbeing - Northbrook Project - Structural condition of portakabin (Risk treated - No longer a Risk)</p>

	<p>Customer and Digital - Northgate Contract renewal - Information at Work - Risk removed from the Risk register on the basis that the matter has been resolved.</p> <p>Culture - Theatres venues - securing of doors - Risk removed from the Risk Register on the basis that works have now been undertaken to the doors.</p> <p>Culture - Worthing Costume trail for Worthing Museum and Art Gallery - Opportunity removed from the Register because Phase 2 of the Costume Trail ended September 2018.</p> <p>Planning and Development - Car park and Ferry Road development at the south of the Shoreham Bridge - Risk removed from the Risk register on the basis that the works have been completed.</p>
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APPENDIX B

Corporate 'High' Risks

<u>Risk</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
<p><u>Council Finances</u></p> <p>Council finances continue to be under pressure after several years of reducing income from central government. The councils have set balanced budgets every year, and not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.</p>	<p>A five year financial strategy is in place and is regularly refreshed. All strands of property investment, commercial income, digital, and temporary accommodation acquisition are progressing well, evidenced in various reports to committee. However there are uncertain additional pressures ahead, for example from budget cuts expected at West Sussex, and the outcome to the 4 year fairer funding settlement in 2019.</p> <p>Following the recent LGA Finance Peer Review, an action plan is being developed to:</p> <ol style="list-style-type: none"> 1. Release strategic finance capacity by modernising financial management processes and systems 2. Apply suggested technical accounting measures to release capacity in the budget to commit to reserves and use cash flow to reduce the borrowing requirement 3. Review the existing plan for strategic initiatives, and make the case for additional resources on an invest to save basis to bring delivery of some projects forward 	Major	Likely
<p><u>Welfare Reform</u></p> <p>'Welfare Reform' is used to cover a range of issues in particular:</p> <ul style="list-style-type: none"> • Changes to how benefits paid to those who are working to incentivise work. • Changes to the maximum level of benefits paid to families and individuals who are not working • Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC) • Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit 	<p>December 2018</p> <p>Adur and Worthing Councils have been working very closely with DWP and other partner agencies to mitigate the risks associated with the move to Universal Credit.</p> <p>A multi-agency welfare reform group has met regularly for the last 18+ months in preparation, seeking to understand the policy and implementation as it has evolved and been rolled out elsewhere in order to plan effectively for roll out across Adur and Worthing.</p> <p>As a consequence agencies have been able to respond individually and collectively in order to identify and work with those most at risk, provide digital skills training and support through wellbeing hubs and IT Junctions, and improve information, advice and guidance to professionals and our residents. We have digital and housing support now co-located</p>	Major	Very Likely

<p>by local authorities.</p> <ul style="list-style-type: none"> • UC being paid monthly, to an individual person or family member, into a bank account. • Benefits for young people and single people reduced • Benefits for larger families reduced <p>The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully the following effects have been reported.</p> <ul style="list-style-type: none"> • 5-6 weeks gap before UC is paid (in some cases longer) Note: DWP are trialing a system in Brighton of offering advance payments to all new UC claimants. This is new and claimants can access up to 100% of their claim immediately, repayable over 12 months. This is a huge improvement on the previous rules. More than 95% of claimants had accepted the advance when offered. • Local systems unable to track individuals in need, as the system is centralised and data is no longer available • Housing costs not being met by the level of out of work benefits <p>The impact for the Councils of this is potentially on two fronts, increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.</p>	<p>with JCP colleagues and recently commenced a Design Council supported project to support some of those receiving UC to move closer to the employment market.</p> <p>The Government has announced that from April 2019 the digital and budgeting support that's provided to residents will be provided nationally by Citizens' Advice and funded directly by the Government.</p> <p>Work has been undertaken with landlords to enable them to access alternative payment arrangements, and members have received awareness training. A video is available on the Councils web pages to help local communities better understand the new benefit.</p> <p>At present information is that the impact is slow and although there are clearly individuals who have found the new process challenging and one of the biggest ongoing risks is related to housing costs and homelessness.</p>		
<p><u>Housing Supply</u></p> <p>Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams.</p>	<p>Funds have been allocated to purchase/develop temporary accommodation solutions that reduce the need for costly nightly paid placements. The first purchase was completed in November 2018 and others are in the pipeline. Several long term lease arrangements have been agreed and more are being explored.</p> <p>The Councils have also invested in the refurbishment of the Lyndhurst Road project, which has significantly increased the number of placements available for vulnerable single people with support needs and has been successful in obtaining significant MHCLG funding to support and reduce rough sleeping this year and next.</p> <p>The Councils are leading a multi-agency preventing homelessness project, and an officer</p>	Major	Very Likely

<p>Emergency/Temporary Accommodation - the lack of EA/TA supply at LHA rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations.</p> <p>The lack of move on accommodation at LHA rates means there are blockages in TA</p> <p>The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets.</p> <p>Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.-</p>	<p>led strategic review is underway on the impact of the rise in homelessness applications, and the recently implemented Homelessness Reduction Act. A digital tool for making a housing application has been live for almost a year, and an end to end management system is in the process of being implemented.</p> <p>The Adur and Worthing Local Plans highlight the constraints placed upon further outward growth, although we continue to work with registered providers and developers to bring forward new homes as quickly as possible. A programme of development is also underway to bring forward new homes on Adur District Council owned land as part of the HRA.</p> <p>Further strategic work is required to decide how longer term this work will be supported.</p>		
<p><u>IT Disaster recovery</u></p> <p>Hosting applications locally carries increasing risks given the pace of technological change. We have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.</p>	<p>Business Continuity plans are in place for every service detailing what actions will be taken in the event of IT failure.</p> <p>Power outage DR test successfully completed in June 2018. Recommendations implemented. Results of DR test and future Risk Management plans reported to JGC in July 2018 and report in September 2018. Annual Network security test carried out successfully and being implemented.</p> <p>IaaS Cloud migration project underway to reduce risks associated with on premise service. Project involves moving servers out of the Town Hall data centre into cloud hosted environments, mainly Amazon Web Services. The first applications have been migrated and the project is due for completion in 2019.</p> <p>Work is also underway to migrate document storage to Google Team Drive, taking the opportunity to review files and address GDPR compliance.</p>	Extreme	Moderate
<p><u>Major Project delivery</u></p> <p>Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant. Considerable potential for reputational damage given the high priority attached to these programmes by local communities.</p>	<p>A solution based approach working with key partners in the development sector to unlock challenging sites.</p> <p>The councils have embarked on an ambitious programme of development that makes the best use of their existing assets. This is exemplified by Adur District Council's 'design and build' scheme to provide a new office development, pre-let to an expanding local company.</p> <p>An innovative approach to partnership will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has</p>	Major	Likely

	<p>entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver.</p> <p>Both councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development . The councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding in the future.</p> <p>The councils have provided clear and unambiguous signals to the development sector about their intentions and commitment to deliver. A dedicated team has been established to manage the major projects and capital budgets adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings takes place to oversee progress.</p>		
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Communities Directorate High Service

Risks and Projects

Housing

<u>Risk</u>	<u>Potential Effect</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
1. Compliance - Fire, Gas, electrical and water quality (Adur Homes)	<p>1. Death/injury/illness. - Fire/safety related; - water borne disease (legionella)</p> <p>2. Potential legal action and-or claims. - Legal action against accountable staff (up to Head of paid Service) - compensation and or other claims for injury etcl</p> <p>3. Financial risk -Of managing service failure and loss of accommodation</p> <p>4. Reputational risk -see above</p>	<p>Key mitigations</p> <ul style="list-style-type: none"> • Compliance Manager appointed 2nd October 2017 and weekly compliance reviews underway • Fire safety action plan agreed. • Ongoing work by Potter raper to update fire risk assessments completed by Keegans • Works required will be assessed and prioritised according to risk. • Adur Homes and Council Business & Technical Services Teams working together to deliver a range of compliance projects eg. Fire doors/landlord electrical - Smoke detection and emergency lighting. 	Extreme	Moderate

	5. Loss of use of premises and personal impact to tenants as well as operational and financial risk to councils - see above	<ul style="list-style-type: none"> Water tanks now inspected and plan in place to replace them when necessary. Gas safety monitoring and compliance at 99% new contract about to be tendered 		
2. Rising costs of emergency and temporary accommodation	<p>Increased pressure on general funds</p> <p>Councils have to spend money on expensive B&B type accommodation.</p>	<p>Key mitigations</p> <ul style="list-style-type: none"> Funds agreed by JSC to purchase properties as opportunities arise - see JSC report 4/12/18 for update Programme of work to identify and lease properties ongoing Actively working with landlords to increase supply of temporary and affordable accommodation Change in approach to homeless prevention Community homelessness strategy (Aim to make homelessness everyone's responsibility). 	Major	Very Likely
3. Overall Risk of increasing demand for housing advice and homelessness applications	<p>Impact on front line service delivery for customer services in terms of Contact Centre and front line services from Portland House.</p> <p>Increased waiting time for housing advice and casework.</p> <p>Increased costs of temporary and emergency accommodation.</p> <p>Increased competition for limited affordable housing supply.</p> <p>Risk of not meeting legal obligations of the new Homelessness Reduction Act 2017</p>	<p>Key mitigations</p> <ul style="list-style-type: none"> Triage system implemented to provide advice and guidance at the earliest opportunity to reduce presentations as homeless. Increase work with private sector landlords and dedicated officer resource Multi-agency preventing homelessness project has created new pathways to identify and prevent vulnerable individuals and families from losing tenancies Improving Communication and digital offer to increase self service Implement Home Connections System Service redesign underway to support a whole system approach 	Major	Very Likely
4. Housing Revenue Account - Financial sustainability as a result of Rent Reduction Policy and Rent collection levels	<p>1. Financial</p> <p>-Reduced ability to Invest in capital expenditure to maintain buildings and properties and new homes</p> <p>2. Operational</p>	<p>Key mitigations</p> <ul style="list-style-type: none"> 30 year business plan shows the potential to outlive the issues highlighted if the service is able to raise rents post 2020 Regular review of the service offer and prudent budget management 	Major	Very Likely

<p>- Impact on budget and service provision</p>	<p>- Limited ability to deliver good quality services and meet customer need</p> <p>-Ability to cover day to day repairs and maintenance</p> <p>3. Business Sustainability/failure</p> <p>-deficit budgets set for forthcoming years, any further uncertainty could result in business failure</p> <p>Background - Until 2020 the Government requires all social housing providers to reduce their rents by 1% each year.</p> <p>This creates a financial pressure over the next 3 years.(£0.68m in 2018/19 and by 2020/21 this will have increased to £1,944,000)</p> <p>Arrears level is running at 3.19% (£452,202). Good practice benchmark is 1%.</p> <p>Loss of income to the HRA.</p>	<ul style="list-style-type: none"> • Weekly review of arrears • New operations manager appointed and further review of processes to commence in 2019 		
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Digital & Resources Directorate High Service Risks and Projects

Financial Services

<u>Risk</u>	<u>Potential Effect</u>	<u>Internal Controls</u>	<u>Impact</u>	<u>Likelihood</u>
<p>Risk to overall financial position - Known areas of risk within the budget eg Income from demand led services, outcomes of job evaluation, Pay award higher than assumed.</p>	<ol style="list-style-type: none"> 1. Go over budget 2. Do not have resources to meet priorities. 	<p>Council holds reserves to manage the risk of lost income.</p> <p>Where a service has been identified as being at risk, a close monitoring regime is put in place.</p> <p>The enhanced monitoring for CLT for areas of commercial risk is continuing.</p> <p>Proactive control of discretionary spend implemented to</p>	<p>Major</p>	<p>Likely</p>

		help resolve areas of overspend within the budget.		
Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend	Budgets are insufficient to fund core costs leading to an overspend.	<p>Closely monitor progress through Budget/ Performance Monitoring. • Where issues are identified build into budget for the following year.</p> <p>Proactive management of discretionary budgets to manage in year pressures.</p> <p>Annual savings and budget exercise undertaken to reset budget and deal with areas of high pressure.</p> <p>Staffing budgets very carefully controlled.</p> <p>Rigorous process for establishing new posts. Other staffing controls – recruitment and selection. Controlling vacancy filling and monitoring against targets</p>	Major	Likely
Future resources from Government are less than assumed	Budget shortfall is understated leading to a greater level of savings. Particular issue in 20/21 Financial Year is likely due to fairer funding review.	<ul style="list-style-type: none"> • Lobby Government for an appropriate resource distribution. • Take action to reduce the overall cost of services or increase income where possible. • Government has moved to a 4 year settlement which gives the Councils greater certainty about grant levels. • Councils have signed up to the 4 year 	Major	Likely

		<p>settlement to secure funding levels up until 2020/21</p> <p>Councils have responded to new Business Rate retention scheme proposals.</p> <p>Councils have responded to the fairer funding review consultation.</p> <p>Councils have responded to the Local Government settlement consultation</p>		
<p>General risk of not finding significant budget savings from both Councils.</p>	<p>Impact on ability to balance the budget to deliver the Corporate Priorities and priority services.</p>	<p>Sufficient savings have been identified to balance the 19/20 budget.</p> <p>Balanced budget for 19/20 is on track to be set in February 2019. Sufficient savings have been identified to meet current budget pressures.</p>	<p>Major</p>	<p>Likely</p>



ADUR & WORTHING
COUNCILS

Ward(s) Affected: All

Adur and Worthing Scheme of Delegations to Officers

Report by the Monitoring Officer

Executive Summary

1. Purpose

- 1.1. This report seeks to update Members of the Joint Governance Committee with recent amendments made to the Councils' Scheme of Delegations to Officers in Part 4 of the Constitution, and asks Members to note those amendments.

2. Recommendations

- 2.1. The Joint Governance Committee is recommended to note the content of this report and the Monitoring Officer's recent exercise of delegations in respect of amendments to the Adur District Council and Worthing Borough Council Joint Scheme of Delegations to Officers.

3.0 Context

3.1 The Monitoring Officer has a duty to maintain an up-to-date version of the Constitution and to ensure that it is publicly available. The Monitoring Officer has the authority, as set out in Article 11 and at paragraph 3.9.24 of the Officer Scheme of Delegations in the Constitution, to “make minor and consequential amendments to the Constitution at any time”.

3.2 The Joint Governance Committee within its terms of reference has the responsibility to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect.

3.3 The purpose of the Constitution is to:

- enable the Council to provide clear leadership to the community in partnership with citizens, businesses and other organisations;
- support the active involvement of citizens and encourage all sections of the Borough and District’s communities to be involved in the Council’s decision-making processes;
- help Elected Members represent their constituents more effectively;
- create a powerful and effective means of holding decision-makers to public account;
- ensure that no one will review or scrutinise a decision in which they were directly involved;
- ensure that those responsible for decision-making are clearly identified to local people and that they explain the reasons for their decisions;
- provide a means of improving the delivery of services to the community;
- balance speedy and reasoned decision-making with adequate checks and balances;
- place high standards of conduct and probity at the centre of decision-making

4.0 Issues for Consideration

- 4.1 Adur District Council and Worthing Borough Councils Constitutions provide for an Executive style administration (Leader & Cabinet) for the purposes of Governance as permitted under the Localism Act 2011.

As a consequence of the Local Authorities (Functions & Responsibilities) (England) Regulations 2000 and to enable the discharge of the Councils' functions, the Council has in place Committees for those functions prohibited to be Executive under the regulations eg the Planning and Licensing Committees.

- 4.2 Where the Executive, the Council or its Committees consider that the efficiency of the Councils' Functions may be better exercised by Officers, they are able to delegate many of their statutory powers to Officers, where permitted by law. They do so expressly under the Scheme of Delegations to Officers which is ratified by a resolution of each Council on an annual basis.

In this way, the Chief Executive, Directors and Heads of Service are authorised by the Local Authority to lawfully exercise delegated powers and duties on behalf of the Councils in accordance with section 101 of the Local Government Act 1972.

- 4.3 It is important to ensure that the Scheme of Delegations to Officers remains up to date and accurate, and provides a balance of powers being exercised at the appropriate level to minimise risk, whilst enabling operational efficiency. An Officer making decisions, purportedly on behalf of the Councils, without the required authority provided by the Scheme is at risk of rendering that decision liable to legal challenge and ultimately of the decision being quashed by the Courts due to an Officer acting 'ultra vires' ie. beyond their powers and therefore unlawfully.
- 4.4 The Monitoring Officer has carried out a review of Part 2 and Part 3 of the Officer Scheme of Delegations in so far as it relates to the Head of Environmental Services (Paragraph 3.3), the Head of Housing (Paragraph 3.1), the Head of Wellbeing (Paragraph 3.2), Head of Legal & Monitoring Officer (Paragraph 3.9) and Head of Place and Economy (Paragraph 3.12).

Changes have been made effective from 1st January 2019; the amended Scheme of Delegations to Officers has been circulated to

those affected by the changes and has been published on the Councils' website.

An amended version of the Scheme of Delegations to Officers is attached to this report as Appendix 1. A version showing tracked changes is attached to this report, as requested by members of the Committee, as Appendix 2.

All changes made are minor and/or consequential. In summary changes have been made: to include reference to community penalty orders as well as fixed penalty orders to reflect changes to legislation; to reflect changes to Officers Job Titles; to reflect changes to the organisation's structure where functions and services have moved from the responsibility of one Head of Service to another; and to correct minor errors, inconsistencies or anomalies.

- 4.5 A process is now on-going whereby Heads of Service are reviewing sub-delegation of their powers to other Officers within their Service, who have the necessary knowledge, experience and competencies, and require the authority to carry out the day to day aspects of their roles. Such sub delegations are to be recorded in writing and will, in due course, be made publically available in a register published on the Councils' website to promote transparency and accountability in the decision making process.
- 4.6 The Monitoring Officer will continue to keep the Officer Scheme of Delegations under continuous review, with a particular focus on powers delegated to other Heads of Service over the next few months which may lead to further minor and consequential amendments.

5.0 Engagement and Communications

In making amendments to the Officer Scheme of Delegations, the Monitoring Officer has engaged with all Heads of Service directly affected and with Democratic Services Officers.

6.0 Financial Implications

There are no financial implications arising from this report.

7.0 Legal Implications

7.1 Section 101 Local Government Act 1972 allows a Local Authority to arrange for the discharge of their functions by Officers of the Local Authority.

7.2 Article 11, paragraph 11.03 of the Councils' Constitutions sets out the functions of the Monitoring Officer and states "the Monitoring Officer has the delegated authority to make minor and consequential amendments to the Constitution at any time". This provision is confirmed at paragraph 3.9.24 of the Officer Scheme of Delegations.

Background Papers

- Adur District Council Constitution
- Worthing Borough Council Constitution

Officer Contact Details:-

Susan Sale
Solicitor to the Council & Monitoring Officer
01903 221119
susan.sale@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified

2. Social

2.1 Social Value

Good governance arrangements and up-to-date Constitutions support the Councils' priorities relating to partnership working. Good governance arrangements help to protect the reputations of the Councils and provide appropriate access by our communities to the democratic process.

2.2 Equality Issues

The Councils' Constitutions comply with their statutory obligations in respect of equality issues.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

The Councils' Constitutions comply with their statutory obligations in respect of Human Rights issues.

3. Environmental

Matter considered and no issues identified.

4. Governance

Clear and strong governance arrangements ensure that the Councils meet their statutory obligations, help to protect reputations of the Councils, aim to provide access to the democratic process by the public and our communities, and support the Councils' priorities relating to partnership working.

Adur &
Worthing
councils



SCHEME OF DELEGATIONS TO OFFICERS

1.0 GENERAL PRINCIPLES

1.1	Introduction These delegations are made under the powers contained in the Local Government Act 1972 (as amended), Section 101 and by reference to section 100G and the Local Government Act 2000, Sections 14,19 and 20, The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and all other enabling powers. An officer or other person is authorised to exercise such powers as are shown in the Scheme of Delegations including those reasonably applied or incidental to the matters specified in respect of the functions of the Council.
1.2	When a Post is Vacant or a Post-holder is Absent For the purposes of this Scheme, if the post of an officer to whom a function is delegated (or which he/she has been appointed as a Proper Officer) is vacant or if the post-holder is absent on leave (of whatever type), unless the function is exercisable by an officer who has the appropriate sub-delegation or the Council otherwise decides the following shall apply:
1.2.1	In the case of the Chief Executive, the delegation shall be exercisable by an Acting Chief Executive (to include an Interim Chief Executive) or any one of the Directors, provided that the Acting Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.2	In the case of a Director, the delegation shall be exercisable by the Chief Executive or another Director, provided that the Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.3	In the case of the Section 151 Officer, the delegation shall be exercisable by a Deputy Section 151 Officer in relation to matters which are the responsibility of the Section 151 Officer.
1.2.4	In the case of the Monitoring Officer, the delegation shall be exercisable by a Deputy Monitoring Officer in relation to matters which are the responsibility of the Monitoring Officer.
1.2.5	In the case of Heads of Service, the delegation shall be exercisable by the Chief Executive or a Director, provided that the Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.6	Any post specifically referred to shall be deemed to include any successor post, or a post which includes within the job description, elements relevant to any particular delegation, which were also present in the earlier post and shall include anyone acting up or seconded.
1.3	All Decisions made by Officers Where decisions are taken by officers under delegated powers the following conditions and rules shall apply:

1.3.1	All delegations shall be exercised in accordance with the Constitution, all relevant policies and procedures of the Council and all relevant legislative provisions, subject to paragraph 4 below.
1.3.2	Any officer exercising a delegation shall only do so where provision has been made for any expenditure within the relevant budget or otherwise in accordance with the Financial Procedure Rules.
1.3.3	Any officer exercising a delegation shall not do so in a manner which is contrary to any resolution of Full Council, Executive, an Individual Executive Member or a Committee.
1.3.4	Any officer exercising a delegation shall do so having regard to Health & Safety requirements.
1.3.5	Any officer exercising a delegation shall do so having regard to Equalities requirements.
1.3.6	Any officer exercising a delegation shall do so having regard to Data Protection requirements.
1.3.7	Any officer exercising a delegation is responsible for carrying out any consultation necessary under this Scheme. Such consultation shall be in writing, unless due to urgency that is not practicable, in which case there may be verbal consultation which may be confirmed, by the Officer undertaking the consultation to the consultee in writing, as soon as reasonably practicable and, in any event, within 5 working days.
1.3.8	Any officer to whom a delegation is given may waive his/her right to exercise the delegation and refer the matter to the original delegate for a decision or to Full Council, Executive, an Individual Executive Member or relevant Committee, as appropriate.
1.3.9	Where an officer has the authority to take decisions, any action taken to implement such decisions may be taken in the name of (but not necessarily personally by) that officer, or any other officer authorised by that officer in accordance with paragraph 6 below.
1.3.10	Any decision which could subject the Council to legal liability shall be taken in consultation with the Solicitor to the Council.
1.3.11	Any decision which has financial implications other than those budgeted for shall be taken in consultation with the Head of Finance.
1.3.12	Unless specifically stated, no delegation authorises the taking of decisions as to whether or not legal action should be taken by or on behalf of the Council.
1.3.13	Officers shall not have the power to exercise any delegation where an individual officer is required by law to hold a relevant qualification and he/she does not hold that qualification.
1.3.14	Officers shall not have the power to exercise any delegations which fall outside the individual's actual authority as determined by his/her post.
1.3.15	Officers shall not have the power to exercise any delegations in a situation where an individual officer is prevented, for whatever proper reason, from exercising such power.
1.3.16	Subject to any express instructions to the contrary from the delegated body, any power to approve also includes the power to

	refuse, and the power to impose appropriate conditions.
1.3.17	Functions, matters, powers, authorisations, delegations, duties and responsibilities, shall be construed in a broad and inclusive fashion, and shall include the doing of anything which is calculated to facilitate, or is conducive, or incidental, to the discharge of anything specified.

1.4	Emergency Powers
1.4.1	For the purposes of this Scheme, an emergency is where immediate action is necessary and where inaction may lead to loss of life, serious injury to a person or animal, or significant damage to or significant loss of property.
1.4.2	In cases of emergency an officer may, if justified by all of the circumstances, exercise delegations in a manner which is not in accordance with Council policies or procedures and / or where provision has not been made in any budget, in order to prevent or mitigate the emergency.
1.4.3	A written record of the reasons for exercising emergency powers and deviating from the policies and procedure and/or causing expenditure without a relevant budget shall then be provided as soon as practicably possible to the Monitoring Officer and the Section 151 Officer by the relevant officer.

1.5	Sub-Delegations
1.5.1	Where an officer is authorised to act, either under this Scheme or by a specific resolution of Full Council, Executive, an Individual Executive Member or a Committee, he/she may further delegate the authority to exercise a specific power to another officer, whilst still retaining the delegation themselves.
1.5.2	Before making a sub-delegation, the delegating officer must give consideration to and be satisfied that the officer to whom he/she is sub-delegating is of an appropriate level bearing in mind the nature of the delegation.
1.5.3	Any such sub-delegation is subject to the existing consultation and limitation requirements.
1.5.4	All sub-delegations must be made in writing and a copy provided to the Monitoring Officer within five working days. The Monitoring Officer shall maintain a central register of sub-delegations which shall be available on the intranet.
1.5.5	No sub-delegations may be further delegated, unless there is express permission from the original delegating officer that the specific power can be delegated further. Such permission should be included in the written record of the sub-delegation provided under paragraph 1.5.4. When deciding whether to permit further sub-delegation, the same consideration should be given as outlined in paragraph 1.5.2.
1.5.6	In the event that a post to which a delegation or function is given ceases to exist and its responsibilities are transferred to another post temporarily or permanently then the delegations given under this scheme shall be exercisable by the post to

	which the responsibilities have been transferred. There should be written confirmation of the change in responsibilities from the line manager, which shall be provided to the Solicitor to the Council to be retained with the central copy of the scheme of delegations.
1.5.7	Where an officer is authorised to act, either under this Scheme or by a specific resolution of Full Council, Executive, an Individual Executive Member or a Committee, he/she may further delegate the authority to exercise a specific power on behalf of this Council to an Officer of another Council, whilst still retaining the delegation themselves. All other provisions of paragraph 1.5 of this Scheme must be complied with when exercising this provision.

1.6	Proper Officers/Authorised Officers
1.6.1	Those officers designated as proper officers, authorised officers, appropriate person or any other statutory description of officer listed in this Scheme shall exercise the powers, and have the responsibilities, attributed to them by legislation.
1.6.2	The Chief Executive, Appropriate Director and any other officer expressly authorised by this Scheme may appoint any appropriate officer to be a proper officer, authorised officer, appropriate person or any other statutory description of officer in respect of any legislation and written confirmation of such appointment shall be provided to the Monitoring Officer within five working days and made available on the intranet.

1.7	Interpretation
1.7.1	Any reference to an Act, Order or other legal provision shall include a reference to any modification or re-enactment thereof and any reference to any Directive, Act, Order or other legal provision shall include any Regulations, Orders, Rules, Instruments, Directions, Statutory Guidance or other legal provision made thereunder.
1.7.2	'Appropriate Director' shall mean the Director responsible for the function to which the particular exercise of the delegation applies.
1.7.3	'Appropriate Head of Service' shall mean the Head of Service responsible for the function/service to which the particular exercise of the delegation applies.
1.7.4	'Consultation' shall mean seeking the comments of the person(s) to be consulted. Consultation shall not mean obtaining the consent of the person(s) to be consulted. A written record of the consultation shall be retained by the officer.
1.7.5	'The Council' shall mean The Borough Council of Worthing or the District Council of Adur, as appropriate.

2. DELEGATIONS: GENERAL FUNCTIONS – CHIEF EXECUTIVE, DIRECTORS & HEADS OF SERVICE

Subject to the foregoing, there are delegated to the Chief Executive, Directors and/or Heads of Service those matters detailed in column 2 subject to the consultation requirements set out in column 3 and the limitations in column 4 below.

2.1	Chief Executive		
No	Delegation	Consultation	Limitations
2.1.1	The taking of any action required in connection with the organisation or holding of neighbourhood, parish, district, county, general or European, police commissioner elections or referenda.		
2.1.2	To take Urgent action on behalf of the Council. 'Urgent' means a matter of pressing importance requiring swift action given the gravity of the situation, to prevent damage (or further damage) to life, limb, infrastructure or the financial integrity of the Councils.	The relevant Leader, or in their absence, the relevant Deputy Leader or the Leaders, or in their absence the Deputy Leaders, where appropriate.	A report on the use of urgency powers to be taken to the first available Council meeting. So far as applicable, any decisions/actions taken shall only take effect on a temporary basis until a Committee/Member decision has been made.

2.2	Chief Executive and all Directors		
No	Delegation	Consultation	Limitations
2.2.1	Grant, review, renewal and cancellation of authorisations under the Regulation of Investigatory Powers Act, 2000 in accordance with the Council's surveillance policy.		
2.2.2	The incurring of expenditure on the reception and entertainment by way of official courtesy of persons representative of or connected with local government or other public services whether inside or outside the United Kingdom.		In accordance with the Financial Procedure Rules.

2.3	Director for Communities		
No	Delegation	Consultation	Limitations
2.3.1	The taking of a decision as to whether or not the Council will tolerate unlawful encampments for a specified period and purpose, and to keep that decision under constant review.		
2.3.2	To manage the relationship between Worthing Borough Council and South Downs Leisure Trust		
2.3.3	To manage the relationship between Adur District Council and Adur Community Leisure (Impulse Leisure)		
2.3.4	To determine matters relating to the failure of a Member to attend meetings for a period in excess of 6 months		
2.3.5	To be the Councils' lead Officer responsible for Safeguarding matters		

2.4	Director for Digital and Resources		
No	Delegation	Consultation	Limitations
2.4.1	To respond to requests under Data Protection and Freedom of Information legislation		With the exception of requests for review and appeals
2.4.2	To act as the Senior Information Risk Owner for both Councils in respect of the function of Information Security.		
2.4.3	To be the Councils' Senior Responsible Officer for matters related to the Regulation of Investigatory Powers Act 2000.		
2.4.4	To be the link officer with the Commissioner for Local Administration in England ("Local Government Ombudsman")	Monitoring Officer (to reflect the statutory role of the Monitoring Officer in respect of maladministration) and the appropriate Head of Service	
2.4.5	To authorise payments or the provision of other benefits under s.92, Local	Appropriate Head	

	Government Act, 2000 (payments in cases of maladministration) or by way of local settlement in relation to Local Government Ombudsman complaints.	of Service, Monitoring Officer and, if over £1000, Head of Finance	
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2.5	Director for Economy		
No	Delegation	Consultation	Limitations
2.5.1			

2.6	Chief Executive, all Directors and all Heads of Service		
No	Delegation	Consultation	Limitations
	General		
2.6.1	To manage the functions for which they are responsible.		
2.6.2	To make minor amendments to any Policy, Strategy, Consultation or similar document and sign notices, other than legal notices, arising from any decision of The Council.		
2.6.3	To respond to consultations.		
2.6.4	To dispose of lost or uncollected property	Solicitor to the Council	
2.6.5	To procure goods and services	Head of Business & Technical Services (Procurement)	
2.6.6	To exercise powers and determine all matters relating to the supply of goods and services to other local authorities and public bodies in respect of the functions for which they are responsible.	Solicitor to the Council Head of Finance	
2.6.7	To carry out minor development for which planning permission is not required.	Head of Growth (Planning)	
	Contracts		
2.6.8	To do all matters in relation to procurement and the letting of contracts.	Where specified in Contract Standing	In accordance with Contract Standing

		Orders, Head of Business & Technical Services (Procurement) Solicitor to the Council	Orders
	Financial		
2.6.9	To take any action authorised by Financial Standing Orders.		
2.6.10	To manage budgets allocated to the functions for which they are responsible, including authority to incur expenditure on items included in the approved Revenue Estimates or Capital Programme except where the Council has placed a reservation on any such item.		In accordance with Financial Standing Orders
2.6.11	To write off amounts as irrecoverable	Where specified in Financial Standing Orders, Head of Finance Executive Member for Resources	In accordance with Financial Standing Orders
2.6.12	To determine grant applications in relation to the functions for which they are responsible, other than award of grants to voluntary sector organisations.	Solicitor to the Council	
2.6.13	To vary, in exceptional circumstances, fixed fees and charges.	Relevant Executive Member	
2.6.14	To determine charges for the use of relevant services and events not covered by the annual review of fees and charges	Relevant Executive Member	
2.6.15	To submit bids to outside bodies for grant funding.	Head of Finance Solicitor to the Council	
	Assets		
2.6.16	To dispose of surplus assets other than land and buildings, which are not of historical significance, interest or value.		
	Land		
2.6.17	To manage land, property (including rent reviews) and other assets allocated to the functions for which they are responsible.		

2.6.18	To vary the terms and conditions of leases and licences or negotiate the surrender of leases and licenses.		
2.6.19	To give landlord's consent for uses, subject to planning permission.		
	Legal		
2.6.20	To make application for warrants of entry to land or property under the provisions of any legislation, other than warrants for possession of land or property, in relation to functions for which they are responsible.	Where practicable, with the Solicitor to the Council	
2.6.21	To sign, issue and serve all notices required by statute or otherwise to be given by the Council and all necessary advertisements, in relation to functions for which they are responsible.		
2.6.22	To issue fixed penalty notices and community penalty notices where permitted by statute in relation to the functions for which they are responsible.		
	Licences, notices etc.		
2.6.23	The determination of any application for permissions, consents or licences or for registration within the functions for which he/she is responsible.		Except where they are reserved to Council, Executive, Executive Member or Committee
2.6.24	The issue and service of any notice or requisition for information concerned with matters within the functions for which the/she are responsible.		
2.6.25	The carrying out of works in default following non-compliance with any notice concerned with matters within the functions for which the/she are responsible.		
2.6.26	The management of any internal appeal, challenge or objection process against or in support of any of the Council's decisions, other than before a court or tribunal.	Solicitor to the Council	
	Planning		
2.6.27	To make application for all consents required in relation to planning permission in respect of Council land or property in relation to the functions for which they are responsible.		
2.6.28	To make application for all consents required in relation to Building Regulation Approval in respect of Council land or property in relation to the functions for which they are responsible.		

	Cultural Facilities & Activities		
2.6.29	To exercise the Council's functions relating to the provision and management of cultural facilities and activities.		
	Staffing matters		
2.6.30	To determine and take action in relation to all staff matters in accordance with the Officer Procedure Rules.	Where specified in the Officer Procedure Rules, Solicitor to the Council Head of Human Resources	In accordance with Officer Procedure Rules and all Council policies and procedures. To exclude the determination of redundancies (voluntary or otherwise) and the determination of termination of contracts of employment on the grounds of efficiency of the service.

3. DELEGATIONS: SPECIFIC FUNCTIONS – HEADS OF SERVICE

Subject to the foregoing, there are delegated to the Officer(s) listed below those matters detailed in column 2 subject to the consultation requirements in column 3 and limitations in column 4 below.

3.1 No	Head of Housing Delegation	Consultation	Limitations
3.1.1	To determine and take all action in relation to the management and maintenance of the Council's housing accommodation including the letting, transfer, exchange and repossession of dwellings, garages, open spaces and parking spaces.		
3.1.2	To exercise the Council's functions relating to homeless persons.		With the exception of requests for reviews under s202 Housing Act 1996.
3.1.3	To determine applications for Housing Grants (not Social Housing Grants) and the taking of all steps concerned with certification of payment of the same.		
3.1.4	To devise, manage and maintain the Housing Register maintained by the Council under the relevant statutory provisions in accordance with the Council's Housing Allocations Policy.		
3.1.5	To nominate people on the Council's Housing Register to properties managed by Adur Homes and the Registered Social Landlords in accordance with the Council's allocations policy.		
3.1.6	To exercise the Council's regulatory functions in relation to Caravan sites, Fitness and Standards of Housing and Houses in Multiple Occupation.		
3.1.7	To determine and where appropriate give consent for alterations or extensions to former Council houses and flats.		
3.1.8	To acquire or lease property or land in connection with the Council's housing function, for the purpose of providing emergency and temporary accommodation.	To be exercised only after consultation with the Leader, the Executive Member for	

		Resources and the Chief Financial Officer.	
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3.2	Head of Wellbeing		
No	Delegation	Consultation	Limitations
3.2.1	To implement the Council's policies regarding Community Safety and the redirection of crime and disorder.		
3.2.2	To take any action to combat anti-social behaviour including the issue of fixed penalty notices and community penalty notices.		
3.2.3	To exercise the Council's regulatory functions relating to: Amenities on the highway Environmental protection Food Safety and Hygiene Gambling Gaming permits Hackney Carriages and Drivers Health and Safety at Work House to house collections Highway management * Licensable activities under the Licensing Act 2003 Lotteries Leisure Boats Private Hire Vehicles drivers and operators Public Health (including airports and port health) Public Safety Registration Plates Scrap metal dealers Shops and Sunday trading Street Collections Street Trading ** Drainage, Water and Sewerage Animal Boarding Licenses Pet Shops	* Adur DC in relation to Highways Maintenance - the relevant Executive Member ** Adur DC in relation to Street Trading - the relevant Executive Member	

	The Breeding of Dogs Sex Establishments Hypnosis		
3.2.4	To determine whether or not a simple caution should be administered following an investigation into an alleged criminal offence	Solicitor to the Council	There must be a full admission It must be a minor matter It must be in the public interest It must be a first offence Copy to be sent with reasons to the Solicitor to the Council To exclude the administration of the caution.
3.2.5	All matters relating to the investigation of matters under the Health & Safety at Work legislation.	Solicitor to the Council	Duly appointed inspectors
3.2.6	To convene meetings of Full Council, Executive, Executive Members, Committees and other bodies.	Mayor, Leader, Executive Member or Chairman as appropriate	
3.2.7	To cancel meetings of Full Council, Executive, Executive Members, Committees and other bodies.	Mayor, Leader, Executive Member or Chairman as appropriate	
3.2.8	To exercise the Councils' regulatory functions relating to Animal Welfare		
3.3	Head of Environmental Services		
No	Delegation	Consultation	Limitations

3.3.1	To exercise the Council's functions relating to the provision and management of recreational facilities.		
3.3.2	To manage (including the authority to agree usage) and maintain all the parks, pleasure grounds, gardens, open spaces, commons, recreational facilities, burial grounds, crematorium and nature reserves within the Council's control.	Adur DC the relevant Executive member in cases where the authority is required to agree usage	
3.3.3	To charge fees for medical referees		
3.3.4	To exercise the Council's regulatory functions relating to Pest Control		
3.3.5	All matters related to the Council's powers and duties in relation to the coast, rivers and harbours.		
3.3.6	All matters relating to pleasure boats, boatman's licences, fisherman's agreements.		
3.3.7	To determine as landowner or landlord applications for licences, consents and permissions in respect of the Council's parks and foreshore buildings or land.	Executive Members for Resources and Executive Members for Environment	
3.3.8	To collect, remove, recycle and dispose of waste.		
3.3.9	To collect, remove, recycle and dispose of litter.		
3.3.10	To collect, remove, recycle and dispose of abandoned or unauthorised vehicles.		
3.3.11	To determine and communicate the Council's position relating to Goods Vehicle Operators licences.		
3.3.12	To authorise the waiving or reduction of charges for special refuse collections, commercial waste collections, green waste collections and clinical waste collections.		
3.3.13	To undertake vehicle testing and issue Ministry of Transport Certificates and to make appropriate charges, and to waive and reduce such charges.		
3.3.14	To take any action to combat anti-social behaviour including the issue of fixed penalty notices or community penalty notices for littering, fly tipping, breach of		

	public space protection orders, unlawful camping and dog fouling		
3.3.15	To issue fixed penalty notices upon commercial traders for unlawful management of commercial waste		
3.3.16	To exercise the Council's regulatory functions in respect of street trading		
3.3.17	To undertake all matters related to the inspection and maintenance of Council owned trees	Where a tree is subject to a Tree Preservation Order, only to be exercised in consultation with the Head of Planning and Development	
3.3.18	To undertake all matters relating to the design, installation, inspection and maintenance of all Council owned play areas	In respect of design and installation to be exercised only in consultation with the Head of Business and Technical Services	

3.4	Head of Revenues & Benefits		
No	Delegation	Consultation	Limitations
3.4.1	To determine any applications for Housing Benefit, Council Tax Support or similar benefits.		
3.4.2	To make payments of Housing Benefit and Council Tax Support or similar benefits		
3.4.3	To take all necessary actions relating to the demand, collection and the recovery of Council Tax Rates, National Non-Domestic Rates and any other local levy or collected taxes.		
3.4.4	To determine entitlement to mandatory, discretionary and other rate relief applications, including National Non-Domestic Rate relief.		

3.4.5	To serve on the Valuation Officer notice of objection to any proposals for alteration of the Valuation List.		
3.4.6	To make proposals for the alteration of the Valuation List or for inclusion of particular properties in the Valuation List.		
3.4.7	To sign off Valuation Agreements.		

3.5	Head of Customer and Digital Services		
No	Delegation	Consultation	Limitations
3.5.1	All matters relating to on and off street parking	In respect of Adur District Council, consultation with the relevant Executive Member	

3.6	Head of Planning and Development		
No	Delegation	Consultation	Limitations
3.6.1	All matters relating to the naming and numbering of streets.	Relevant Planning Committee Adur DC - relevant Executive Member, Ward member and where practicable the planning committee	
3.6.2	To issue and serve notices pursuant to the Building Act 1984 and Building Regulations and to carry out works in default.		
3.6.3	To decide all Building Regulations applications in accordance with Building Regulations current at time of deposit.		

3.6.4	To determine all relevant charges in accordance with the Building (Prescribed Fees) Regulations 2010 as amended		
3.6.5	<p>To determine applications for Planning permission, listed building consent, conservation area consent, express consent to display advertisements, hazardous substances consent pursuant to the Planning Acts, including:</p> <p>a. development specified in the GPDO where expressed planning permission is required by reason of limitations or conditions by that order; and</p> <p>b. determinations in connection with prior notification procedure under T&CP (General Permitted Development) Order.</p>		<p>The delegation shall not be exercised in relation to:</p> <p>a. applications requiring the Secretary of State to be notified under the Town and Country (Development Plans and Consultations) (Departures) Direction 2009;</p> <p>b. applications for development requiring an environmental impact assessment but excluding applications for a screening or scoping opinion in connection with an environmental impact assessment;</p> <p>c. applications comprising ‘major ‘development within the meaning of the T&CP (General Permitted</p>

			<p>Development) Order;</p> <p>d. applications for development which conflicts materially with the development plan;</p> <p>e. applications materially affecting ancient monuments, and sites of special scientific interest;</p> <p>f. applications made by or on behalf of jointly with or promoted by the Council, a parish Council, West Sussex County Council any other local authority;</p> <p>g. where the application has been made by a member or an officer;</p> <p>h. where a member of the Council not more than 28 days after validation of an application requests otherwise.</p>
3.6.6	To determine applications for consent pursuant to the conditions and limitations under the Planning Acts.		

3.6.7	To determine the Council's stance in respect of and respond to consultation opinions concerning matters including, but not limited to, Neighbourhood Plans and WSCC planning applications unless they are for 'major' development within the meaning of the T&CP (General Development Procedure) Order.	In respect of Neighbourhood Plans, in consultation with Relevant Executive Member	
3.6.8	To determine applications for lawful development certificates (Town and Country Planning Acts Sections 191 and 192).	Solicitor to the Council where necessary.	
3.6.9	To give, make and confirm any Order or Direction under the Planning Acts		
3.6.10	To issue, serve, modify and withdraw any Notice under the Planning Acts and to carry out works in default including ruines and dilapidated buildings and neglected sites (Building Act 1984, Section 79).		
3.6.11	To determine applications and to take any action under Anti-Social Behaviour Act (2003) Part 8 (High Hedges).		
3.6.12	Subject to the limitations imposed above to determine the Council's stance in respect of and respond to consultations and opinions concerning matters referred to above.		
3.6.13	All matters relating to the Planning (Hazardous Substances) Act, 1990.		
3.6.14	To issue and serve notices in relation to breaches of conditions in relation to planning permissions.		
3.6.15	To negotiate and enter into planning or other agreements regulating or controlling the use of development of land.	Solicitor to the Council	Not where the determining body for any associated planning application is a committee.
3.6.16	To make minor amendments in planning or other agreements regulating or controlling the use or development of land where the determining body for any associated planning application is a committee.	Solicitor to the Council	
3.6.17	To issue serve modify or withdraw any enforcement action or notices under the Planning Acts, etc.	Solicitor to the Council	

3.7	Head of Finance		
No	Delegation	Consultation	Limitations
3.7.1	To take any action relating to borrowing in accordance with the Council's borrowing strategy.		
3.7.2	To borrow by way of bank overdraft from the Council's current bankers subject to annual review by the bank and the Executive Member for Resources.	Executive Member for Resources	£1,000,000
3.7.3	To make payments into the insurance fund.		
3.7.4	To make payments in respect of any claims where the Council's insurers may be involved.		
3.7.5	To invest available funds on appropriate terms and in accordance with the Council's investment strategy.		
3.7.6	To make payment of any sums due from the Council.		
3.7.7	To make repayments to the West Sussex County Council Pension Fund from those reserves earmarked for pensions contributions.		
3.7.8	To write off debts.		In accordance with the Financial Procedure Rules
3.7.9	To investigate allegations of housing benefit or council tax benefit fraud.		Not exercisable in respect of ADC.
3.7.10	To investigate and report upon any allegations of fraud or dishonesty.		
3.7.11	In respect of housing benefit and council tax fraud, to determine whether or not a simple caution or administrative penalty should be administered following an investigation into an alleged criminal offence.	Solicitor to the Council	Not exercisable in respect of ADC. There must be a full admission It must be a 1st offence It must be for sums less than £500 It must be in the public interest It must not be a complex fraud or attempted fraud

			Copy to be sent with reasons to EHC&CS
3.7.12	In respect of housing benefit and council tax fraud, to administer simple cautions and administrative penalties.		Not exercisable in respect of ADC.
3.7.13	To settle any claims where the Council's Insurers may be involved.	Solicitor to the Council	

3.8	Head of Human Resources		
No	Delegation	Consultation	Limitations
3.8.1	To confirm the appointment of staff on the satisfactory completion of probationary period.	Appropriate Head of Service	
3.8.2	To implement decisions arising from the Council's pay and grading procedure.		
3.8.3	To implement any nationally agreed pay settlements.	Head of Finance	
3.8.4	To maintain a register of politically restricted posts and ancillary matters.		
3.8.5	To comply with all legislation and government guidance on transparency in pay within the Council, including taking the annual pay policy statement to Council		
3.8.6	To execute settlement agreements between the Council and its employees or former employees in circumstances where redundancy or termination of contract on the grounds of efficiency of the service have been approved.	Solicitor to the Councils	

3.9	Head of Legal Services and Monitoring Officer		
No	Delegation	Consultation	Limitations
3.9.1	Legal Proceedings: a. To determine what, if any legal action should be taken following any investigation into a criminal matter (except in relation to Health & Safety at Work). b. To institute, prosecute or terminate any proceedings which the Council is empowered to undertake in or before any Court, Tribunal, Inquiry or by way of Fixed Penalty Notice or Community Penalty Notice (except in relation to Health & Safety at Work). c. To defend or settle any proceedings brought against the Council (except in relation to Health & Safety at Work). d. To take any action incidental or inclusive to or which would facilitate any		In respect of settling legal proceedings a confidentiality clause may not be included unless the prior written agreement has been obtained from the Leader of the Council (or Deputy in their absence) and the Leader of the Main

	<p>action under this paragraph.</p> <p>e. To administer simple cautions.</p> <p>f. To determine whether or not any legal proceedings should be taken in any particular case or set of circumstances.</p>		Opposition (or Deputy in their absence).
3.9.2	To appoint and instruct legal service providers including external Solicitors and Barristers.		
3.9.3	To determine whether or not a simple caution or other alternative to prosecution should be administered following an investigation into an alleged criminal offence.		
3.9.4	To settle any claims where the Council's Insurers may be involved.	Head of Finance	
3.9.5	To negotiate and enter into planning or other agreements regulating or controlling the use of development of land.	Head of Planning & Development	Not where the determining body for any associated planning application is a committee.
3.9.6	To make minor amendments to planning or other agreements regulating or controlling the use or development of land where the determining body for any associated planning application is a committee.	Head of Planning & Development	
3.9.7	To issue, serve, modify or withdraw any enforcement action or notices under the Planning Acts, etc.	Head of Planning & Development	
3.9.8	To carry out or authorise the carrying out of works in default under any statutory provisions (including Notices concerning ruinous and dilapidated or dangerous buildings and neglected sites).		
3.9.9	To determine applications under the Local Government (Miscellaneous Provisions) Acts 1982 Section 37 in respect of Temporary Markets.		
3.9.10	To give, make and confirm any Order or Direction under the Planning Acts including Tree Preservation Orders (and associated applications for consent for works) and notification of works to trees in conservation areas.	Head of Planning & Development	Not to confirm if there are any objections
3.9.11	To exercise the Council's powers relating to temporary road closures.		
3.9.12	To seal any document on behalf of the Council.		
3.9.13	To negotiate and agree the terms of any contract.		In accordance with the Contract Procedure

			Rules.
3.9.14	To sign any contract on behalf of the Council.		In accordance with the Contract Procedure Rules.
3.9.15	To authorise the attendance of officers at Court under any statutory provision.		
3.9.16	To authorise service of any statutory requisition for information as to interests in land.		
3.9.17	To execute any legal document on behalf of the Council.		
3.9.18	All matters relating to consultations with Sussex Police and other bodies in relation to Anti-Social Behaviour.		
3.9.19	All matters relating to the consecration of land.		
3.9.20	To issue, serve, suspend or withdraw any notices in respect of any matter for which the Council has power to act.		
3.9.21	To respond to requests for review under Data Protection and Freedom of Information legislation.		
3.9.22	All matters relating to the investigation of matters under the Health & Safety at Work legislation.		
3.9.23	To make minor or consequential amendments to the Council's Constitution.		
3.9.24	To make orders relating to Public Spaces Protection Order in accordance with the Anti-social Behaviour, Crime and Policing Act 2014.		
3.9.25	To grant dispensations in respect of Disclosable Pecuniary Interests in accordance with the Localism Act 2011.		
3.9.26	To determine the approval of the Adur District Council and Worthing Borough Council Crest / Coat of Arms in appropriate circumstances.	In consultation with the Leader.	
3.9.27	To act as the Councils' Co-ordinator in respect of all Regulation of Investigatory Powers Act 2000 matters	In accordance with the Councils' Surveillance Policy	

3.10	Head of Business & Technical Services		
No	Delegation	Consultation	Limitations
3.10.1	To take any action necessary with regard to the Council's Emergency Planning functions.		

3.10.2	To manage the improvement, refurbishment, maintenance and new build provision of the Council's non-housing property portfolio not specifically the responsibility of other officers.		
3.10.3	To exercise the Council's powers in respect of water supply, sewerage and drainage.		
3.10.4	To exercise the Council's powers in respect of land drainage.	Adur DC - relevant Executive Member	
3.10.5	To exercise the Council's powers affecting the design or maintenance of highways		
3.10.6	All matters relating to coastal and dredging licence applications		Such development must be permitted in a General Permitted Development Order or have been granted planning permission
3.10.7	All matters related to the Council's powers and duties in relation to the coast, rivers and harbours		

3.11	Head of Culture		
No	Delegation	Consultation	Limitations
3.11.1	To manage (including the authority to agree usage) and maintain the theatres and museums within the Council's control.	Adur DC the relevant Executive member in cases where the authority is required to agree usage	
3.11.2	To manage the function of Events Management	In consultation with the Council's Head of Communications and Emergency Planning Officer, and where the event is expected to be attended by 500 people or more, the Leader of the relevant Council.	

3.12	Head of Place & Economy		
No	Delegation	Consultation	Limitations
3.12.1	To approve and grant seasonal concession licence agreements on behalf of the Councils	In consultation with the relevant Executive Member, the Solicitor for the Council and the	

		Head of Planning & Development	
3.12.2	To approve non animal related Circuses	In consultation with Head of Environmental Services and the relevant Executive Member	To be limited to a maximum of 3 per year in Adur District Council. To be limited to a maximum of 3 per year in Worthing Borough Council
3.12.3	To exercise the Councils' regulatory functions relating to Markets	Solicitor to the Councils	

3.13	Head of Major Projects & Investment		
3.13.1	To manage the improvement, refurbishment, maintenance and new build provision of the Council's non-housing property portfolio not specifically the responsibility of other officers.		
3.13.2	To acquire land in connection with the Council's functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions.	Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer	
3.13.3	To dispose of land in connection with the Council's functions and to grant leases,		

	easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions.		
3.13.4	To determine as landowner or landlord applications for licences, consents and permissions in respect of the Council's buildings or land.	Executive Member for Resources	
3.14	Head of Communications		
No	Delegation	Consultation	Limitations

4. PROPER OFFICER AND AUTHORISED OFFICER FUNCTIONS

The following proper officer and/or authorised officer functions listed in column 3 are assigned to the officers and deputies in columns 4 and 5.

4.1 Functions relating to Officers				
No	Act	Function	Officer	Deputy
4.1.1	s.2 Local Government and Housing Act 1989	To maintain a list of politically restricted posts	Head of Human Resources	
4.1.2	s.3A Local Government and Housing Act 1989	To determine applications for exemption from the list of politically restricted posts	Chief Executive in consultation with MO	Head of Legal
4.1.3	s.4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive	Nominated Director
4.1.4	s.5 Local Government and Housing Act 1989	Monitoring Officer	Head of Legal	Senior Solicitors
4.1.5	Sch.1, Part II, Para.5 Local Authorities (Standing Orders) (England) Regulations 2001	Process requiring notification to Executive and objections to be considered where appointment or dismissal of Head of Paid Service, Chief Officers or Deputy Chief Officers involved	Monitoring Officer	Deputy Monitoring Officer(s)

4.2 Functions relating to Democratic Process				
No	Act	Function	Officer	Deputy
4.2.1	s.8 Representation of the People Act 1983	Electoral Registration Officer	Chief Executive	Director for Digital and Resources
4.2.2	s.52 Representation of the People Act 1983	Deputy Electoral Registration Officer	Director for Digital and Resources	Head of Customer and Digital Services
4.2.3	s.35 Representation of the People Act 1983	Returning Officer	Chief Executive	Officer(s) appointed in writing by the Returning Officer

4.2.4	s.82 Representation of the People Act 1983	To receive declaration of Election expenses	Director for Digital and Resources	Head of Customer and Digital Services
4.2.5	s.83 Local Government Act 1972	Declarations of acceptance of office	Chief Executive	Director for Communities
4.2.6	s.84 Local Government Act 1972	Receipt of resignations	Chief Executive	Director for Communities
4.2.7	s.86 Local Government Act 1972	To declare any vacancy in office	Chief Executive	Director for Communities
4.2.8	s.88(2) Local Government Act 1972	Convene a meeting to fill a vacancy of a chair	Director for Communities	Head of Wellbeing
4.2.9	s.89(1) Local Government Act 1972	Receive from two electors Notices of Casual Vacancies of Councillors	Chief Executive	Director for Digital and Resources
4.2.10	s.100B(2),(7) and 100H Local Government Act 1972	Excluding from the Public reports which are not likely to be considered in open session; and provision to the press/public of other documents provided to members where the Proper Officer thinks fit	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.11	s.100C(2) Local Government Act 1972	Where part or the whole of the report has been exempt the Proper Officer shall make a written summary of the proceedings or a part to provide a record without disclosing the exempt information.	Director for Communities	Head of Wellbeing
4.2.12	s.100D Local Government Act 1972	Compilation of list of background documents relied upon to a material extent in producing the report or disclosing important facts	Author of Report	
4.2.13	s.100F Local Government Act 1972	Deciding whether documents for inspection in connection with Committees contain exempt information under a paragraph of Schedule 12A	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.14	s.41 Local Government Miscellaneous Provisions Act 1976	To certify copies of Resolutions Orders Reports or Minutes of the Council or any Predecessor Authority	Director for Communities	Head of Wellbeing
4.2.15	Reg.9 Local Government (Committees and Political Groups) Regulations 1990	Receipt of Notice re Political Groups	Director for Communities	Head of Wellbeing

4.2.16	Reg.10 Local Government (Committees and Political Groups) Regulations 1990	Receipt of Notice of Cessation of Membership of Political Group	Director for Communities	Head of Wellbeing
4.2.17	Reg.13 Local Government (Committees and Political Groups) Regulations 1990	To accept wishes of Political Groups in respect of proportionality	Director for Communities	Head of Wellbeing
4.2.18	Reg.14 Local Government (Committees and Political Groups) Regulations 1990	To notify Political Groups of allocations	Director for Communities	Head of Wellbeing
4.2.19	Part 3 Local Government Act 1974	Local Government Ombudsman functions, including giving public notice of reports	Director for Digital and Resources in consultation with Monitoring Officer	Head of Customer and Digital Services
4.2.20	Local Authorities (Referendum) (Petitions) (England) Regulations 2011	Proper Officer function	Director for Digital and Resources	Head of Customer and Digital Services
4.2.21	Local Authorities (Conduct of Referendums) (England) Regulations 2012	Proper Officer function	Director for Digital and Resources	Head of Customer and Digital Services
4.2.22	s.29 Localism Act 2011	Establish and maintain a register of members' and co-opted members' interests	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.23	s.30-31 Localism Act 2011	Receipt of members' and co-opted members' declarations of interests and changes to those interest within 28 days	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.24	s.32 Localism Act 2011	Sensitive interests	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.25	s.33 Localism Act 2011	Dispensations from restrictions under s.31(4)	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.26	Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England)	Access to information, recording executive decisions and the Forward Plan	Director for Communities	Head of Wellbeing

	Regulations 2012			
4.2.27	s. 21A Local Government Act 2000 (as amended)	Decision making in respect of Councillor Call for Action	Director for Communities	Head of Wellbeing

4.3 Functions relating to Finance				
No	Act	Function	Officer	Deputy
4.3.1	All legislation prior to 1 st April 1972; s.151 Local Government Act 1972; and ss.114-116 Local Government Finance Act 1988	Proper Officer in relation to references to Treasurer or Borough Treasurer; the officer responsible for the proper management of the Council's financial affairs and for making reports to Cabinet/Council	Head of Finance	Deputy s.151 Officer(s)
4.3.2	All legislation prior to 1st April 1972	Proper Officer in relation to declarations and certificates with regard to securities	Head of Finance	Deputy s.151 Officer(s)
4.3.3	s.115(2) Local Government Act 1972	For receipt of monies due to the Council from Officers	Head of Finance	Deputy s.151 Officer(s)

4.4 Functions relating to Legal Processes				
No	Act	Function	Officer	Deputy
4.4.1	s.229 Local Government Act 1972	To certify photographic copies of documents to be a true copy (other than those under Public Records Act 1958)	Head of Legal	Senior Solicitor(s)
4.4.2	s.234 Local Government Act 1972	To sign Notices Orders or other documents authorised or required by or under any Enactment	Head of Legal	Senior Solicitor(s)
4.4.3	s.236 Local Government Act 1972	To send copies of Byelaws to Parish and Community Councils to which they apply.	Head of Legal	Senior Solicitor(s)
4.4.4	s.238 Local Government Act 1972	Certification of printed copies of Byelaws	Head of Legal	Senior Solicitor(s)
4.4.5	s.36 Freedom of Information Act 2000	Non-disclosure where potential to prejudice the effective conduct of public affairs	Head of Legal	Senior Solicitor(s)
4.4.6	Sch.12 Local Government Act 1972	Signing and serving of Summonses from meetings of Principal Councils	Director for Communities	Head of Wellbeing
Court Representation				
4.4.7	Every Solicitor, Barrister or Chartered Legal Executive employed or engaged by the Council (irrespective of his or her job title) shall be authorised to appear on its behalf before any Court, Tribunal or other hearing before which they have a Right of			

	Audience and to exercise the powers given by the relevant professional body.			
4.4.8	In addition to the powers delegated in Section 3 above and the rights to appear in Court detailed in paragraphs 4.4.7, the following Officers in column 4 are authorised to appear on behalf of the Council and to conduct proceedings in Court in relation to the functions mentioned in column 3.			
4.4.9	There may be Officers other than those listed in 4.7 who are authorised to appear in Court on behalf of the Council by virtue of the Head of Legal's delegation at 3.8.16 to provide such authorisation. Any authorisations made under delegation 3.8.16 will be recorded in writing and shall be provided to the Monitoring Officer within five working days and made available on the intranet.			
No	Act	Function	Officer	Deputy
4.4.10	s.223 Local Government Act 1972 and s.60 County Courts Act 1984	In respect of possession matters and for any purpose for which the Council is empowered to authorise Officers to appear on its behalf	Legal Assistants Trainee Solicitors	
4.4.11	s.223 Local Government Act 1972	In respect of National Non-Domestic Rating or Council Tax matters	Head of Revenues and Benefits	Revenues and Recovery Team Leader
4.4.12	Part 9 Insolvency Rules 1986	Examination of persons concerning company and individual insolvency	Head of Revenues and Benefits (in consultation with Head of Legal)	
4.4.13	Part I Health and Safety at Work etc. 1974		Head of Wellbeing (in consultation with Head of Legal)	

4.5	Functions in relation to Public Health			
No	Act	Function	Officer	Deputy
4.5.1	s.79 Public Health Act 1936 & Schedule 29 Part 1 Local	Removal of Noxious Matter	Director for Communities	Head of Wellbeing

	Government Act 1972			
4.5.2	s.84 Public Health Act 1936 & Schedule 29 Part 1 Local Government Act 1972	Verminous Articles	Director for Communities	Head of Wellbeing
4.5.3	s.85 Public Health Act 1936 & Schedule 29 Part 1 Local Government Act 1972	Verminous People	Director for Communities	Head of Wellbeing
4.5.4	Part XI Local Government Miscellaneous Provisions Act 1982	Public Health	Director for Communities	Head of Wellbeing
4.5.5	Part 1 Section 46 Care Act 2014	Removal of people in need	Director for Communities	Officers of Health Authority etc. authorised under Section 113 (1A) of the Local Government Act 1972
4.5.6	s.37 Public Health Act 1961	Verminous Articles	Director for Communities	Head of Wellbeing
4.5.7	Public Health (Control of Disease) Act 1984	Infectious Diseases and Dead Bodies	Director for Communities	Head of Wellbeing
4.5.8	Sch.14 Paragraph 25(7) Local Government Act 1972	To certify copies of Resolutions applying or disapplying provisions of the Public Health Act 1875 to 1925	Director for Communities	Head of Wellbeing
4.5.9	Food Safety Act 1990 (as amended)	Food Safety and authentication of documents	Director for Communities	Head of Wellbeing
4.5.10	s.40 Anti-Social Behaviour Act 2003	Closure order in respect of noisy premises where public nuisance	Chief Executive	Director for Communities
4.5.11	s.78 Building Act 1984	Authorise action in relation to dangerous structures	Appropriate Director	Appropriate Head of Service
4.5.12	European Communities Act 1972	Food Safety	Director for Communities	Head of Wellbeing
4.5.13	Pet Animals Act 1951 (as		Director for	Head of

	amended) & Pet Animals Act 1983		Communities	Wellbeing
4.5.14	Caravan Sites and Control of Development Act 1960		Director for Communities	Head of Wellbeing
4.5.15	Animal Boarding Establishments Act 1963		Director for Communities	Head of Wellbeing
4.5.16	Riding Establishments Act 1964 and 1970		Director for Communities	Head of Wellbeing
4.5.17	Scrap Metal Dealers Act 2013		Director for Communities	Head of Wellbeing
4.5.18	Breeding of Dogs Act 1973 and 1991 & Breeding and Sale of Dogs (Welfare) Act 1999		Director for Communities	Head of Wellbeing
4.5.19	Part 1 & Part 2 Local Government (Miscellaneous Provisions) Act 1976		Director for Communities	Head of Wellbeing
4.5.20	Zoo Licensing Act 1981		Director for Communities	Head of Wellbeing
4.5.21	Part 2 & Part 3 Local Government (Miscellaneous Provisions) Act 1982		Director for Communities	Head of Wellbeing
4.5.22	Part VII & Part XI Local Government (Miscellaneous Provisions) Act 1982		Director for Communities	Head of Wellbeing
4.5.23	Public Health (Control of Disease) Act 1984		Director for Communities	Head of Wellbeing
4.5.24	Control of Pollution (Amendment) Act 1989		Director for Communities	Head of Wellbeing
4.5.25	Clean Neighbourhoods and Environment Act 2005		Director for Communities	Head of Wellbeing
4.5.26	Health Act 2006 Chapter 1		Director for Communities	Head of Wellbeing
4.5.27	Part 4 Anti-social Behaviour, Crime and Policing Act 2014		Director for Communities	Head of Wellbeing

4.5.28	Parts 1, 2, 2A and 3 Environmental Protection Act 1990		Director for Communities	Head of Wellbeing
4.5.29	Part 4 Environment Act 1995		Director for Communities	Head of Wellbeing
4.5.30	s.108 Environment Act 1995		Director for Communities	Head of Wellbeing
4.5.31	Part 1 & Part 3 Prevention of Damage by Pests Act 1949		Director for Communities	Head of Wellbeing
4.5.32	Control of Pollution Act 1974		Director for Communities	Head of Wellbeing
4.5.33	Dangerous Wild Animals Act 1976		Director for Communities	Head of Wellbeing
4.5.34	Refuse Disposal (Amenity) Act 1978		Director for Communities	Head of Wellbeing
4.5.35	Town Police Clauses Act 1847		Director for Communities	Head of Wellbeing
4.5.36	Housing Act 1985, 1989 and 2004		Director for Communities	Head of Wellbeing
4.5.37	Clean Air Act 1993		Director for Communities	Head of Wellbeing
4.5.38	Pollution Prevention and Control Act 1999		Director for Communities	Head of Wellbeing
4.5.39	Environmental Damage (Prevention and Remediation) Regulations 2015		Director for Communities	Head of Wellbeing
4.5.40	Health and Safety at Work 1974		Director for Communities	Head of Wellbeing
4.5.41	Animal Welfare Act 2006		Director for Communities	Head of Wellbeing
4.5.42	s.59 Building Act 1984		Director for Communities	Head of Wellbeing
4.5.43	House to House Collections Act 1939		Director for Communities	Head of Wellbeing

4.5.44	Police, Factories, etc. (Miscellaneous Provisions) Act 1916		Director for Communities	Head of Wellbeing
4.5.45	Hypnotism Act 1952		Director for Communities	Head of Wellbeing

4.6 Miscellaneous Functions				
No	Act	Function	Officer	Deputy
4.6.1	s.100G Local Government Act 1972	Maintain a list of members	Director for Communities	Head of Wellbeing
4.6.2	s.100G Local Government Act 1972	Maintain a list of delegations to officers and the like	Monitoring Officer	Deputy Monitoring Officer(s)
4.6.3	s.146(1)(a) Local Government Act 1972	Statutory Declaration re Change of Name of the Authority in connection with Companies	Head of Legal	Senior Solicitor(s)
4.6.4	s.191(2) Local Government Act 1972	Applications under the Ordnance Survey Act 1841	Director for Economy	
4.6.5	s.210 Local Government Act 1972	In respect of Powers with regard to Charities	Director for Communities	Head of Wellbeing
4.6.6	s.225 Local Government Act 1972	Deposit of documents in accordance with Standing Orders of either House of Parliament, Enactment or Statutory Instrument	Head of Legal	Senior Solicitor(s)
4.6.7	s.248 Local Government Act 1972	To keep the roll of Freeman of City or Town in District	Chief Executive	Director for Communities
4.6.8	Any other provisions for which arrangements are not specifically made under this Scheme of Delegation	Any other legislation whether made before or after this list was approved and requiring a proper officer or authorised officer where not otherwise stated in the Council's approved scheme of delegations from time to time	Chief Executive	

4.7 Functions in relation to Entry of Land/Premises				
4.7.1	The Chief Executive, Directors, Solicitor to the Council, Senior Solicitors, Solicitors, Senior Legal Executives, Legal Executives and Emergency Planning Officer shall be authorised to enter land or premises in relation to any function of the Council, subject to any applicable statutory constraints.			

4.7.2	In addition to the powers delegated in Section 3 above, the following Officers in column 4 are authorised to enter land or premises for or in connection with their duties and pursuant to the functions mentioned in column 3, subject to any applicable statutory constraints.			
4.7.3	An Officer authorised to enter land is also authorised to seek a warrant to enter.			
4.7.4	An Officer authorised to enter land may take with him or her such other persons and equipment as may be necessary.			
4.7.5	The right to enter given by paragraph 4.7 shall extend to the exercise of the power to make inspections, to provide samples and to examine and seize goods.			
	Environmental Health, Housing etc.			
No	Act	Function	Officer	Deputy
4.7.6		Animal Welfare Caravan Sites Environmental Protection Food Safety and Hygiene Health and Safety at Work Housing Licensing Act 2003 Pest Control Public Health Public Safety Scrap Metal Dealers Shop Acts Street Trading Sunday Trading Gambling Act 2005 Animal Boarding Licences Pet Shops The Breeding of Dogs Zoo Licensing Sex Establishments Hypnosis Dangerous Wild Animals Act 1976 Riding Establishments Act 1964 and 1970 Drainage including s.59 Building Act 1984	Director for Communities and such others as shall be delegated in writing by him/her from time to time	Head of Wellbeing

	Planning		
4.7.7	ss.178, 196A, 196B, 324 & 325 Town and Country Planning Act 1990		Director for Economy/Director for Communities,
4.7.8	s.88 Planning (Listed Buildings and Conservation Areas) Act 1990		as appropriate Planning Services Manager
4.7.9	s.36 Planning (Hazardous Substances) Act 1990		Development Control Manager Principal Planning Officers Senior Planning Officers Planning assistants Senior Enforcement Officer Enforcement Assistant
4.7.10	Part 8 Anti-Social Behaviour Act 2003		Director for Communities Planning Services Manager Development Control Manager Principal Planning Officers Senior Planning Officers Planning assistants Senior Enforcement Officer Enforcement

			Assistant Senior Technical Officer (Parks)	
Building Control				
4.7.11	s.95 Building Act 1984	General power of entry in relation to building regulations	Head of Building Control and Land Charges Principal Building control Surveyor Senior Building control surveyor Building control surveyor Fire Safety Officer	
Local Taxation				
4.7.12		Collection of Local Taxes	Director for Digital and Resources and Head of Revenues and Benefits Inspector/Collector	
Land Drainage and Sewerage Undertaking				
4.7.13	Water Industry Act 1991		Principal Engineer	
4.7.14	Land Drainage Act 1991		Senior Engineer	

Adur &
Worthing
councils



SCHEME OF DELEGATIONS TO OFFICERS

1.0 GENERAL PRINCIPLES

1.1	Introduction These delegations are made under the powers contained in the Local Government Act 1972 (as amended), Section 101 and by reference to section 100G and the Local Government Act 2000, Sections 14,19 and 20, The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and all other enabling powers. An officer or other person is authorised to exercise such powers as are shown in the Scheme of Delegations including those reasonably applied or incidental to the matters specified in respect of the functions of the Council.
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1.2	When a Post is Vacant or a Post-holder is Absent For the purposes of this Scheme, if the post of an officer to whom a function is delegated (or which he/she has been appointed as a Proper Officer) is vacant or if the post-holder is absent on leave (of whatever type), unless the function is exercisable by an officer who has the appropriate sub-delegation or the Council otherwise decides the following shall apply:
1.2.1	In the case of the Chief Executive, the delegation shall be exercisable by an Acting Chief Executive (to include an Interim Chief Executive) or any one of the Directors, provided that the Acting Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.2	In the case of a Director, the delegation shall be exercisable by the Chief Executive or another Director, provided that the Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.3	In the case of the Section 151 Officer, the delegation shall be exercisable by a Deputy Section 151 Officer in relation to matters which are the responsibility of the Section 151 Officer.
1.2.4	In the case of the Monitoring Officer, the delegation shall be exercisable by a Deputy Monitoring Officer in relation to matters which are the responsibility of the Monitoring Officer.
1.2.5	In the case of Heads of Service, the delegation shall be exercisable by the Chief Executive or a Director, provided that the Chief Executive or Director has the requisite professional qualification, experience and knowledge, where such is required.
1.2.6	Any post specifically referred to shall be deemed to include any successor post, or a post which includes within the job description, elements relevant to any particular delegation, which were also present in the earlier post and shall include anyone acting up or seconded.

1.3	All Decisions made by Officers Where decisions are taken by officers under delegated powers the following conditions and rules shall apply:
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1.3.1	All delegations shall be exercised in accordance with the Constitution, all relevant policies and procedures of the Council and all relevant legislative provisions, subject to paragraph 4 below.
1.3.2	Any officer exercising a delegation shall only do so where provision has been made for any expenditure within the relevant budget or otherwise in accordance with the Financial Procedure Rules.
1.3.3	Any officer exercising a delegation shall not do so in a manner which is contrary to any resolution of Full Council, Executive, an Individual Executive Member or a Committee.
1.3.4	Any officer exercising a delegation shall do so having regard to Health & Safety requirements.
1.3.5	Any officer exercising a delegation shall do so having regard to Equalities requirements.
1.3.6	Any officer exercising a delegation shall do so having regard to Data Protection requirements.
1.3.7	Any officer exercising a delegation is responsible for carrying out any consultation necessary under this Scheme. Such consultation shall be in writing, unless due to urgency that is not practicable, in which case there may be verbal consultation which may be confirmed, by the Officer undertaking the consultation to the consultee in writing, as soon as reasonably practicable and, in any event, within 5 working days.
1.3.8	Any officer to whom a delegation is given may waive his/her right to exercise the delegation and refer the matter to the original delegate for a decision or to Full Council, Executive, an Individual Executive Member or relevant Committee, as appropriate.
1.3.9	Where an officer has the authority to take decisions, any action taken to implement such decisions may be taken in the name of (but not necessarily personally by) that officer, or any other officer authorised by that officer in accordance with paragraph 6 below.
1.3.10	Any decision which could subject the Council to legal liability shall be taken in consultation with the Solicitor to the Council.
1.3.11	Any decision which has financial implications other than those budgeted for shall be taken in consultation with the Head of Finance.
1.3.12	Unless specifically stated, no delegation authorises the taking of decisions as to whether or not legal action should be taken by or on behalf of the Council.
1.3.13	Officers shall not have the power to exercise any delegation where an individual officer is required by law to hold a relevant qualification and he/she does not hold that qualification.
1.3.14	Officers shall not have the power to exercise any delegations which fall outside the individual's actual authority as determined by his/her post.
1.3.15	Officers shall not have the power to exercise any delegations in a situation where an individual officer is prevented, for whatever proper reason, from exercising such power.
1.3.16	Subject to any express instructions to the contrary from the delegated body, any power to approve also includes the power to

	refuse, and the power to impose appropriate conditions.
1.3.17	Functions, matters, powers, authorisations, delegations, duties and responsibilities, shall be construed in a broad and inclusive fashion, and shall include the doing of anything which is calculated to facilitate, or is conducive, or incidental, to the discharge of anything specified.

1.4	Emergency Powers
1.4.1	For the purposes of this Scheme, an emergency is where immediate action is necessary and where inaction may lead to loss of life, serious injury to a person or animal, or significant damage to or significant loss of property.
1.4.2	In cases of emergency an officer may, if justified by all of the circumstances, exercise delegations in a manner which is not in accordance with Council policies or procedures and / or where provision has not been made in any budget, in order to prevent or mitigate the emergency.
1.4.3	A written record of the reasons for exercising emergency powers and deviating from the policies and procedure and/or causing expenditure without a relevant budget shall then be provided as soon as practicably possible to the Monitoring Officer and the Section 151 Officer by the relevant officer.

1.5	Sub-Delegations
1.5.1	Where an officer is authorised to act, either under this Scheme or by a specific resolution of Full Council, Executive, an Individual Executive Member or a Committee, he/she may further delegate the authority to exercise a specific power to another officer, whilst still retaining the delegation themselves.
1.5.2	Before making a sub-delegation, the delegating officer must give consideration to and be satisfied that the officer to whom he/she is sub-delegating is of an appropriate level bearing in mind the nature of the delegation.
1.5.3	Any such sub-delegation is subject to the existing consultation and limitation requirements.
1.5.4	All sub-delegations must be made in writing and a copy provided to the Monitoring Officer within five working days. The Monitoring Officer shall maintain a central register of sub-delegations which shall be available on the intranet.
1.5.5	No sub-delegations may be further delegated, unless there is express permission from the original delegating officer that the specific power can be delegated further. Such permission should be included in the written record of the sub-delegation provided under paragraph 1.5.4. When deciding whether to permit further sub-delegation, the same consideration should be given as outlined in paragraph 1.5.2.
1.5.6	In the event that a post to which a delegation or function is given ceases to exist and its responsibilities are transferred to another post temporarily or permanently then the delegations given under this scheme shall be exercisable by the post to

	which the responsibilities have been transferred. There should be written confirmation of the change in responsibilities from the line manager, which shall be provided to the Solicitor to the Council to be retained with the central copy of the scheme of delegations.
1.5.7	Where an officer is authorised to act, either under this Scheme or by a specific resolution of Full Council, Executive, an Individual Executive Member or a Committee, he/she may further delegate the authority to exercise a specific power on behalf of this Council to an Officer of another Council, whilst still retaining the delegation themselves. All other provisions of paragraph 1.5 of this Scheme must be complied with when exercising this provision.

1.6	Proper Officers/Authorised Officers
1.6.1	Those officers designated as proper officers, authorised officers, appropriate person or any other statutory description of officer listed in this Scheme shall exercise the powers, and have the responsibilities, attributed to them by legislation.
1.6.2	The Chief Executive, Appropriate Director and any other officer expressly authorised by this Scheme may appoint any appropriate officer to be a proper officer, authorised officer, appropriate person or any other statutory description of officer in respect of any legislation and written confirmation of such appointment shall be provided to the Monitoring Officer within five working days and made available on the intranet.

1.7	Interpretation
1.7.1	Any reference to an Act, Order or other legal provision shall include a reference to any modification or re-enactment thereof and any reference to any Directive, Act, Order or other legal provision shall include any Regulations, Orders, Rules, Instruments, Directions, Statutory Guidance or other legal provision made thereunder.
1.7.2	'Appropriate Director' shall mean the Director responsible for the function to which the particular exercise of the delegation applies.
1.7.3	'Appropriate Head of Service' shall mean the Head of Service responsible for the function/service to which the particular exercise of the delegation applies.
1.7.4	'Consultation' shall mean seeking the comments of the person(s) to be consulted. Consultation shall not mean obtaining the consent of the person(s) to be consulted. A written record of the consultation shall be retained by the officer.
1.7.5	'The Council' shall mean The Borough Council of Worthing or the District Council of Adur, as appropriate.

2. DELEGATIONS: GENERAL FUNCTIONS – CHIEF EXECUTIVE, DIRECTORS & HEADS OF SERVICE

Subject to the foregoing, there are delegated to the Chief Executive, Directors and/or Heads of Service those matters detailed in column 2 subject to the consultation requirements set out in column 3 and the limitations in column 4 below.

2.1 Chief Executive			
No	Delegation	Consultation	Limitations
2.1.1	The taking of any action required in connection with the organisation or holding of neighbourhood, parish, district, county, general or European, police commissioner elections or referenda.		
2.1.2	To take Urgent action on behalf of the Council. 'Urgent' means a matter of pressing importance requiring swift action given the gravity of the situation, to prevent damage (or further damage) to life, limb, infrastructure or the financial integrity of the Councils.	The relevant Leader, or in their absence, the relevant Deputy Leader or the Leaders, or in their absence the Deputy Leaders, where appropriate.	A report on the use of urgency powers to be taken to the first available Council meeting. So far as applicable, any decisions/actions taken shall only take effect on a temporary basis until a Committee/Member decision has been made.
2.2 Chief Executive and all Directors			
No	Delegation	Consultation	Limitations
2.2.1	Grant, review, renewal and cancellation of authorisations under the Regulation of Investigatory Powers Act, 2000 in accordance with the Council's surveillance policy.		
2.2.2	The incurring of expenditure on the reception and entertainment by way of official courtesy of persons representative of or connected with local government or other public services whether inside or outside the United Kingdom.		In accordance with the Financial Procedure Rules.

2.3	Director for Communities		
No	Delegation	Consultation	Limitations
2.3.1	The taking of a decision as to whether or not the Council will tolerate unlawful encampments for a specified period and purpose, and to keep that decision under constant review.		
2.3.2	To manage the relationship between Worthing Borough Council and South Downs Leisure Trust		
2.3.3	To manage the relationship between Adur District Council and Adur Community Leisure (Impulse Leisure)		
2.3.4	To determine matters relating to the failure of a Member to attend meetings for a period in excess of 6 months		
2.3.5	To be the Councils' lead Officer responsible for Safeguarding matters		

2.4	Director for Digital and Resources		
No	Delegation	Consultation	Limitations
2.4.1	To respond to requests under Data Protection and Freedom of Information legislation		With the exception of requests for review and appeals
2.4.2	To act as the Senior Information Risk Owner for both Councils in respect of the function of Information Security.		
2.4.3	To be the Councils' Senior Responsible Officer for matters related to the Regulation of Investigatory Powers Act 2000.		
2.4.4	To be the link officer with the Commissioner for Local Administration in England ("Local Government Ombudsman")	Monitoring Officer (to reflect the statutory role of the Monitoring Officer in respect of maladministration) and the appropriate Head of Service	
2.4.5	To authorise payments or the provision of other benefits under s.92, Local	Appropriate Head	

	Government Act, 2000 (payments in cases of maladministration) or by way of local settlement in relation to Local Government Ombudsman complaints.	of Service, Monitoring Officer and, if over £1000, Head of Finance	
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2.5	Director for Economy		
No	Delegation	Consultation	Limitations
2.5.1			

2.6	Chief Executive, all Directors and all Heads of Service		
No	Delegation	Consultation	Limitations
	General		
2.6.1	To manage the functions for which they are responsible.		
2.6.2	To make minor amendments to any Policy, Strategy, Consultation or similar document and sign notices, other than legal notices, arising from any decision of The Council.		
2.6.3	To respond to consultations.		
2.6.4	To dispose of lost or uncollected property	Solicitor to the Council	
2.6.5	To procure goods and services	Head of Business & Technical Services (Procurement)	
2.6.6	To exercise powers and determine all matters relating to the supply of goods and services to other local authorities and public bodies in respect of the functions for which they are responsible.	Solicitor to the Council Head of Finance	
2.6.7	To carry out minor development for which planning permission is not required.	Head of Growth (Planning)	
	Contracts		
2.6.8	To do all matters in relation to procurement and the letting of contracts.	Where specified in Contract Standing	In accordance with Contract Standing

		Orders, Head of Business & Technical Services (Procurement) Solicitor to the Council	Orders
	Financial		
2.6.9	To take any action authorised by Financial Standing Orders.		
2.6.10	To manage budgets allocated to the functions for which they are responsible, including authority to incur expenditure on items included in the approved Revenue Estimates or Capital Programme except where the Council has placed a reservation on any such item.		In accordance with Financial Standing Orders
2.6.11	To write off amounts as irrecoverable	Where specified in Financial Standing Orders, Head of Finance Executive Member for Resources	In accordance with Financial Standing Orders
2.6.12	To determine grant applications in relation to the functions for which they are responsible, other than award of grants to voluntary sector organisations.	Solicitor to the Council	
2.6.13	To vary, in exceptional circumstances, fixed fees and charges.	Relevant Executive Member	
2.6.14	To determine charges for the use of relevant services and events not covered by the annual review of fees and charges	Relevant Executive Member	
2.6.15	To submit bids to outside bodies for grant funding.	Head of Finance Solicitor to the Council	
	Assets		
2.6.16	To dispose of surplus assets other than land and buildings, which are not of historical significance, interest or value.		
	Land		
2.6.17	To manage land, property (including rent reviews) and other assets allocated to the functions for which they are responsible.		

2.6.18	To vary the terms and conditions of leases and licences or negotiate the surrender of leases and licenses.		
2.6.19	To give landlord's consent for uses, subject to planning permission.		
	Legal		
2.6.20	To make application for warrants of entry to land or property under the provisions of any legislation, other than warrants for possession of land or property, in relation to functions for which they are responsible.	Where practicable, with the Solicitor to the Council	
2.6.21	To sign, issue and serve all notices required by statute or otherwise to be given by the Council and all necessary advertisements, in relation to functions for which they are responsible.		
2.6.22	To issue fixed penalty notices and community penalty notices where permitted by statute in relation to the functions for which they are responsible.		
	Licences, notices etc.		
2.6.23	The determination of any application for permissions, consents or licences or for registration within the functions for which he/she is responsible.		Except where they are reserved to Council, Executive, Executive Member or Committee
2.6.24	The issue and service of any notice or requisition for information concerned with matters within the functions for which the/she are responsible.		
2.6.25	The carrying out of works in default following non-compliance with any notice concerned with matters within the functions for which the/she are responsible.		
2.6.26	The management of any internal appeal, challenge or objection process against or in support of any of the Council's decisions, other than before a court or tribunal.	Solicitor to the Council	
	Planning		
2.6.27	To make application for all consents required in relation to planning permission in respect of Council land or property in relation to the functions for which they are responsible.		
2.6.28	To make application for all consents required in relation to Building Regulation Approval in respect of Council land or property in relation to the functions for which they are responsible.		

	Cultural Facilities & Activities		
2.6.29	To exercise the Council's functions relating to the provision and management of cultural facilities and activities.		
	Staffing matters		
2.6.30	To determine and take action in relation to all staff matters in accordance with the Officer Procedure Rules.	Where specified in the Officer Procedure Rules, Solicitor to the Council Head of Human Resources	In accordance with Officer Procedure Rules and all Council policies and procedures. To exclude the determination of redundancies (voluntary or otherwise) and the determination of termination of contracts of employment on the grounds of efficiency of the service.

3. DELEGATIONS: SPECIFIC FUNCTIONS – HEADS OF SERVICE

Subject to the foregoing, there are delegated to the Officer(s) listed below those matters detailed in column 2 subject to the consultation requirements in column 3 and limitations in column 4 below.

3.1 No	Head of Housing Delegation	Consultation	Limitations
3.1.1	To determine and take all action in relation to the management and maintenance of the Council's housing accommodation including the letting, transfer, exchange and repossession of dwellings, garages, open spaces and parking spaces.		
3.1.2	To exercise the Council's functions relating to homeless persons.		With the exception of requests for reviews under s202 Housing Act 1996.
3.1.3	To determine applications for Housing Grants (not Social Housing Grants) and the taking of all steps concerned with certification of payment of the same.		
3.1.4	To devise, manage and maintain the Housing Register maintained by the Council under the relevant statutory provisions in accordance with the Council's Housing Allocations Policy.		
3.1.5	To nominate people on the Council's Housing Register to properties managed by Adur Homes and the Registered Social Landlords in accordance with the Council's allocations policy.		
3.1.6	To exercise the Council's regulatory functions in relation to Caravan sites, Fitness and Standards of Housing and Houses in Multiple Occupation.		
3.1.7	To determine and where appropriate give consent for alterations or extensions to former Council houses and flats.		
3.1.8	To acquire or lease property or land in connection with the Council's housing function, for the purpose of providing emergency and temporary accommodation.	To be exercised only after consultation with the Leader, the Executive Member for	

		Resources and the Chief Financial Officer.	
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3.2	Head of Wellbeing		
No	Delegation	Consultation	Limitations
3.2.1	To implement the Council's policies regarding Community Safety and the redirection of crime and disorder.		
3.2.2	To take any action to combat anti-social behaviour including the issue of fixed penalty notices <u>and community penalty notices.</u>		
3.2.3	To exercise the Council's regulatory functions relating to: Amenities on the highway Environmental protection Food Safety and Hygiene Gambling Gaming permits Hackney Carriages and Drivers Health and Safety at Work House to house collections Highway management * Licensable activities under the Licensing Act 2003 Lotteries Markets Motor Salvage Operators Leisure Boats Private Hire Vehicles drivers and operators Public Health (including airports and port health) Public Safety Registration Plates Residential Accommodation Scrap metal dealers Shops and Sunday trading Street Collections Street Trading **	* Adur DC in relation to Highways Maintenance - the relevant Executive Member and the Street Scene Working Group or relevant Working Group where practicable ** Adur DC in relation to Street Trading - the relevant Executive Member and the Street Scene Working Group or relevant Working Group	

	<u>Drainage</u> , Water and Sewerage Animal Boarding Licenses Pet Shops The Breeding of Dogs Sex Establishments Hypnosis	where practicable	
3.2.4	To determine whether or not a simple caution should be administered following an investigation into an alleged criminal offence	Solicitor to the Council	There must be a full admission It must be a minor matter It must be in the public interest It must be a first offence Copy to be sent with reasons to the Solicitor to the Council To exclude the administration of the caution.
3.2.5	All matters relating to the investigation of matters under the Health & Safety at Work legislation.	Solicitor to the Council	Duly appointed inspectors
3.2.6	To convene meetings of Full Council, Executive, Executive Members, Committees and other bodies.	Mayor, Leader, Executive Member or Chairman as appropriate	
3.2.7	To cancel meetings of Full Council, Executive, Executive Members, Committees and other bodies.	Mayor, Leader, Executive Member or Chairman as appropriate	
<u>3.2.8</u>	<u>To exercise the Councils regulatory functions relating to Animal Welfare.</u>		

3.3 No	Head of Environmental <u>Services and Waste</u> Delegation	Consultation	Limitations
3.3.1	To exercise the Council's functions relating to the provision and management of recreational facilities.		
3.3.2	To manage (including the authority to agree usage) and maintain all the parks, pleasure grounds, gardens, open spaces, commons, recreational facilities, burial grounds, crematorium and nature reserves within the Council's control.	Adur DC the relevant Executive member in cases where the authority is required to agree usage	
3.3.3	(WBC only) To approve up to three circuses per year in Brooklands.		Not exercisable in respect of ADG.
3.3.43.3	To agree charge fees for medical referees		
3.3.53.3	To exercise the Council's regulatory functions relating to: Animal welfare Pest Control		
3.3.63.3	All matters related to the Council's powers and duties in relation to the coast, rivers and harbours.		
3.3.73.3	All matters relating to pleasure boats, boatman's licences, fisherman's agreements.		
3.3.83.3	To determine as landowner or landlord applications for licences, consents and permissions in respect of the Council's parks and foreshore buildings or land.	Executive Members for Resources and Executive Members for Environment	
3.3.93.3	To collect, remove, recycle and dispose of waste.		
3.3.103.	To collect, remove, recycle and dispose of litter.		
3.3.113.	To collect, remove, recycle and dispose of abandoned or unauthorised vehicles.		
3.3.123.	To determine and communicate the Council's position relating to Goods Vehicle Operators licences.		

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3.3.133.	To authorise the waiving or reduction of charges for special refuse collections, commercial waste collections, green waste collections and clinical waste collections.		
3.3.143.	To undertake vehicle testing and issue Ministry of Transport Certificates and to make appropriate charges, and to waive and reduce such charges.		
3.3.153.	To <u>take any action to combat anti-social behaviour including the issue of fixed penalty notices and community penalty notices</u> for littering, <u>fly tipping, breach of public space protection orders, unlawful camping and dog fouling.</u>		
3.3.163.	To issue fixed penalty notices upon commercial traders for unlawful management of commercial waste		
3.3.173.	To exercise the Council's regulatory functions in respect of street trading		
3.3.17	<u>To undertake all matters related to the inspection and maintenance of Council owned trees</u>	<u>Where a tree is subject to a Tree Preservation Order, only to be exercised in consultation with the Head of Planning and Development</u>	
3.3.18	<u>To undertake all matters relating to the design, installation, inspection and maintenance of all Council owned play areas.</u>	<u>In respect of design and installation to be exercised only in consultation with the Head of Business and Technical Services</u>	

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3.4	Head of Revenues & Benefits		
No	Delegation	Consultation	Limitations
3.4.1	To determine any applications for Housing Benefit, Council Tax Support or similar benefits.		

3.4.2	To make payments of Housing Benefit and Council Tax Support or similar benefits		
3.4.3	To take all necessary actions relating to the demand, collection and the recovery of Council Tax Rates, National Non-Domestic Rates and any other local levy or collected taxes.		
3.4.4	To determine entitlement to mandatory, discretionary and other rate relief applications, including National Non-Domestic Rate relief.		
3.4.5	To serve on the Valuation Officer notice of objection to any proposals for alteration of the Valuation List.		
3.4.6	To make proposals for the alteration of the Valuation List or for inclusion of particular properties in the Valuation List.		
3.4.7	To sign off Valuation Agreements.		

3.5	Head of Customer and Digital Services		
No	Delegation	Consultation	Limitations
3.5.1	All matters relating to on and off street parking	In respect of Adur District Council, consultation with the relevant Executive Member	

3.6	Head of Planning and Development		
No	Delegation	Consultation	Limitations
3.6.1	All matters relating to the naming and numbering of streets.	Relevant Planning Committee Adur DC - relevant Executive Member, Ward member and where	

		practicable the planning committee	
3.6.2	To issue and serve notices pursuant to the Building Act 1984 and Building Regulations and to carry out works in default.		
3.6.3	To decide all Building Regulations applications in accordance with Building Regulations current at time of deposit.		
3.6.4	To determine all relevant charges in accordance with the Building (Prescribed Fees) Regulations 2010 as amended		
3.6.5	To determine applications for Planning permission, listed building consent, conservation area consent, express consent to display advertisements, hazardous substances consent pursuant to the Planning Acts, including: a. development specified in the GPDO where expressed planning permission is required by reason of limitations or conditions by that order; and b. determinations in connection with prior notification procedure under T&CP (General Permitted Development) Order.		The delegation shall not be exercised in relation to: a. applications requiring the Secretary of State to be notified under the Town and Country (Development Plans and Consultations) (Departures) Direction 2009; b. applications for development requiring an environmental impact assessment but excluding applications for a screening or scoping opinion in connection with an environmental impact assessment;

		<p>c. applications comprising 'major' development within the meaning of the T&CP (General Permitted Development) Order;</p> <p>d. applications for development which conflicts materially with the development plan;</p> <p>e. applications materially affecting ancient monuments, and sites of special scientific interest;</p> <p>f. applications made by or on behalf of jointly with or promoted by the Council, a parish Council, West Sussex County Council any other local authority;</p> <p>g. where the application has been made by a member or an officer;</p> <p>h. where a member of</p>
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			the Council not more than 28 days after validation of an application requests otherwise.
3.6.6	To determine applications for consent pursuant to the conditions and limitations under the Planning Acts.		
3.6.7	To determine the Council's stance in respect of and respond to consultation opinions concerning matters including, but not limited to, Neighbourhood Plans and WSCC planning applications unless they are for 'major' development within the meaning of the T&CP (General Development Procedure) Order.	In respect of Neighbourhood Plans, in consultation with Relevant Executive Member	
3.6.8	To determine applications for lawful development certificates (Town and Country Planning Acts Sections 191 and 192).	Solicitor to the Council where necessary.	
3.6.9	To give, make and confirm any Order or Direction under the Planning Acts		
3.6.10	To issue, serve, modify and withdraw any Notice under the Planning Acts and to carry out works in default including ruines and dilapidated buildings and neglected sites (Building Act 1984, Section 79).		
3.6.11	To determine applications and to take any action under Anti-Social Behaviour Act (2003) Part 8 (High Hedges).		
3.6.12	Subject to the limitations imposed above to determine the Council's stance in respect of and respond to consultations and opinions concerning matters referred to above.		
3.6.13	All matters relating to the Planning (Hazardous Substances) Act, 1990.		
3.6.14	To issue and serve notices in relation to breaches of conditions in relation to planning permissions.		
3.6.15	To negotiate and enter into planning or other agreements regulating or controlling the use of development of land.	Solicitor to the Council	Not where the determining body for any associated

			planning application is a committee.
3.6.16	To make minor amendments in planning or other agreements regulating or controlling the use or development of land where the determining body for any associated planning application is a committee.	Solicitor to the Council	
3.6.17	To issue serve modify or withdraw any enforcement action or notices under the Planning Acts, etc.	Solicitor to the Council	

3.7	Head of Finance		
No	Delegation	Consultation	Limitations
3.7.1	To take any action relating to borrowing in accordance with the Council's borrowing strategy.		
3.7.2	To borrow by way of bank overdraft from the Council's current bankers subject to annual review by the bank and the Executive Member for Resources.	Executive Member for Resources	£1,000,000
3.7.3	To make payments into the insurance fund.		
3.7.4	To make payments in respect of any claims where the Council's insurers may be involved.		
3.7.5	To invest available funds on appropriate terms and in accordance with the Council's investment strategy.		
3.7.6	To make payment of any sums due from the Council.		
3.7.7	To make repayments to the West Sussex County Council Pension Fund from those reserves earmarked for pensions contributions.		
3.7.8	To write off debts.		In accordance with the Financial Procedure Rules
3.7.9	To investigate allegations of housing benefit or council tax benefit fraud.		Not exercisable in respect of ADC.
3.7.10	To investigate and report upon any allegations of fraud or dishonesty.		
3.7.11	In respect of housing benefit and council tax fraud, to determine whether or not a simple caution or administrative penalty should be administered following an investigation into an alleged criminal offence.	Solicitor to the Council	Not exercisable in respect of ADC. There must be a full admission It must be a 1st offence It must be for sums less than £500 It must be in the public interest It must not be a complex fraud or attempted fraud

			Copy to be sent with reasons to EHC&CS
3.7.12	In respect of housing benefit and council tax fraud, to administer simple cautions and administrative penalties.		Not exercisable in respect of ADC.
3.7.13	To settle any claims where the Council's Insurers may be involved.	Solicitor to the Council	
3.8	Head of Human Resources		
No	Delegation	Consultation	Limitations
3.8.1	To confirm the appointment of staff on the satisfactory completion of probationary period.	Appropriate Head of Service	
3.8.2	To implement decisions arising from the Council's pay and grading procedure.		
3.8.3	To implement any nationally agreed pay settlements.	Head of Finance	
3.8.4	To maintain a register of politically restricted posts and ancillary matters.		
3.8.5	To comply with all legislation and government guidance on transparency in pay within the Council, including taking the annual pay policy statement to Council		
3.8.6	To execute settlement agreements between the Council and its employees or former employees in circumstances where redundancy or termination of contract on the grounds of efficiency of the service have been approved.	Solicitor to the Councils	
3.9	Head of Legal Services and Monitoring Officer		
No	Delegation	Consultation	Limitations
3.9.1	Legal Proceedings: a. To determine what, if any legal action should be taken following any investigation into a criminal matter (except in relation to Health & Safety at Work). b. To institute, prosecute or terminate any proceedings which the Council is empowered to undertake in or before any Court, Tribunal, Inquiry or by way of Fixed Penalty Notice <u>or Community Penalty Notice</u> (except in relation to Health & Safety at Work). c. To defend or settle any proceedings brought against the Council (except in relation to Health & Safety at Work). d. To take any action incidental or inclusive to or which would facilitate any		In respect of settling legal proceedings a confidentiality clause may not be included unless the prior written agreement has been obtained from the Leader of the Council (or Deputy in their absence) and the Leader of the Main

	<p>action under this paragraph.</p> <p>e. To administer simple cautions.</p> <p>f. To determine whether or not any legal proceedings should be taken in any particular case or set of circumstances.</p>		Opposition (or Deputy in their absence).
3.9.2	To appoint and instruct legal service providers <u>to include external Solicitors and Barristers.</u>		
3.9.3	To determine whether or not a simple caution or other alternative to prosecution should be administered following an investigation into an alleged criminal offence.		
3.9.4	To settle any claims where the Council's Insurers may be involved.	Head of Finance	
3.9.5	To negotiate and enter into planning or other agreements regulating or controlling the use of or development of land.	Head of Planning & Development	Not where the determining body for any associated planning application is a committee.
3.9.6	To make minor amendments in to planning or other agreements regulating or controlling the use or development of land where the determining body for any associated planning application is a committee.	Head of Planning & Development	
3.9.7	To issue, serve, modify or withdraw any enforcement action or notices under the Planning Acts, etc.	Head of Planning & Development	
3.9.8	To carry out or authorise the carrying out of works in default under any statutory provisions (including Notices concerning ruinous and dilapidated or dangerous buildings and neglected sites) (Building Act 1984, Section 79).		
3.9.9	To determine applications under the Local Government (Miscellaneous Provisions) Acts 1982 Section 37 in relation to (Temporary Markets).		
3.9.10	To give, make and confirm any Order or Direction under the Planning Acts including Tree Preservation Orders (and associated applications for consent for works) and notification of works to trees in conservation areas.	Head of Planning & Development	Not to confirm if there are any objections
3.9.11	To exercise the Council's powers relating to temporary road closures. Town Police Clauses Act, 1847.		
3.9.12	To seal any document on behalf of the Council.		
3.9.13	To review authorisations under the Regulation of Investigatory Powers Act 2000.		

3.9.14	To negotiate and agree the terms of any contract.		In accordance with the Contract Procedure Rules.
3.9.15	To sign any contract on behalf of the Council.		In accordance with the Contract Procedure Rules.
3.9.16	To authorise the attendance of officers at Court under any statutory provision.		
3.9.17	To authorise service of any statutory requisition for information as to interests in land.		
3.9.18	To execute any legal document on behalf of the Council.		
3.9.19	All matters relating to consultations with Sussex Police and other bodies in relation to Anti-Social Behaviour.		
3.9.20	All matters relating to the consecration of land.		
3.9.21	To issue, serve, suspend or withdraw any notices in respect of any matter for which the Council has power to act.		
3.9.22	To respond to requests for review under Data Protection and Freedom of Information legislation.		
3.9.23	All matters relating to the investigation of matters under the Health & Safety at Work legislation.		
3.9.24	To make minor or consequential amendments to the Council's Constitution.		
3.9.25	To make orders relating to Designated Public Places and Alcohol Disorder Zones <u>Public Space Protection Orders</u> in accordance with the Criminal Justice and Police Act 2001 and the Violent Crime Reduction Act 2006 <u>Anti-social Behaviour, Crime and Policing Act 2014</u> .		
3.9.26	To grant dispensations in respect of Disclosable Pecuniary Interests in accordance with the Localism Act 2011.		
3.9.27	To determine the approval of the Adur District Council and Worthing Borough Council logo <u>Crest / Coat of Arms</u> in appropriate circumstances.	In consultation with the Leader of Adur District Council in respect of the Adur District Council logo <u>. In consultation with</u>	

		the Leader of Worthing Borough Council in respect of the Worthing Borough Council lege.	
3.9.28	To act as the Councils' Co-ordinator in respect of all Regulation of Investigatory Powers Act 2000 matters	In accordance with the Councils' Surveillance Policy	

3.10 Head of Business & Technical Services			
No	Delegation	Consultation	Limitations
3.10.1	To take any action necessary with regard to the Council's Emergency Planning functions.		
3.10.2	To manage the improvement, refurbishment, maintenance and new build provision of the Council's non-housing property portfolio not specifically the responsibility of other officers.		
3.10.3	To exercise the Council's powers in respect of water supply, sewerage and drainage.		
3.10.4	To exercise the Council's powers in respect of land drainage.	Adur DC - relevant Executive Member	
3.10.5	To exercise the Council's powers affecting the design or maintenance of highways		
3.10.6	All matters relating to coastal and dredging licence applications		Such development must be permitted in a General Permitted Development Order or have been granted planning permission

3.10.7	All matters related to the Council's powers and duties in relation to the coast, rivers and harbours		
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3.11	Head of Culture		
No	Delegation	Consultation	Limitations
3.11.1	To manage (including the authority to agree usage) and maintain the theatres and museums within the Council's control.	Adur DC the relevant Executive member in cases where the authority is required to agree usage	
3.11.2	To manage the function of Events Management	In consultation with the Council's Head of Communications and Emergency Planning Officer, and where the event is expected to be attended by 500 people or more, the Leader of the relevant Council.	

3.12	Head of Place & Economy		
No	Delegation	Consultation	Limitations
3.12.1	To approve and grant seasonal concession licence agreements on behalf of the Councils	In consultation with the relevant Executive Member, the Solicitor for the Council and the	

		Head of Planning & Development	
<u>3.12.2</u>	<u>To approve non animal related Circuses</u>	<u>In consultation with the Head of Environmental Services and with the relevant Executive Member</u>	<u>Limited to a maximum of 3 per year in Adur District Council.</u> <u>Limited to a maximum of 3 per year in Worthing Borough Council</u>
<u>3.12.3</u>	<u>To exercise the Councils' regulatory functions relating to Markets</u>	<u>Solicitor to the Council</u>	

3.13	Head of Major Projects & Investment		
3.13.1	To manage the improvement, refurbishment, maintenance and new build provision of the Council's non-housing property portfolio not specifically the responsibility of other officers.		
3.13.2	To acquire land in connection with the Council's functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions.	Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer	

3.13.3	To dispose of land in connection with the Council's functions and to grant leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions.		
3.13.4	To determine as landowner or landlord applications for licences, consents and permissions in respect of the Council's buildings or land.	Executive Member for Resources	
3.14	Head of Communications		
No	Delegation	Consultation	Limitations

4. PROPER OFFICER AND AUTHORISED OFFICER FUNCTIONS

The following proper officer and/or authorised officer functions listed in column 3 are assigned to the officers and deputies in columns 4 and 5.

4.1 Functions relating to Officers				
No	Act	Function	Officer	Deputy
4.1.1	s.2 Local Government and Housing Act 1989	To maintain a list of politically restricted posts	Head of Human Resources	
4.1.2	s.3A Local Government and Housing Act 1989	To determine applications for exemption from the list of politically restricted posts	Chief Executive in consultation with MO	Head of Legal
4.1.3	s.4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive	Nominated Director
4.1.4	s.5 Local Government and Housing Act 1989	Monitoring Officer	Head of Legal	Senior Solicitors
4.1.5	Sch.1, Part II, Para.5 Local Authorities (Standing Orders) (England) Regulations 2001	Process requiring notification to Executive and objections to be considered where appointment or dismissal of Head of Paid Service, Chief Officers or Deputy Chief Officers involved	Monitoring Officer	Deputy Monitoring Officer(s)

4.2 Functions relating to Democratic Process				
No	Act	Function	Officer	Deputy
4.2.1	s.8 Representation of the People Act 1983	Electoral Registration Officer	Chief Executive	Director for Digital and Resources
4.2.2	s.52 Representation of the People Act 1983	Deputy Electoral Registration Officer	Director for Digital and Resources	Head of Customer and Digital Services
4.2.3	s.35 Representation of the People Act 1983	Returning Officer	Chief Executive	Officer(s) appointed in writing by the Returning Officer

4.2.4	s.82 Representation of the People Act 1983	To receive declaration of Election expenses	Director for Digital and Resources	Head of Customer and Digital Services
4.2.5	s.83 Local Government Act 1972	Declarations of acceptance of office	Chief Executive	Director for Communities
4.2.6	s.84 Local Government Act 1972	Receipt of resignations	Chief Executive	Director for Communities
4.2.7	s.86 Local Government Act 1972	To declare any vacancy in office	Chief Executive	Director for Communities
4.2.8	s.88(2) Local Government Act 1972	Convene a meeting to fill a vacancy of a chair	Director for Communities	Head of Wellbeing
4.2.9	s.89(1) Local Government Act 1972	Receive from two electors Notices of Casual Vacancies of Councillors	Chief Executive	Director for Digital and Resources
4.2.10	s.100B(2),(7) and 100H Local Government Act 1972	Excluding from the Public reports which are not likely to be considered in open session; and provision to the press/public of other documents provided to members where the Proper Officer thinks fit	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.11	s.100C(2) Local Government Act 1972	Where part or the whole of the report has been exempt the Proper Officer shall make a written summary of the proceedings or a part to provide a record without disclosing the exempt information.	Director for Communities	Head of Wellbeing
4.2.12	s.100D Local Government Act 1972	Compilation of list of background documents relied upon to a material extent in producing the report or disclosing important facts	Author of Report	
4.2.13	s.100F Local Government Act 1972	Deciding whether documents for inspection in connection with Committees contain exempt information under a paragraph of Schedule 12A	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.14	s.41 Local Government Miscellaneous Provisions Act 1976	To certify copies of Resolutions Orders Reports or Minutes of the Council or any Predecessor Authority	Director for Communities	Head of Wellbeing
4.2.15	Reg.9 Local Government (Committees and Political Groups) Regulations 1990	Receipt of Notice re Political Groups	Director for Communities	Head of Wellbeing

4.2.16	Reg.10 Local Government (Committees and Political Groups) Regulations 1990	Receipt of Notice of Cessation of Membership of Political Group	Director for Communities	Head of Wellbeing
4.2.17	Reg.13 Local Government (Committees and Political Groups) Regulations 1990	To accept wishes of Political Groups in respect of proportionality	Director for Communities	Head of Wellbeing
4.2.18	Reg.14 Local Government (Committees and Political Groups) Regulations 1990	To notify Political Groups of allocations	Director for Communities	Head of Wellbeing
4.2.19	Part 3 Local Government Act 1974	Local Government Ombudsman functions, including giving public notice of reports	Director for Digital and Resources in consultation with Monitoring Officer	Head of Customer and Digital Services
4.2.20	Local Authorities (Referendum) (Petitions) (England) Regulations 2011	Proper Officer function	Director for Digital and Resources	Head of Customer and Digital Services
4.2.21	Local Authorities (Conduct of Referendums) (England) Regulations 2012	Proper Officer function	Director for Digital and Resources	Head of Customer and Digital Services
4.2.22	s.29 Localism Act 2011	Establish and maintain a register of members' and co-opted members' interests	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.23	s.30-31 Localism Act 2011	Receipt of members' and co-opted members' declarations of interests and changes to those interest within 28 days	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.24	s.32 Localism Act 2011	Sensitive interests	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.25	s.33 Localism Act 2011	Dispensations from restrictions under s.31(4)	Monitoring Officer	Deputy Monitoring Officer(s)
4.2.26	Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England)	Access to information, recording executive decisions and the Forward Plan	Director for Communities	Head of Wellbeing

	Regulations 2012			
4.2.27	s. 21A Local Government Act 2000 (as amended)	Decision making in respect of Councillor Call for Action	Director for Communities	Head of Wellbeing

4.3 Functions relating to Finance				
No	Act	Function	Officer	Deputy
4.3.1	All legislation prior to 1 st April 1972; s.151 Local Government Act 1972; and ss.114-116 Local Government Finance Act 1988	Proper Officer in relation to references to Treasurer or Borough Treasurer; the officer responsible for the proper management of the Council's financial affairs and for making reports to Cabinet/Council	Head of Finance	Deputy s.151 Officer(s)
4.3.2	All legislation prior to 1st April 1972	Proper Officer in relation to declarations and certificates with regard to securities	Head of Finance	Deputy s.151 Officer(s)
4.3.3	s.115(2) Local Government Act 1972	For receipt of monies due to the Council from Officers	Head of Finance	Deputy s.151 Officer(s)

4.4 Functions relating to Legal Processes				
No	Act	Function	Officer	Deputy
4.4.1	s.229 Local Government Act 1972	To certify photographic copies of documents to be a true copy (other than those under Public Records Act 1958)	Head of Legal	Senior Solicitor(s)
4.4.2	s.234 Local Government Act 1972	To sign Notices Orders or other documents authorised or required by or under any Enactment	Head of Legal	Senior Solicitor(s)
4.4.3	s.236 Local Government Act 1972	To send copies of Byelaws to Parish and Community Councils to which they apply.	Head of Legal	Senior Solicitor(s)
4.4.4	s.238 Local Government Act 1972	Certification of printed copies of Byelaws	Head of Legal	Senior Solicitor(s)
4.4.5	s.36 Freedom of Information Act 2000	Non-disclosure where potential to prejudice the effective conduct of public affairs	Head of Legal	Senior Solicitor(s)
4.4.6	Sch.12 Local Government Act 1972	Signing and serving of Summonses from meetings of Principal Councils	Director for Communities	Head of Wellbeing
Court Representation				
4.4.7	Every Solicitor, Barrister or Chartered Legal Executive employed or engaged by the Council (irrespective of his or her job title) shall be authorised to appear on its behalf before any Court, Tribunal or other hearing before which they have a Right of			

Borough Council of Worthing and District Council of Adur – 01.01.2019 – SCS144/638004

4-151

	Audience and to exercise the powers given by the relevant professional body.			
4.4.8	In addition to the powers delegated in Section 3 above and the rights to appear in Court detailed in paragraphs 4.4.7, the following Officers in column 4 are authorised to appear on behalf of the Council and to conduct proceedings in Court in relation to the functions mentioned in column 3.			
4.4.9	There may be Officers other than those listed in 4.7 who are authorised to appear in Court on behalf of the Council by virtue of the Head of Legal's delegation at 3.8.16 to provide such authorisation. Any authorisations made under delegation 3.8.16 will be recorded in writing and shall be provided to the Monitoring Officer within five working days and made available on the intranet.			
No	Act	Function	Officer	Deputy
4.4.10	s.223 Local Government Act 1972 and s.60 County Courts Act 1984	In respect of possession matters and for any purpose for which the Council is empowered to authorise Officers to appear on its behalf	Legal Assistants Trainee Solicitors	
4.4.11	s.223 Local Government Act 1972	In respect of National Non-Domestic Rating or Council Tax matters	Head of Revenues and Benefits	Revenues and Recovery Team Leader
4.4.12	Part 9 Insolvency Rules 1986	Examination of persons concerning company and individual insolvency	Head of Revenues and Benefits (in consultation with Head of Legal)	
4.4.13	Part I Health and Safety at Work etc. 1974		Head of Wellbeing (in consultation with Head of Legal)	

4.5	Functions in relation to Public Health			
No	Act	Function	Officer	Deputy
4.5.1	s.79 Public Health Act 1936 & Schedule 29 Part 1 Local	Removal of Noxious Matter	Director for Communities	Head of Wellbeing

	Government Act 1972			
4.5.2	s.84 Public Health Act 1936 & Schedule 29 Part 1 Local Government Act 1972	Verminous Articles	Director for Communities	Head of Wellbeing
4.5.3	s.85 Public Health Act 1936 & Schedule 29 Part 1 Local Government Act 1972	Verminous People	Director for Communities	Head of Wellbeing
4.5.4	Part XI Local Government Miscellaneous Provisions Act 1982	Public Health	Director for Communities	Head of Wellbeing
4.5.5	Part 1 Section 46 Care Act 2014	Removal of people in need	Director for Communities	Officers of Health Authority etc. authorised under Section 113 (1A) of the Local Government Act 1972
4.5.6	s.37 Public Health Act 1961	Verminous Articles	Director for Communities	Head of Wellbeing
4.5.7	Public Health (Control of Disease) Act 1984	Infectious Diseases and Dead Bodies	Director for Communities	Head of Wellbeing
4.5.8	Sch.14 Paragraph 25(7) Local Government Act 1972	To certify copies of Resolutions applying or disapplying provisions of the Public Health Act 1875 to 1925	Director for Communities	Head of Wellbeing
4.5.9	Food Safety Act 1990 (as amended)	Food Safety and authentication of documents	Director for Communities	Head of Wellbeing
4.5.10	s.40 Anti-Social Behaviour Act 2003	Closure order in respect of noisy premises where public nuisance	Chief Executive	Director for Communities
4.5.11	s.78 Building Act 1984	Authorise action in relation to dangerous structures	Appropriate Director	Appropriate Head of Service
4.5.12	European Communities Act 1972	Food Safety	Director for Communities	Head of Wellbeing
4.5.13	Pet Animals Act 1951 (as		Director for	Head of

Borough Council of Worthing and District Council of Adur – 01.01.2019 – SCS144/638004

4-153

	amended) & Pet Animals Act 1983		Communities	Wellbeing
4.5.14	Caravan Sites and Control of Development Act 1960		Director for Communities	Head of Wellbeing
4.5.15	Animal Boarding Establishments Act 1963		Director for Communities	Head of Wellbeing
4.5.16	Riding Establishments Act 1964 and 1970		Director for Communities	Head of Wellbeing
4.5.17	Scrap Metal Dealers Act 2013		Director for Communities	Head of Wellbeing
4.5.18	Breeding of Dogs Act 1973 and 1991 & Breeding and Sale of Dogs (Welfare) Act 1999		Director for Communities	Head of Wellbeing
4.5.19	Part 1 & Part 2 Local Government (Miscellaneous Provisions) Act 1976		Director for Communities	Head of Wellbeing
4.5.20	Zoo Licensing Act 1981		Director for Communities	Head of Wellbeing
4.5.21	Part 2 & Part 3 Local Government (Miscellaneous Provisions) Act 1982		Director for Communities	Head of Wellbeing
4.5.22	Part VII & Part XI Local Government (Miscellaneous Provisions) Act 1982		Director for Communities	Head of Wellbeing
4.5.23	Public Health (Control of Disease) Act 1984		Director for Communities	Head of Wellbeing
4.5.24	Control of Pollution (Amendment) Act 1989		Director for Communities	Head of Wellbeing
4.5.25	Clean Neighbourhoods and Environment Act 2005		Director for Communities	Head of Wellbeing
4.5.26	Health Act 2006 Chapter 1		Director for Communities	Head of Wellbeing
4.5.27	Part 4 Anti-social Behaviour, Crime and Policing Act 2014		Director for Communities	Head of Wellbeing

4.5.28	Parts 1, 2, 2A and 3 Environmental Protection Act 1990		Director for Communities	Head of Wellbeing
4.5.29	Part 4 Environment Act 1995		Director for Communities	Head of Wellbeing
4.5.30	s.108 Environment Act 1995		Director for Communities	Head of Wellbeing
4.5.31	Part 1 & Part 3 Prevention of Damage by Pests Act 1949		Director for Communities	Head of Wellbeing
4.5.32	Control of Pollution Act 1974		Director for Communities	Head of Wellbeing
4.5.33	Dangerous Wild Animals Act 1976		Director for Communities	Head of Wellbeing
4.5.34	Refuse Disposal (Amenity) Act 1978		Director for Communities	Head of Wellbeing
4.5.35	Town Police Clauses Act 1847		Director for Communities	Head of Wellbeing
4.5.36	Housing Act 1985, 1989 and 2004		Director for Communities	Head of Wellbeing
4.5.37	Clean Air Act 1993		Director for Communities	Head of Wellbeing
4.5.38	Pollution Prevention and Control Act 1999		Director for Communities	Head of Wellbeing
4.5.39	Environmental Damage (Prevention and Remediation) Regulations 2015		Director for Communities	Head of Wellbeing
4.5.40	Health and Safety at Work 1974		Director for Communities	Head of Wellbeing
4.5.41	Animal Welfare Act 2006		Director for Communities	Head of Wellbeing
4.5.42	s.59 Building Act 1984		Director for Communities	Head of Wellbeing
4.5.43	House to House Collections Act 1939		Director for Communities	Head of Wellbeing

4.5.44	Police, Factories, etc. (Miscellaneous Provisions) Act 1916		Director for Communities	Head of Wellbeing
4.5.45	Hypnotism Act 1952		Director for Communities	Head of Wellbeing

4.6 Miscellaneous Functions				
No	Act	Function	Officer	Deputy
4.6.1	s.100G Local Government Act 1972	Maintain a list of members	Director for Communities	Head of Wellbeing
4.6.2	s.100G Local Government Act 1972	Maintain a list of delegations to officers and the like	Monitoring Officer	Deputy Monitoring Officer(s)
4.6.3	s.146(1)(a) Local Government Act 1972	Statutory Declaration re Change of Name of the Authority in connection with Companies	Head of Legal	Senior Solicitor(s)
4.6.4	s.191(2) Local Government Act 1972	Applications under the Ordnance Survey Act 1841	Director for Economy	
4.6.5	s.210 Local Government Act 1972	In respect of Powers with regard to Charities	Director for Communities	Head of Wellbeing
4.6.6	s.225 Local Government Act 1972	Deposit of documents in accordance with Standing Orders of either House of Parliament, Enactment or Statutory Instrument	Head of Legal	Senior Solicitor(s)
4.6.7	s.248 Local Government Act 1972	To keep the roll of Freeman of City or Town in District	Chief Executive	Director for Communities
4.6.8	Any other provisions for which arrangements are not specifically made under this Scheme of Delegation	Any other legislation whether made before or after this list was approved and requiring a proper officer or authorised officer where not otherwise stated in the Council's approved scheme of delegations from time to time	Chief Executive	

4.7 Functions in relation to Entry of Land/Premises	
4.7.1	The Chief Executive, Directors, Solicitor to the Council, Senior Solicitors, Solicitors, Senior Legal Executives, Legal Executives and Emergency Planning Officer shall be authorised to enter land or premises in relation to any function of the Council, subject to any applicable statutory constraints.

4.7.2	In addition to the powers delegated in Section 3 above, the following Officers in column 4 are authorised to enter land or premises for or in connection with their duties and pursuant to the functions mentioned in column 3, subject to any applicable statutory constraints.			
4.7.3	An Officer authorised to enter land is also authorised to seek a warrant to enter.			
4.7.4	An Officer authorised to enter land may take with him or her such other persons and equipment as may be necessary.			
4.7.5	The right to enter given by paragraph 4.7 shall extend to the exercise of the power to make inspections, to provide samples and to examine and seize goods.			
Environmental Health, Housing etc.				
No	Act	Function	Officer	Deputy
4.7.6		Animal Welfare Caravan Sites Environmental Protection Food Safety and Hygiene Health and Safety at Work Housing Licensing Act 2003 Pest Control Public Health Public Safety Scrap Metal Dealers Shop Acts Street Trading Sunday Trading Gambling Act 2005 Animal Boarding Licences Pet Shops The Breeding of Dogs Zoo Licensing Sex Establishments Hypnosis Dangerous Wild Animals Act 1976 Riding Establishments Act 1964 and 1970 Drainage including s.59 Building Act 1984	Director for Communities and such others as shall be delegated in writing by him/her from time to time	Head of Wellbeing

Planning			
4.7.7	ss.178, 196A, 196B, 324 & 325 Town and Country Planning Act 1990		Director for Economy/Director for Communities, as appropriate Planning Services Manager
4.7.8	s.88 Planning (Listed Buildings and Conservation Areas) Act 1990		Development Control Manager Principal Planning Officers Senior Planning Officers Planning assistants Senior Enforcement Officer Enforcement Assistant
4.7.9	s.36 Planning (Hazardous Substances) Act 1990		Director for Communities Planning Services Manager Development Control Manager Principal Planning Officers Senior Planning Officers Planning assistants Senior Enforcement Officer Enforcement
4.7.10	Part 8 Anti-Social Behaviour Act 2003		Director for Communities Planning Services Manager Development Control Manager Principal Planning Officers Senior Planning Officers Planning assistants Senior Enforcement Officer Enforcement

			Assistant Senior Technical Officer (Parks)	
Building Control				
4.7.11	s.95 Building Act 1984	General power of entry in relation to building regulations	Head of Building Control and Land Charges Principal Building control Surveyor Senior Building control surveyor Building control surveyor Fire Safety Officer	
Local Taxation				
4.7.12		Collection of Local Taxes	Director for Digital and Resources and Head of Revenues and Benefits Inspector/Collector	
Land Drainage and Sewerage Undertaking				
4.7.13	Water Industry Act 1991		Principal Engineer	
4.7.14	Land Drainage Act 1991		Senior Engineer	