ADUR & WORTHING
COUNCILS

23 January 2019

Joint Strategic Committee

Date: 31 January 2019

Time: 6:30pm

Venue: QEII Room, Shoreham Centre, Shoreham-by-Sea

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

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

Agenda

Part A

1. Declarations of Interest

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

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

2. Minutes

To approve the minutes of the Joint Strategic Committee meeting held on 8 January 2019, copies of which have been previously circulated.

3. Public Question Time

To receive any questions from members of the public.

In order for the Committee to provide the fullest answer, questions from the public should be submitted by **noon on Tuesday 29 January 2019**.

Where relevant notice of a question has not been given, the person presiding may either choose to give a response at the meeting or respond by undertaking to provide a written response within three working days.

Questions should be submitted to Democratic Services, democratic.services@adur-worthing.gov.uk

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

4. Items Raised Under Urgency Provisions

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

5. Platforms for our Places Progress Report (July to December 2018)

To consider a report from the Chief Executive, a copy is attached as item 6.

6. Final Revenue Budget Estimates for 2019/20

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

7. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 to 2021/22, Adur District Council and Worthing Borough Council

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

8. Council Tax Support Schemes for 2019/20

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

9. Investing in Worthing Town Centre - Action Plan for Redevelopment of Grafton Car Park Worthing

To consider a report from the Director for the Economy, a copy is attached as item 9.

10. New Flood Defence for Shoreham Town Centre at Sussex Yacht Club

To consider a report from the Director for the Economy, a copy is attached as item 9.

Part B - Not for Publication – Exempt Information Reports

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 be recording 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

Joint Strategic Committee
31 January 2019
Agenda Item 5

ADUR & WORTHING COUNCILS

Key Decision: No

Ward(s) Affected: All

Platforms for our Places Progress Report (July to December 2018)

Report by the Chief Executive

Executive Summary

1. **Purpose**

1.1 To provide Joint Strategic Committee an update on the Councils' progress in delivering the ambitions and commitments set out in *Platforms for our Places* for the period July to December 2018, and highlight areas of strategic importance.

1.2 All of the commitments adopted by both Councils originally in January 2017 (and then refreshed in July 2018) are progressing. One is complete, 72% of activities are on track (green) and 27% are at potential risk (amber).

1.3 The report provides the opportunity for JSC to report to both Full Councils and Joint Overview & Scrutiny Committee on progress.

2. **Recommendations**

2.1 Note the progress made and challenges experienced in the implementation of *Platforms for our Places* over the period July to December 2018.

2.2 Request a further update report in July 2019 detailing progress over the next 6 month period.

2.3 Agree to refer this report to Joint Overview & Scrutiny Committee for their consideration.

3. Context

3.1 In December 2016 Adur & Worthing Councils adopted "*Platforms for our Places"* as the Councils' direction of travel for the next 3 years. In July 2018 (18 months into that programme) both Councils adopted a revised set of commitments and activities to reflect the progress that had been made and the issues that had emerged over the first half of the programme.

3.2 *Platforms for our Places* builds on the need to explore and reset our relationship with our residents, recognising as Councils we cannot and should not do everything for everyone. Our role as Councils (as well as providing great services and vital safety nets) is to create and maintain five essential platforms upon which our communities can build happy, healthy, prosperous and connected places.

3.3 *Platforms for our Places* identifies five platforms underpinned by a series of commitments namely:

a) Our Financial Economies
b) Our Social Economies
c) Stewarding our Natural Resources
d) Services and Solutions for our Places
e) Leadership of our Places

Platform	Commitments	Activities and Projects
Our Financial Economies	11	46
Our Social Economies	8	31
Stewarding our Natural Resources	7	21
Services and Solutions	5	18
Leadership of our Places	7	30
Total	**38**	**146**

Table 3.1: Five Platforms and associated commitments, activities and projects

3.4 Progress reporting draws on the progress of the 146 projects and activities and the Councils broader activities to provide a snapshot of how the Councils are contributing to the development of the five identified platforms. Table 3.2 outlines how the status of projects and activities are determined.

Status Indicators	**Status Definition**
Blue	Completed.
Green	In progress: on track and on time.
Amber	In progress : but delays anticipated or minor issues to be resolved (no apparent "show stoppers" identified)
Red	Significant difficulties in implementation.
Grey	Yet to start

Table 3.2 Status indicators and definitions

3.5 All previous 6-monthly update reports to Joint Strategic Committee have also been considered by Joint Overview and Scrutiny Committee (JOSC). JOSC has commented in the past that the analysis by platform was helpful and asked for a particular highlight on any "red" commitments.

4. Issues for consideration

4.1 The progress report (Attachment A) provides an overview of the main highlights, challenges and future focus in the development of the five platforms over the last 6 months. The progress report also provides an overview of the current status of Platform commitments in pie chart form. The table below seeks to set out in numerical form progress against each of the Platforms. It is perhaps worth remembering that this is not an exact science but a reasonably objective analysis of how a wide variety of projects and activities are progressing. It is always possible to have debate about "how green" or "how amber" any particular project is but as an overall assessment gives a reasonably robust view of our progress.

Platform	On Track	Potential Risk	Complete
Our Financial Economies	23 (50%)	22 (48%)	1 (2%)
Our Social Economies	24 (77%)	7 (23%)	
Stewarding our Natural Resources	17 (81%)	4 (19%)	
Services and Solutions	14 (78%)	4 (22%)	
Leadership of our Places	27 (90%)	3 (10%)	
Total	**105 (72%)**	**40 (27%)**	**1 (0.01%)**

Table 4.1: Status of Commitments by Platform

4.2 It is also perhaps worth remembering that these 140 or so commitments are not "everything we do", far from it. Whilst progressing our Platforms agenda we have continued to provide a full portfolio of universal services to the communities we serve. At times this has been challenging particularly in some of those demand led areas where we have seen increase in need, without a consequent increase in supply of resource either in terms of finance or assets (e.g. new housing).

4.3 It is not intended in this covering report to comment on each and every issue flagged in Attachment A. There are, however, certain strategic themes that can be drawn from the past 6 months that are probably worthy of drawing to the attention of the Committee. These are:-

4.4 **Housing (supply and demand):-**

4.4.1 The lack of balance between the supply and demand sides of housing need is well known (particularly in the South East of England). This macro-economic position requires the Councils to engage with partners to support development of new housing, provide social, emergency and temporary accommodation and support those who are experiencing homelessness including rough sleepers. Critically preventing people losing secure accommodation (i.e. preventing homelessness) is vital work to prevent the fracturing of families and communities and to reduce financial burden on council tax payers.

4.4.2 In the six month period our planning committees have considered a number of planning applications seeking to develop new homes. Over 1,000 new homes have been approved at New Monks Farm and Free Wharf in Adur. We are seeing progress tangibly being made on the Bayside development on Worthing seafront and have a strong partnership in place with London & Continental Railways to develop Union Place. We anticipate an imminent planning application at Teville Gate in Worthing and a range of preparatory work is underway in order to bring the old Adur Civic Centre site to market and create a viable and investable proposition for the Grafton car park site. In areas such as ours (where the availability of new developable land is so constrained) each and every planning application is important, particularly so where they generate a sizable number of new homes.

4.4.3 We continue to make progress on maintaining and developing Adur Homes stock. We launched an Adur Homes digital repairs tool to allow self reporting. The initial roll out has been well received and (as with any digital tool) we continue to seek to develop and improve the offer. We are working to dovetail our capital maintenance programme with our wider development ambitions for Adur Homes. Adur Members will be aware of the planning approval of 44 homes at Albion Street (including 15 new homes for the Adur Housing Revenue Account). We anticipate demolition and build work will begin early in 2019 and progress continues on developing Cecil Norris House.

4.4.4 Over the six month period we have continued to see an increase in those reporting as homeless. If people in difficulty come to our attention early enough we pro-actively work to prevent them becoming homeless. Our staff positively prevented homelessness in more than 90 of those cases presenting over the last six months. That being said our need for Emergency Accommodation (EA) remains, though encouragingly the rate at which we are now placing people in EA has stabilised as our preventative work takes effect. It is more cost effective (and less socially damaging) for us to secure suitable EA by arranging leases and purchasing property either in or close to Adur and Worthing and several recent acquisitions have helped grow our supply of EA.

4.4.5 Worthing Borough Council was successful in bidding for more than £340,000 to support rough sleepers across our communities for a project until the spring of 2020. Our 18/19 rough sleepers street actual count was 11 in Worthing (down from 19 in 2017). The estimated number of rough sleepers in the town is more likely to be 23 (compared to 34 last year). Whist a reduction is welcome we recognise rough sleeping remains a concern and obvious presences within Worthing Town Centre are of particular concern to business. We continue to work hard and collaboratively with a range of partners to provide the solutions we can and where possible reduce the challenge and tensions that can be created.

4.5 **Our town centres:-**

4.5.1 Members will be aware that the last six months have seen significant challenges for Britain's high streets. What has been described as a “toxic mix” of consumers being financially stretched, heavy discounting and online retailers having cheaper business models than those with presence on the high street, are all beginning to take effect. This will be a particular focus of attention over the medium term, particularly so if macro-economic indicators start to turn the wrong way. In both Adur and Worthing the Councils are determined to work hard with a range of partners to ensure vibrant economic and social hubs are maintained and developed.

4.5.2 In Adur our markets go from strength to strength, receiving exceptional feedback from general public, traders and business partners. Heavy online promotion has helped to encourage footfall. The Councils have supported a number of events in the District, having sought to bring people into the centre of our towns for a range of cultural activities.

4.5.3 In Worthing we are seeing progress on the development of major sites in the town centre and are using the key plays of development of a strong cultural offer, an enhanced and improved public realm and seafront, a smarter use of parking assets, new visitor attractions and where appropriate support new housing developments in unviable ex-retail accommodation.

4.6 **Sustainable stewardship of our natural resources:-**

4.6.1 When both Councils refreshed the Commitments in July 2018 this provided an opportunity to considerably develop the next stage in Platform 3 (Stewarding our Natural Resources). Over the subsequent six month period the Councils have stepped up our leadership role in this area. Having created and agreed a sustainability framework there are a strong raft of activities and projects in place or underway shortly (many of which are community based). What is encouraging is that in many areas our communities are happy to lead and the role that we take then becomes a genuinely supporting platform partner. .

4.7 **<u>Mobilising our resources behind the agenda</u>:-**

4.7.1 Evidently we have less financial resources at our disposal than in the past. These are not Councils that have embarked upon wide spread “close downs” of services or seeking to reduce expenditure to the point where viability of services is fundamentally challenged. Members are aware that our approach broadly has been to reduce our cost base on an ongoing basis; look for new income streams, use digital and service design to create a better and more cost effective service offer and actively seek external public and private sector investment to projects and services that we wish to deliver. Whilst we have had reasonable success in this strategy over the last 2-3 years it perhaps goes without saying that every year it becomes a little more difficult. That does mean that a focus upon wise use of the resources we have available is essential.

4.7.2 Over the past six months we have sought to develop our commercial capacity with a particular focus on our waste services. This is about looking at existing product lines and markets and seeing whether there are opportunities that we have currently missed. It is not as crude and simplistic as just “turning up the dial” on everything until we lose customers. The learning from this work will be used to develop other commercial service across the Councils. We have utilised our digital platforms to improve and understand customers experience of our commercial services and develop new marketing strategies. We have recognised the need for commercial coaching for managers and finance business partners to ensure they have the acumen to identify opportunities, access risks and manage any new services we wish to deliver on a commercial basis into the future.

4.7.3 The decisions Members made three years ago to invest in the digital platform are paying dividends. Data collected from the platforms has been a key component in improving services (including for example the rolling out of the Adur Homes repairs app and the Revenue & Benefits team launching online accounts and e-billing). Further exploring automation and self service (but not exclusively) will be important.

4.7.4 The Councils are shortly implementing the *"Effortless"* customer service approach with a significant piece of change work across our customer service teams. We will enhance our website to enable much better digital self service and make information easier to access. Detailed analysis of how customer contacts are managed, explored and improved (with several new contact channels) will be undertaken in the first 6 months of the year.

4.7.5 And whilst it's been said many times before, our people matter. I, and your Director team, continue to be impressed by the ambition, dedication, care and commitment that our staff have towards the people, communities and the places that we serve. We recognise that some of the rather "clunky" ways that we manage "human resources" do not enable good people to have the freedom to run services required. Therefore a range of activity is underway from reviewing HR policies, to skilling managers and leaders in developmental conversations, to new induction approaches and the use of the digital platform to improve workforce planning, leave management and staff data. We have also recently launched the Well@work initiative to support staff wellbeing across the Councils.

4.7.6 In November 2018 we invited the Local Government Association Peer Review Team to look at our strategic financial management approaches. Their findings and recommendations have been welcomed and work is already underway to strengthen our positions in several key areas.

4.8 **Dealing with uncertainties:-**

4.8.1 Like many Local Authorities in the UK, Adur and Worthing work in, and have been adaptive to, uncertain, rapidly changing and complex environments. Whether that's Central Government policy, partner's financial positions, economic uncertainty or the rapid pace of technological change if we are not alive to our environments we are in danger of being overwhelmed by them.

4.8.2 There has understandably been much local interest in various decisions taken by West Sussex County Council in relation to their budget and the impact that may have on people in our areas. Our approach has been to advocate on behalf of our communities and their needs. At times that means being a robust critical friend to County colleagues whilst recognising that ultimately those decisions are for the County Council to make. Whilst your officers might wish it were otherwise, there are some real live challenges that we need to rise to and we are clear that sitting back and waiting for something to happen is not the best approach. Across a range of issues your officers are involved in leading or helping to shape issues at a County wide level, seeking to work in the best interests of Adur and Worthing as well as the County as a whole.

4.9 **Looking to the future:-**

2019 will mark the final year of the current *Platforms for our Places*. Work is expected to begin on evaluating, research,assessing and opportunities and areas of focus for the Councils to support our communities and places to thrive into the next decade.

5. Engagement and Communication

5.1 As outlined in the progress report (Attachment A) engagement with our communities and partners is critical to realise our objectives and deliver the individual commitments outlined in *Platforms for our Places*. It remains an important area of focus for officers as we move into the final year of the programme.

6. Financial Implications

6.1 There are no unbudgeted financial implications in this report. Specific commitments that have capital or revenue consequences are individually assessed as part of the decision making process. The setting of a draft budget for both Councils for 2019/20 has been undertaken with the *Platforms for our Places* commitments in mind, as will be seen from a variety of reports to JSC in the near future are consistent with the revenue budget and capital strategies.

7. Legal Implications

7.1 There are no specific legal implications relevant to this report. The legal implications relevant to any individual commitment are reported in the usual decision making process.

Background Papers

- *Mid-Term Review and Refresh of Platforms for our Places Commitments*
  - adopted by Adur District Council - 19 July 2018; adopted by Worthing Borough Council - 17 July 2018
- *Platforms for our Places: 6 month Progress Report (January to June 2018)*
  - Joint Strategic Committee (Item 5) - 10 July 2018
- *Delivering Platforms for our Places: Progress Report June - December 2017*
  - Joint Strategic Committee (Item 5) - 9th January 2018
- Delivering *Platforms for our Places*: Mid-Year Report 2017 and Appendix
  - Joint Strategic Report - 11 July 2017 (Item 5)
- *"Platforms for our Places" unlocking the power of people, communities and our local geographies* - adopted by Adur District Council
  - 15 December 2016; adopted by Worthing Borough Council
  - 20 December 2016

Officer Contact Details

Alan Higgins, Chief Executive's Policy Officer
01903 221003 alan.higgins@adur-worthing.gov.uk

Alex Bailey, Chief Executive
01903 221001 alex.bailey@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

1.1 Delivering our financial economies is one of 5 Platforms for development in *Platforms for our Places*. The progress report (Attachment A) provides an overview and highlights on how the Councils are working to develop this Platform.

2. Social

2.1 **Social Value**

2.1.1 Developing our Social Economies is one of five Platforms for development in *Platforms for our Places.* The progress report (Attachment A) provides an overview and highlights on how the Councils are working to develop this Platform.

2.1.2 A particular focus on several elements of *Platforms for our Places* is how to build capacity within our communities and community partners to enable them to shape and lead our places, while at the same time ensuring the Councils provide a robust "safety net" for vulnerable members of our communities.

2.2 **Equality Issues**

2.2.1 *Platforms for our Places* objectives include building the capacity of our communities, engaging with them to find solutions that ensure that our services (and interventions) are designed to meet specific needs and address areas and issues of historic disadvantage.

2.3 **Community Safety Issues (Section 17)**

2.3.1 There are specific commitments in *Platforms for our Places* which relate to the promotion of communities as safe places. Delivery of these commitments are in progress.

2.4 **Human Rights Issues**

2.4.1 Through the implementation of *Platforms for our Places* the Councils are seeking solutions with other partners to enable our residents, communities and places to thrive.

3. Environmental

3.1 Developing the Councils and communities role in stewarding our natural resources is one of five platforms for development in *Platform for our Places.* The progress report (Attachment A) provides an overview and highlights how on how the Councils are working to develop this platform.

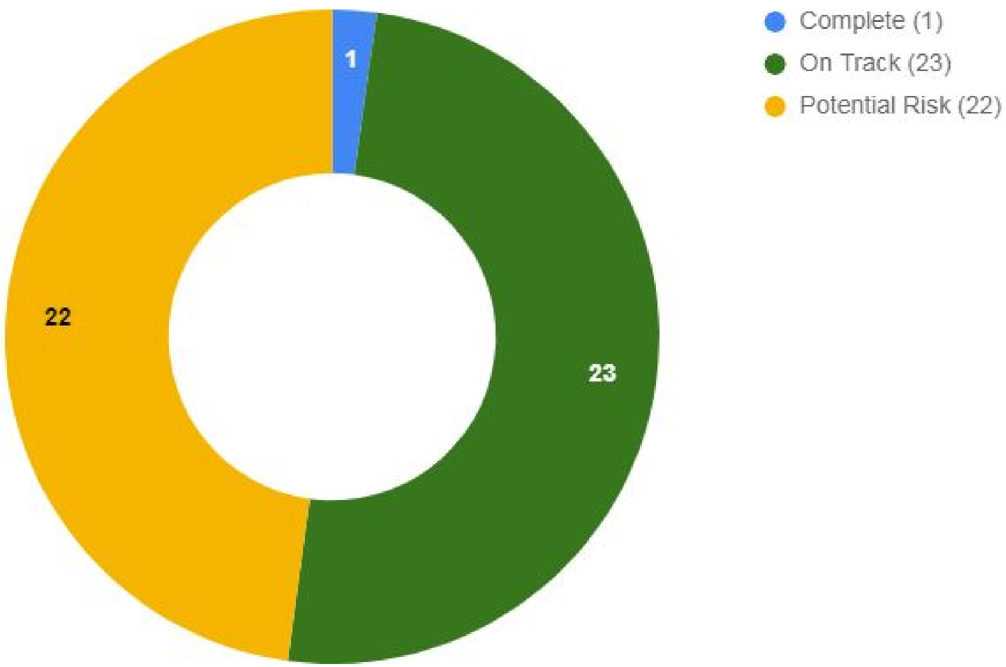
4. Governance

4.1 This report provides Joint Strategic Committee an overview of the progress being made to implement *Platforms for our Places,* the Councils' three-year plan to enable our places to thrive.

4.2 The presentation of this report and proposed recommendations to refer it to Joint Overview and Scrutiny Committee ensure that officers are accountable in delivering elected members' ambitions for our places.

4.3 Working with local and sub-regional partners is a critical element in delivering *Platforms for our Places.* It will remain an important area of focus for Officers.

Commitment Activities Tracker



Overview : last 6 months

The Councils have made significant steps forward on our Financial Economies commitments over the past 6 months. A complex and at times contentious planning application for 600 new homes and an IKEA store with 495 new jobs at New Monks Farm, Lancing was determined in November 2018.

In Shoreham, funding was secured via Homes England to support commencement of the Free Wharf project delivering 550 homes as part of the Shoreham Harbour Quarter.

In Worthing, a partnership was formalised with London & Continental Railways to develop Union Place (and potentially other sites) and real progress on a planning application for Teville Gate was made under the terms of a Planning Performance Agreement.

A Car Parking Strategy was adopted for Worthing which will see significant improvements at the multi-storey facilities and potentially, two new car parks. The procurement process for an operator to enhance and develop cultural services for Worthing reached an advanced stage. Further progress has been made on implementing our agreed Property Investment Strategy with several significant purchases completed.

Two key schemes for our places are in the build phase and now 'above foundations' – Bayside on the site of the former Aquarena in Worthing; and Ropetackle North in Adur – we have "cranes on the skylines". The new office development designed and built on the site of the former Civic Centre car park in Shoreham has reached the halfway stage in construction. A potential new seafront attraction was identified for Worthing Seafront in the form of a big wheel to be located between the Pier and the Lido.

And parts of our financial economies have begun to see the impact of macro-economic uncertainty, perhaps most notably retail. Inward investment is becoming harder to attract and government funds (e.g via the LEP) in something of a hiatus.

Platform Highlights : last 6 months

1. **Significant movement on major sites**; the new 24,000 square feet office development pre-let to a local business (Focus) is under construction and reaching an advanced stage: it will be completed in May 2019. Planning permission was secured for the development of 600 new homes and an IKEA store in Lancing. Under the terms of a Planning performance Agreement, much of the design work necessary for submission of a planning application for Teville Gate has been completed. A formal agreement has been signed with London & Continental Railways to progress development at Union Place. Work commenced on redevelopment of the former Luxor Cinema in Lancing and the Sunbeam residential development scheme in South Street Lancing reached advanced stage. Decoy Farm took a significant step forward with the completion of feasibility work that will inform preparation of an outline planning application designed to promote interest among potential developers.

2. **A new Plan for Worthing**; Preparation of a new Local Plan for Worthing took a step forward over the past six months with the completion of the 'issues and options' stage.

3. **A vibrant cultural offer**; A procurement exercise to select a provider to further develop the cultural offer for Worthing got underway and is due for completion in Jan/Feb 2019. Ticket sales in venues have again been good and this year's Panto has exceeded last year's record. Over the past six months over 150,000 people attended events at the theatres. The Connaught Studio won a best Independent Cinema Award; the Museum OPEN18 Exhibition attracted a record number of entries and work began on a long term masterplan for the Pavilion Theatre.

4. **Public Realm and Seafront**; Detailed design work was undertaken on two schemes as part of a wider programme of public realm improvements. Schemes for Portland Road and South Street will be taken forward for consultation and delivery. A successful tender process has seen a preferred operator identified for a 'big wheel' to be located on Worthing Seafront.

5. **Our visitor and creative economies**: following a new arrangement with Sussex Film Office our places have seen a significant rise in interest for filming. Over the period film, TV and magazine film shoots took place 19 occasions (unprecedented). Colonnade House continues to be a real success with the exhibition space 100% occupied throughout the year and occupation rates for creative and artistic businesses running at 95%.

Challenges

1. **Our evolving high streets:** It will continue to be important to monitor trading conditions nationally and locally to ensure that we remain an attractive proposition for investment and that we are doing all we can to support the future of our high streets.

2. **Planning and Development:** We will hear whether the secretary of State is likely to 'call in' the New Monk's Farm planning application.

3. **Inward Investment** : Conditions in some investment markets appear to be changing. Both Adur and Worthing have had real success in attracting (particularly) government funds in over the last few years. Central Government and several of its agencies have less funds or are uncertain as to their approach until Brexit issues are determined. The Councils will consider all opportunities to ensure a helpful flow of investment capital continues.

Future Focuses

1. **Worthing Local Plan:** The representations on the Worthing Local Plan will be reviewed over the next six months and evidence gathered to ensure that the emergent Plan is sound.. The Open Space, Sport and Recreation Study will be developed and work will begin on a review of the Community Infrastructure Levy.

2. **The future of Worthing's cultural offer:** The procurement exercise to select a preferred operator for the theatres and Museum will be completed and a contract awarded.

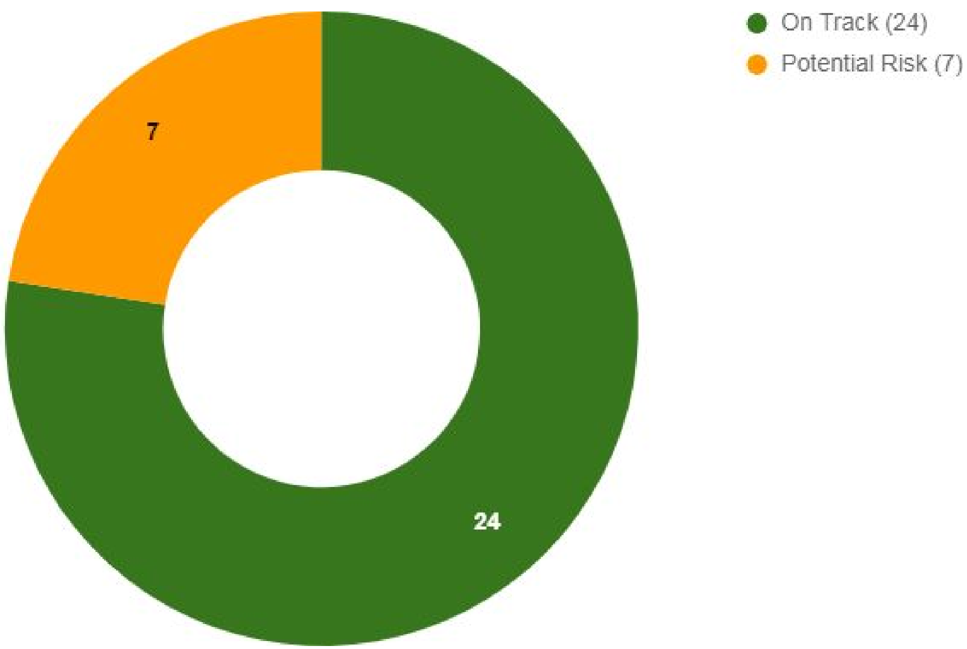
3. **Enhancing Worthing's Town Centre and Seafront:** Public consultation will take place on the Portland Road and South Street public realm schemes. Several planning applications are expected to be considered:
    - the new big wheel on Worthing seafront (and should this be realised the Wheel will be erected in April).
    - the Bistrot Pierre restaurant on the seafront and a new tenant for the East buildings will be announced.
    - Teville Gate. Review, analysis and determination of a planning application.

4. **Implementing the Worthing Parking Strategy:** A plan for bringing forward redevelopment of the Grafton multi-storey car park will be considered early in the year; and work will begin on the refurbishment of Buckingham multi-storey car park.

5. **Engaging our Business Community:** The review of the Adur & Worthing Business Partnership having been completed various recommendations to be implemented.

6. **Creating Space for Business:** The new office for Focus at the former Adur Civic Centre will be completed in May 2019. Work to prepare a planning application for Decoy Farm will get underway and a marketing strategy prepared for this important site.

Commitment Activities Tracker



Overview : last 6 months

Housing continues to be a significant focus for both Councils as we seek to support those at risk of becoming homeless, work with providers and landlords to increase the availability of affordable housing and focus on our ambitions (in Adur) as a Landlord to provide better services for our tenants. The Homelessness Reduction Act was implemented in April and between July and November we saw more than 300 people/families using this new framework.

We are drawing upon learning from our “Preventing Homelessness” project to support preventative ways of working that enable resilience and build capacity in our communities. We have launched two new major projects. The first (supported financially by WSCC and the CCG) is focussed on how we can support health and wellbeing by reducing loneliness and social isolation at all ages, the second (supported by the Design Council and the LGA) is seeking to understand how we can support those in temporary accommodation and in receipt of universal credit, to be matched with employers in our local economy. Our ambitions are to create the conditions that enable our communities to Thrive at all stages of their lifecycle.

Platform Highlights : last 6 months

1. **Supporting Rough Sleepers:** In September 2018, Worthing Borough Council was successful in bidding for more than £340,000 to support rough sleepers across our communities until the spring of 2020. Our 2018/19 rough sleepers street actual count (a snapshot) was 11 in Worthing (down from 19 in 2017). The estimated number of rough sleepers in the town (based on a variety of data) is 23 compared to 34 last year. In Adur no rough sleepers were counted during street count for 2018/19, with an estimate of one, whilst in 2017/18 there were no rough sleepers counted with an estimate of two.

2. **Preventing Homelessness:** Over the last 6 months we have focused closely on relieving and preventing homelessness. We have positively prevented homelessness for more than 90 of the people/families who have presented to our team. Our need for emergency accommodation (EA) remains high, however the rate at which we are placing people in EA appears to have stabilised as we see the results of our preventative work taking effect. We are also continuing to secure suitable, more affordable EA by leasing and purchasing property for this purpose.

3. **Developing the Adur Homes Stock:** The Adur Homes repairs digital tool went live this autumn and we are seeing a gradual increase in the number of repairs being reported this way. Satisfaction levels with the service are improving and this will continue to be an area of focus. The planning application to build 44 new homes at Albion Street, 15 of which will be for the HRA was approved and work is due to start in January 2019.

4. **Adapting for Accessible Homes:** We have fully implemented the Interim Discretionary Disabled Facility Grant policy approved by the Councils in December 2017. This has resulted in an increased spend on adaptations across Adur & Worthing with a predicted commitment and spend of £2.17 million during 2018/19.

5. **Supporting our Communities to Commemorate:** For the Centenary of World War 1, we coordinated a significant number of Remembrance Service events and parades across Adur and Worthing, recognising the sacrifice made by many former residents.

6. **Improving Community Transport:** Our Community Transport Offer was reviewed and a new grants programme established with a key benefit being the collaboration of organisations to maximise value.

7. **Social Prescribing:** We have secured additional funding for 'Going Local' in Adur (and across our current patch) and to date more than 1,200 people have been supported by the service.

8. **Supporting Vulnerable members of our Community:** We successfully bid for £406,000 funding to increase the domestic violence provision in West Sussex, with our Lead for Early Help and Wellbeing co-ordinating this work. These funds will provide valuable outreach services, outreach in rural areas and a specialist worker to support BME communities.

9. **Improving our Community's Health:** Between July & Sept 2018 we supported more than 400 clients via our Wellbeing Hubs Core Service other in house programmes as part of our Public Health Programme. We have recently bid for funding to deliver a new programme aimed at reducing childhood obesity in partnership with WSCC and our Leisure Providers and await the outcome of that bid.

Challenges

1. **Increasing the supply of homes for our Community:** Housing need will continue to be a challenge given that Adur and Worthing are places with limited land availability and high demand, compared to the supply of all types of property. The development of the Worthing Local Plan presents an opportunity to re-evaluate our approach.

2. **Constraints of Strategic Partners:** The financial constraints of several strategic partners, and the policy choices they make, can provide real and concrete challenges. As budgetary decisions are finalised in the new year the full impact will become clearer. In the meantime we seek to work constructively with all partners to ensure vulnerable members of our community are supported, and that essential provider organisations and partners remain close to solutions.

3. **Ageing Adur Homes Stock:** Our stock in Adur is ageing and whilst we have a capital programme in place, there is a need to dovetail this more closely with our wider development ambitions which will progress in 2019 as we develop the HRA programme.

4. **Rough Sleeping:** In recent weeks, whilst we have been successful in supporting some of our most vulnerable and entrenched rough sleepers to access support and help, there continues to be an obvious presence within Worthing Town centre, that presents challenges and can create tensions.

Future Focus

1. **Working towards Safer Communities:** The Safer Communities Partnership has commissioned a locality review, which will be conducted by the Government's Violence & Vulnerability Unit in the early part of 2019. This is a rapid evidence assessment process that will focus on violence and vulnerability, as part of the national strategy to tackle serious youth violence.

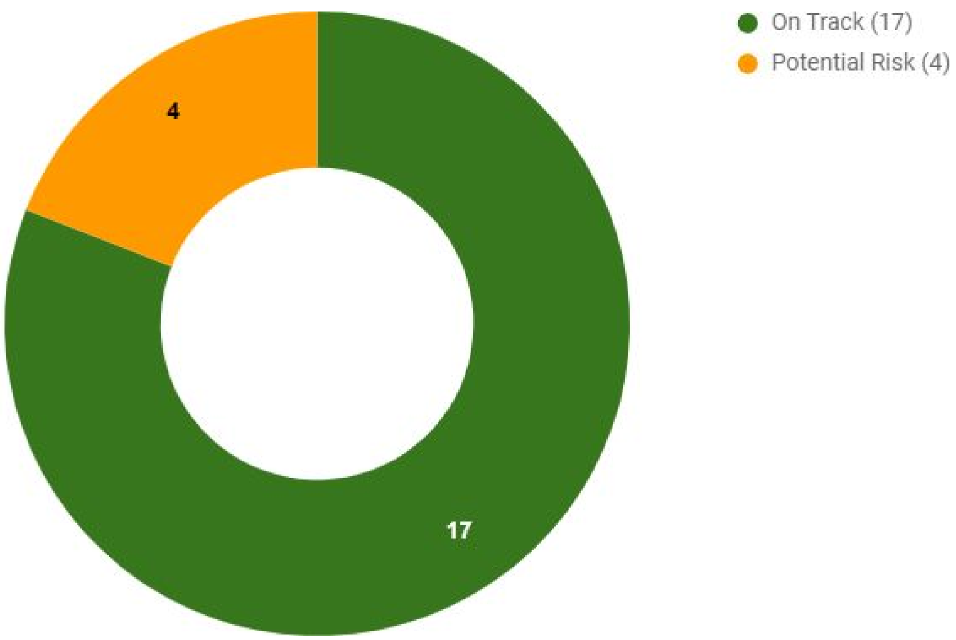
2. **Developing Active Places:** Following on from the successful Waves Ahead Conference and aligned with the work underway as part of our Local Plan development, we will be focusing on developing a Sports and Activities Strategy for our places and developing local and larger scale initiatives to increase activity levels.

3. **Supporting everyone to live well:** We will continue to develop the 'Thrive Project" and deepen our plans to build resilience and place prevention at the heart of what we do.

4. **Continuing to tackle homelessness:** Deliver our plans for sustainable reductions in rough sleeping and improving preventative approaches to homelessness will continue. Alongside this we intend to maintain the pace in sourcing more affordable options for EA and supporting landlords to work collaboratively with the Councils.

5. **New Adur Homes developments:** By April 2019 we intend to have commenced work at Albion Street and Cecil Norris House in Adur and have designed the next phase of our development programme.

Commitment Activities Tracker



Overview : last 6 months

Across our places we have continued to support the stewardship of our natural resources, adopting an ambitious sustainability framework and collaborating locally on a wide range of projects on sustainable transport, biodiversity, waste reduction, water, energy and carbon reduction. The Councils have shown leadership to get our own house in order, developing a Travel Action Plan; and delivering further energy and carbon reductions (e.g. lighting improvements on the Worthing seafront).

Platform Highlights : last 6 months

1. **Leading in Sustainability:** Adopted "*Sustainable Adur and Worthing*" demonstrating Council commitment and leadership on sustainability, including bold commitments on carbon reduction, an area not previously addressed by the Councils. We have also established lunchtime learning sessions for staff to improve professional knowledge and understanding of sustainability issues.

2. **Supporting our communities energy efficiency:** Launched a 3 year energy advice program 'LEAP' providing a lifeline for local households in need, providing home visits, advice and efficiency installations.

3. **Stewarding our Natural Assets:** Launched Brooklands Park Master plan (after receiving over 800 consultation responses). Continued work on 2 Heritage Lottery Funding applications. Achieved a further 5 Green Flags in our Adur and Worthing parks, refurbishing another three play areas to create welcoming, safe play spaces for our communities.

4. **Reducing waste, increasing recycling:** Initiated a comprehensive waste reduction engagement campaign (achieving more than 80,000 views in a 3 week period) following the Councils decision to move to alternate weekly refuse collections to increase recycling. Supporting community partners to launch ‘Refill Worthing’ to reduce single use plastic waste.

5. **Improving air quality:** Active partner in the County wide ‘Breathing Better’ air quality strategy and action plan, and delivered projects to support this strategy, including securing 100% external finance for Adur and Worthing’s first rapid electric vehicle chargepoint.

6. **Regional approaches to Energy and Water:** Established Council involvement in Greater Brighton Economic Board Energy and Water Plans and ‘South2East’ the Local Enterprise Partnership (LEP) Regional Energy Strategy.

Challenges

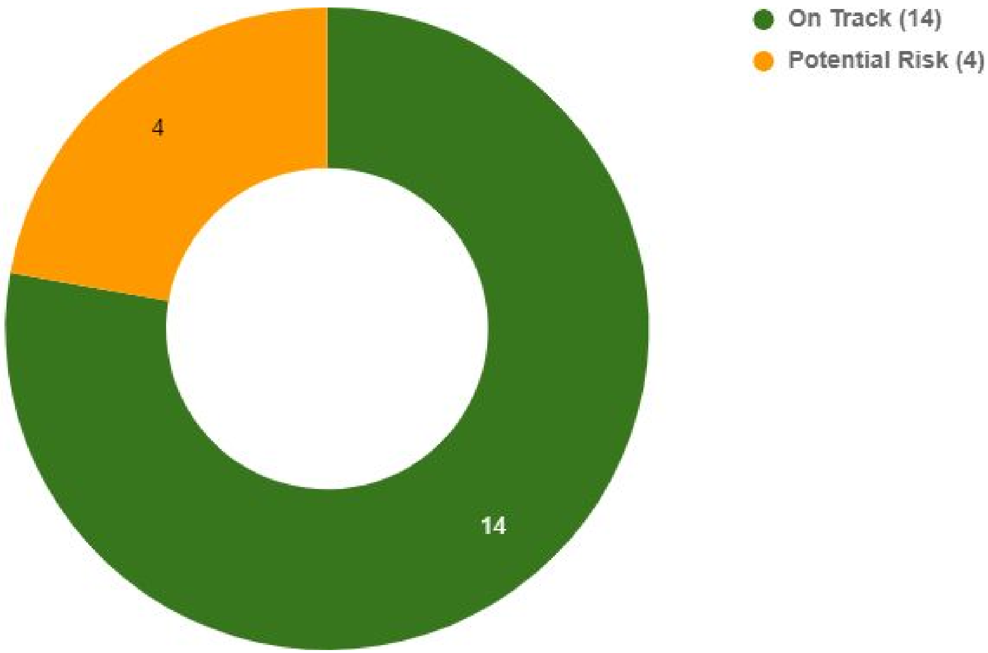
There has been difficulty securing installers to deliver the ongoing solar photovoltaic roll out for council buildings. This is due to lack of a capacity in the national solar sector due to the huge demand for installations prior to the Feed in Tariff end March 2019. This challenge has now been overcome but has created delays of a few months to the installation of solar PV at the Shoreham Centre.

Future Focuses

The “*Sustainable Adur and Worthing” Framework* has a variety of activity flowing from it including over the next six months:

- Submit the Stage two HLF funding bids for Parks 2019.
- Join UK 100 Cities Network and make the pledge to deliver 100% clean energy by 2050 (Jan 2019)
- Launch a water saving service for residents with Southern Water (Jan 2019)
- Hold “Plastic Free Council” working group inception meeting (Jan 2019)
- Launch “EASIT Adur & Worthing” offering discounted travel and transport to staff of the Councils and Adur and Worthing businesses and other public employers (March 2019)
- Launch Shoreham-by-Sea Refill scheme (Spring 2019).
- Consult on Adur Local Plan Energy Supplementary Planning Document (Feb 2019)
- Install a photovoltaic array for Shoreham Centre (20kW) and Commerce Way (50kW) (April 2019)
- Install rapid electric vehicle chargepoint in Lancing (March 2019)
- Finalise and deliver the Adur & Worthing Councils Travel Action Plan 2019.
- Explore options for an energy smartgrid for Worthing Civic Centre.
- Develop and adopt the Adur & Worthing Local Cycling & Walking Infrastructure Plan (Summer 2019).
- Develop an A&WC Carbon Reduction Plan 2019.

Commitment Tracker



Overview : last 6 months

A significant amount of digital work has come to fruition in the last six months, with several major services launched. Our 'SameRoom" service design methodology has helped us approach difficult challenges of homelessness and loneliness differently, creating much stronger partnership working with others. We are also seeing successes in commercial income growth. There is a significant financial challenge ahead which will require a strong strategic response. Our support services continue to support *Platforms for Our Places* ambitions effectively, and will need to continue to re-configure, transform and attract new talent and skills to help achieve our goals.

Platform Highlights : last 6 months

1. **Developing our Commercial Capacity:** Successful commercial income growth across Environmental Services and in Building Control, e.g. fire risk safety assessments to commercial clients. We have developed digital self service for clinical, bulky, street scene and missed bins with 40% of requests now through the digital channel and a fully automated ordering of clinical waste collections using Amazon Alexa technology. We have also started a commercial modelling and marketing exercise in waste services, with a view to roll out of learning and methods to other commercial services

2. **New approaches to Service Design:** Delivered specialist "SameRoom" service design support to key projects including preventing homelessness and loneliness, creating strong multi-agency working and delivering real outcomes, and launching a public blog: sameroom.adur-worthing.gov.uk

3. **Digital Solutions for improved customer services:** Launched an end to end housing repairs app providing tenants with online appointment booking and regular progress updates, with customer satisfaction at 90% satisfied or very satisfied. We have launched online accounts and e-billing in Revenues and Benefits, with further online services planned and plain english work on letter templates underway. We have also stabilised the telephony system following switch of managed service provider.

4. **Improving our Estate Management:** Digital asset management systems developed for Estates and Compliance, helping improve management of our property estate

5. **Managing and Supporting our people:** We are progressing with a significant HR policy review with further policies on track for change. We have delivered 'Leading Quality Conversations' training to all managers alongside a new 1:1 process to support and develop our staff. A new staff induction handbook has been designed through a working group of managers across the organisation. We are currently trailing a prototype HR data dashboard allowing analysis to support workforce planning and sickness management, and an easy to use annual leave app. Launched Well@Work to support staff wellbeing, providing a range of activities to staff such as pilates, mindfulness and singing.

6. **Improving our Strategic Finance Management:** Reviewed our financial services through an LGA Peer Review and developed an improvement action plan.

Challenges

1. **Meeting the financial challenge:** particularly forward planning for the 2020/21 following budget decisions at West Sussex County Council.

2. **Attracting the right people:** Recruitment to specialist roles such as building surveying, digital/ICT and legal.

3. **Responding to our Customers:** Driving down call wait times in the contact centre through digital self service and opening up other new contact channels

Future Focuses

1. **Modernising our financial strategy and systems:** Undertaking a in-depth analysis of the Councils' financial positions and development of longer term financial strategies, with support from external specialists. This will run in parallel to modernisation of financial systems including Financial Regulations, IT systems, processes and budget manager training.

2. **Improving our commercial acumen** through business coaching offered to managers and finance business partners.

3. **Improving services to our customer and partners:** The *"Effortless"* customer services programme will be a major change programme in 2019 building on the successes of the digital platform strategy.

   A new look 'beta' website will be launched to help make the rapidly growing set of digital self services much easier and simpler to access. *"Effortless"* will aim to overhaul how customer contacts are managed, and open up and promote new channels such as web chat and social media, while improving telephone and face to face support.

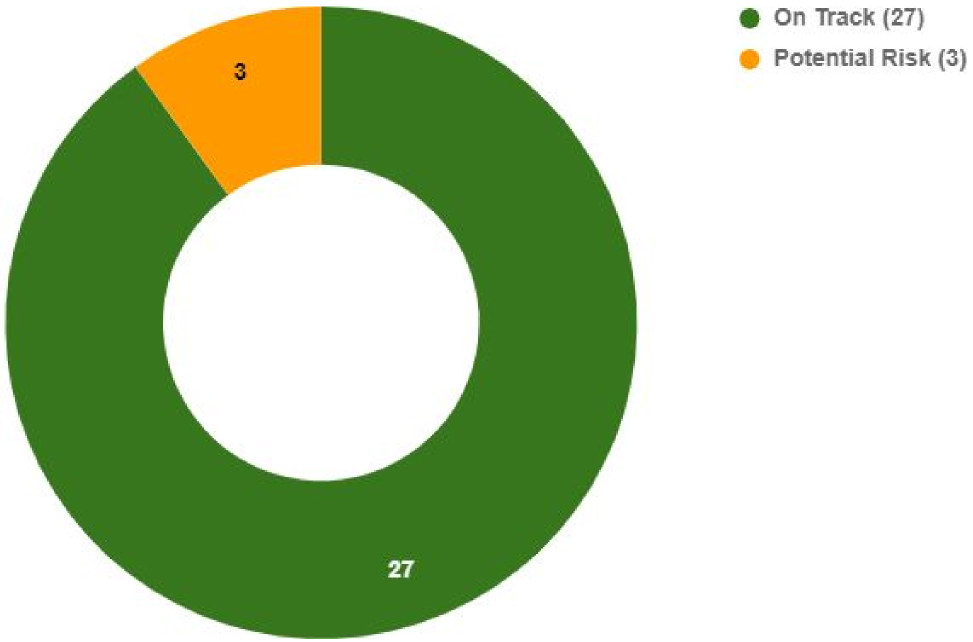
   Using £80,000 funding secured from the Government's Local Digital Fund for a community service directory project (one of only 16 selected projects nationwide).

   The Revenues and Benefits Service will continue its transformation through digital along with simplified written communications with customers, and an exploration of process automation technologies.

4. **Managing the Councils' Assets:** Improved asset management and maintenance through a specialist review of the current delivery model, a strategic asset review, procurement and contract improvements and a restructure of the Technical Services team.

5. **Property Investment Strategy;** work will continue to ensure that we develop and maintain an active and balanced property investment strategy that makes a positive contribution to the Councils' medium term financial strategies.

Commitment Tracker



Overview : last 6 months

The Councils continue to develop our role as leaders in our places. As highlighted across all five Platforms, the Councils are actively working with partners to identify and develop opportunities for our communities to thrive. In addition to our core responsibility to supporting local democracy, we have invested to improve how we communicate and engage with our communities.

Platform Highlights : last 6 months

1. **Sharing our Stories locally and beyond:** the Councils have effectively spread the stories of our places locally and beyond with regular articles in national sector press. Our seven (*#ourstoriesyourcouncils)* bloggers having a reach of over 104,000, and we have more than 20 front page articles in local, regional and trade press.

2. **Reframing local partnership:** Work has begun to reframe how we engage the local strategic partners through the Local Partnerships Forum and the Waves Ahead Conferences in Spring and Autumn. The Autumn Conference saw over 60 attendees designing how we can achieve more active and connected communities. This will feed into the development of the Councils' Activities Strategy.

3. **Regional Leadership:** The Councils continue to play an active role in working with regional partners within the County and Greater Brighton City Region. Shaping the development of the Greater Brighton Economic Board's five-year vision, the Local Enterprise

Partnerships 'Gatwick 360' strategy and a number of other county-wider strategic initiatives.

4. **Developing our elected members:** We have continued to aid the development needs for our Elected Members, with 11 Member Training events being held during this period, on a range of topics from Member Induction to case work and treasury management.

Challenges

1. **Capacity of our partners:** Of particular current concern are funding reductions in the WSCC budget proposals (and the consequences for our communities). We will continue to provide critical challenge and lead where appropriate in creating solutions for our places. Given the multiple demands on the County Council we may need to find new ways of retaining their focus on strategic joint activities for the benefit of Adur and Worthing.

Future Focuses

1. **Foster Partnerships:** We want to continue to develop the relationship with strategic partners among our community, businesses and the public sector. This is particularly important to respond to the needs of our business community, working closely with health partners and improve the stewarding our natural resources.
2. **Supporting our democratic processes:** To ensure our back-office systems are effective to support our Members, we will be Implementing Modern.Gov. This is a secure system that will improve the democratic experience for our communities, members and officers, making it much more streamlined, accessible and efficient.
3. **Brexit Preparedness:** As we approach the 29 March the Councils will be ramping up our efforts to prepare for the United Kingdom's withdrawal from the European Union, whatever form it comes in.
4. **Future Strategic Direction:** Work will begin on evaluating, researching and identifying the future strategic considerations the Councils may wish to take forward in *Platforms for our Places'* successor. (January 2019 onwards).

Joint Strategic Committee
31 January 2019
Agenda Item 6

ADUR & WORTHING COUNCILS

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Final Revenue Budget Estimates for 2019/20

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

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

- The final revenue estimates for 2019/20 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and

These budgets reflect the decisions taken by members to date in relation to agreed savings proposals and any committed growth.

1.2 Members are asked to consider the proposals to invest in services outlined in Appendix 2, these are also included in the individual Councils budget reports.

1.3 The budget is analysed by Executive member portfolio. In addition, the draft estimates for 2019/20 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension cost adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.4 The respective Adur and Worthing 2019/20 Estimates and Council Tax setting reports are due to be considered by the Worthing Executive on 4th February 2019 and the Adur Executive on 5th February 2019. Both the estimates for Adur District Council and Worthing Borough Council include their respective share of the cost of the Joint Strategic Committee.

1.5 The following appendices have been attached to the report:

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

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

(iii) **Appendix 3** Summary of Executive Member Portfolio budgets for 2019/20

2. Recommendations

2.1 The Executive is recommended to:

(a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;

(b) Agree to the proposed 2019/20 budget detailed in Appendix 3 subject to any growth proposals approved by members.

3. Summary

3.1 The Joint Strategic Committee considered the 'Achieving Financial Sustainability - Budget Strategy for 2109/20 and beyond' on 10th July 2018. This report outlined the financial context, the key budget pressures and the budget strategy for Adur and Worthing Councils. The report built on the strategy first proposed in 2015/16 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax and business rates.

3.2 On 4th December the *"Financially Sustainable Councils: Budget Update 2019/20-2023/24 and savings proposals"* was approved by the Joint Strategic Committee, this report updated the members on the latest budget forecast, the options for addressing the budget shortfalls and considered any unavoidable growth.

3.3 To address the known pressures, the Councils have set-up several strategic programmes which are responsible for taking forward key initiatives aimed at delivering new income and savings for the next 5 years as well as supporting key aims outlined in Platforms for our places:

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

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

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

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

For 2019/20 the Service Redesign programme, the Commercial programme and the Strategic Asset Management Board were set explicit targets as part of the budget strategy.

3.4 Since the meeting on the 5th December, the Joint Strategic Committee budget has been finalised and the last adjustments have been included. Overall, therefore, the current financial position of the Joint Strategic Committee for 2019/20 can be summarised as :

	£'000
Original shortfall in funding	**1,366**
Changes identified in December 2018:	
Net committed growth items identified by budget holders and approved in December 2018	236
Removal of contingency budget	-100
Budget shortfall as at 4th December 2018	1,502
Final adjustment to inflation calculations and pension costs including the impact of increments and regradings	-151
Change in allocation process - Removal of capital allocation budgets	-822
Add: Net gowth identified in Adur and Worthing Council increasing the savings required within the Joint Strategic Committee	523
Revised budget shortfall	1,052
Less: Net savings approved in December	-1,052
Remaining shortfall to be addressed	0

3.5 The Secretary of State for the Ministry of Housing, Communities and Local Government announced the provisional Local Government Finance

Settlement on 13th December 2018. Consultation on the provisional settlement closed on 10th January 2019.

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

i) The Council Tax referendum thresholds confirmed as the higher of 3% or £5.00 for a Band D property.

ii) Negative Revenue Support Grant has been removed with the cost funded by the Government.

iii) A proposed reform to both the Business Rate Retention Scheme and the Fairer Funding Review which will consider how much of business rates each Council should keep via the tariff and top-up system. This is likely to reduce the Councils share of Business Rate income from 2020/22.

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

4.0 DRAFT REVENUE ESTIMATES 2019/20

4.1 Detailed budgetary work for the Joint Strategic Committee is now complete (subject to any decisions arising from the Adur and Worthing Executives in February) and the estimate of the budget requirement is £21,906,700. This includes the savings agreed by Joint Strategic Committee in December. The budget already contains a number of spending commitments including:

- Investment in Google including a move to Google Business Licensing (£40,000);
- Further investment in the Matsoft solution with an upgrade to the core Matsoft platform (£20,000);
- Increase in the telephony budget to allow for additional costs associated with data security compliance for card payments and the impact of the new telephony solution (£45,000);
- A net increase in pension strain costs (£25,000).

Attached at Appendix 2 are some additional proposals for investment into services for member consideration.

4.2 Details of all of the main changes in the base budget from 2018/19 to 2019/20 are at Appendix 1. A breakdown of each Executive Member’s summary budget is attached in Appendix 3. The changes can be summarised briefly as follows:

	£'000	£'000
2018/19 Original Estimate		22,281
Add: General Pay and Price Increases		964
		23,245
Add: Committed and Unavoidable Growth	536	
Less: Net savings identified in December	-1,052	
Less: Effect of change in recharge process - capital recharge removed prior to joint allocation	-822	-1338
Net cost to be reallocated to the Councils		21,907
Allocated as follows:		
- Adur District Council		8,835
- Worthing Borough Council		13,072
Cost reallocated to both Councils		21,907

4.3 The Joint Strategic Committee budget will be reflected in both the Adur and Worthing Estimates, which will be approved by their respective Executives on 4h and 5th February 2019. The allocation of the costs of joint services under the remit of the JSC has again been reviewed this year. There is no significant swing of costs between the two Councils this year.

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

5.0 IMPACT ON FUTURE YEARS

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

	Expected shortfall (Cumulative)				
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall	1,052	3,203	3,732	4,344	4,964
Less:					
Net savings agreed in December and January	-1,052	-1,052	-1,052	-1,052	-1,052
Adjusted cumulative budget shortfall	0	2,151	2,680	3,292	3,912
Savings required each year	-	2,151	529	612	620

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

6.0 SIGNIFICANT RISKS

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

(i) **Income**

The Committee receives income from a number of services which will be affected by demand. Whilst known reductions in income have been built into the proposed budgets for 2019/20, income may fall further than expected.

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

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

(iii) **Inflation**

A provision for 2% inflation has been built into non-pay budgets. Pay budgets include an average inflationary allowance of 3.0%. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	236
Non-pay	55

6.2 To help manage these risks, both councils have working balances and other earmarked reserves although these reserves are becoming depleted.

7.0 CONSULTATION

7.1 The Council ran a consultation exercise in 2015/16 which supported the Council's five year budget strategy. In light of this, no consultation exercise was undertaken this year.

7.2 Officers and members have been consulted on the content of this report

8.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

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

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

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

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

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

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

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

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

(3) Initiatives and risks not specifically budgeted for.

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

It will therefore be important for members to maintain a diligent budget monitoring regime during 2019/20.

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

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

9.0 LEGAL IMPLICATIONS

9.1 The Local Government Act 2003 requires that the Councils set a balance budget. This report demonstrates how the Council will meet this requirement for 2019/20.

10.0 CONCLUSION

10.1 The Councils have implemented a budget strategy which plans for the eventual removal of all general government grant by 2019/20. The strategy outlines a series of proactive steps which would contribute significantly to meeting the financial challenge by increasing income or by promoting business efficiency through the use of digital technology. Overall the Committee has successfully contributed to this strategy by identifying savings of £1.052m to meet the current year's shortfall.

10.2 Looking further ahead, 2020/21 will be particularly challenging as the Council grapples with the impact of the fairer funding review, and the continuing consequences of the withdrawal of funding by the County Council for supported housing. Consequently, the strategy of delivering commercial income growth and business efficiencies through the digital agenda continues to play a vital role in balancing the budget.

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

Background Papers

Report to the Joint Strategic Committee 10th July 2018 'Achieving Financial Sustainability – Budget strategy for the 2019/20 budget and beyond'

Report to the Joint Strategic Committee 4th December 2018 'Financially Sustainable Councils: 5 year forecast 2019/20 – 2023/24 and savings proposals'

Report to the Joint Strategic Committee 4th December 2018 'Investing for the future: Capital Investment Programme 2019/20 to 2021/22'

Local Authority Finance (England) Settlement Revenue Support Grant for 2019/20 and Related Matters: DCLG Letters and associated papers of 13th December 2018.

Autumn Budget 2018 - HM Treasury

Autumn Budget 2018 – On-the-day Briefing by Pixel Financial Consulting

Local Government Act 2003 and Explanatory Note

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

Statement of Accounts 2017/18

Report to Joint Strategic Committee 6th November 2018 – 2nd Revenue Budget Monitoring 2018/19

Officer Contact Details:-

Emma Thomas
Chief Accountant
01903 221232
emma.thomas@adur-worthing.gov.uk

SUSTAINABILITY AND RISK ASSESSMENT

1. **ECONOMIC**

Matter considered and no issues identified

2. **SOCIAL**

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

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

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

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

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

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

Appendix 1

JOINT STRATEGIC COMMITTEE Revenue Budget Summary Statement 2018/19 - 2023/24							
		2018/19 Base	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net Spending to be Financed from Taxation							
	Base budget	**22,281**	22,281	22,281	22,281	22,281	22,281
	Change in allocation process - removal of capital costs before recharge		(822)				
(a)	Annual estimated Inflation		964	1,671	2,420	3,148	3,886
(b)	**Committed Growth**						
	New 2020 recycling targets		300	400	400	400	400
	Increase in Payroll System Costs		9				
	Change in budget for services contracted by external suppliers		96				
	Investment in Google Services		40				
	Investment in Matsoft Platform		20				
	Telephony Contract		45				
	Health & Safety Software system replacement		5				
	Annual assessment of HAV		13				
	Major Projects - Lead Project Officer costs		8				
	Contingency			100	200	300	400
Total Budget Requirements to be allocated to the Councils		**22,281**	**22,959**	**24,452**	**25,301**	**26,129**	**26,967**
	Adur District Council	9,213	8,835	8,570	8,698	8,785	8,873
	Worthing Borough Council	13,068	13,072	12,680	12,870	12,999	13,129
Total income for services provided to the constituent councils		**22,281**	**21,907**	**21,250**	**21,568**	**21,784**	**22,002**
(Surplus) / Shortfall in Resources		**-**	**1,052**	**3,202**	**3,733**	**4,345**	**4,965**

Appendix 1

JOINT STRATEGIC COMMITTEE

Revenue Budget Summary Statement 2018/19 - 2023/24

Savings identified to date:						
Commercial activities and commissioning						
Commercial and Customer Board		161	161	161	161	161
Efficiency Measures						
Digital Strategy Board		175	175	175	175	175
Restructures and service plan savings not included above		716	716	716	716	716
Total savings identified		**1,052**	**1,052**	**1,052**	**1,052**	**1,052**
Savings still to be found/ (surplus)		**0**	**2,151**	**2,680**	**3,292**	**3,912**

Appendix 2

Bids for investment into services	**2019/20** Joint (memo)	Adur	Worthing	Total	**2020/21**	**2021/22**
	£	**£**	**£**	**£**	**£**	**£**
Additional capacity for Estates Team - 1 FTE	36,750	14,700	22,050	36,750	49,000	49,000
The purchase of commercial property and temporary accommodation are critical components of the budget strategy. This investment enables the Councils to deliver on future savings targets. The post is expected to filled from July 2019.						
Additional Senior Planning Officer	49,000	19,600	29,400	49,000	49,000	49,000
Reinvestment back into the service following the 20% increase in fees which the Government required Councils to allocate to the Planning Service. The additional post will support the delivery of key strategic development sites as outlined in Platforms. The increase will also help address current demands on the service as planning applications are increasing and support the maintenance Government performance targets.						
Junior Developer (Apprentice roles)	24,380	13,000	9,750	24,380	32,500	32,500
Our in-house software development strategy is saving us money and delivering significant benefits to our residents through well designed online services. Our strategy of in-house development is very popular and the service is in high demand. We need to expand the team to deliver benefits faster and would like to develop an opportunity for an apprentice position. The post is expected to filled from July 2019.						
Support to the cultural economy						
Funding to support culture and arts development in our communities; delivered in partnership with cultural groups and to assist in unlocking Arts Council grant funding and other partnership funding.		20,000		20,000	20,000	20,000

Bids for investment into services	2019/20 Joint (memo)	2019/20 Adur	2019/20 Worthing	2019/20 Total	2020/21	2021/22
	£	£	£	£	£	£
Strategic Sustainability Officer (increased hours)	15,840	6,340	9,500	15,840	15,840	15,840
We have made strong progress with the Stewarding our Natural Resources Platform commitments and are scaling up our ambition. Our progress is currently being driven by a single 0.6 FTE resource which does not currently match the ambitions of the programme. This request is to increase this post to 0.8 FTE to help deliver the strategy to be presented to Joint Strategic Committee in November 2018.						
	125,970	70,390	75,580	145,970	166,340	166,340
Additional funds available at a 3% Council Tax		69,140	95,100	150,170	150,170	150,170
Excess cost of investment in services		1,250	-19,520	-18,270	2,100	2,100
Proposals not recommended for approval:						
Additional testing of IT security arrangements	15,000	6,000	9,000	15,000	15,000	15,000
Security Testing: Currently independent security testing is carried out once per annum (for PSN compliance). Given the ongoing risk of cyber attacks, potential fines as a result of data breaches under GDPR, and a change in scope (with services in the cloud), there is a need to change the scope of security testing and increase the frequency to provide greater assurance that systems, services, and data are protected adequately on an ongoing basis.						
Maintenance of grass verges						
Following reduction in WSCC budgets, the proposal is for the Councils to assume responsibility for maintaining grass verges and pavements.		85,000	85,000	170,000	170,000	170,000

<u>**Bids for investment into services**</u>	**2019/20**				**2020/21**	**2021/22**
	Joint (memo)	**Adur**	**Worthing**	**Total**		
	£	**£**	**£**	**£**	**£**	**£**
Proposals not recommended for approval:						
Service Redesign lead	54,000	21,600	32,400	54,000	54,000	54,000
There is a growing need for expertise and support for services undertaking significant change initiatives, including the multi-agency change work set out in Platforms for our Places (e.g. homelessness and loneliness). Projects are delivering clear results, such as significant reductions in evictions as a result of the preventing homelessness project, reducing costs to the councils. We need additional capacity to service more projects, such as revenues and benefits transformation, prevention services and others. The Service Design Lead will help manage and drive change initiatives, ensure they are approached in a user centred way, and deliver results. The role would sit within the customer insight team, and work very closely with digital.						
Grafton redevelopment support costs			50,000	50,000	50,000	0
The redevelopment of the Grafton Site is a significant commitment within Platforms for our Places. Specialist support is required to ensure that the project progresses effectively over the next two years. This will be funded from existing budgets.						
Total value of proposals not recommended for approval	**69,000**	**112,600**	**176,400**	**289,000**	**289,000**	**239,000**

JOINT SERVICE BLOCK ACTIVITY RECHARGED TO ADUR AND WORTHING COUNCILS

ADUR & WORTHING COUNCILS

SERVICE BLOCKS	ESTIMATE 2018/2019	ESTIMATE 2019/20
	£	£
Chief Executive, Organisational Development & Communications	432,650	500,910
Director for Communities	7,423,710	7,360,430
Director for Digital & Resources	11,006,380	11,541,430
Director for the Economy	3,418,140	3,489,920
TOTAL SERVICES	22,280,880	22,892,690
ALLOCATION OF COSTS		
Less: Fixed allocation to Capital and the HRA	-	(986,000)
	22,280,880	21,906,690
Adur District Council	(9,213,250)	(8,834,990)
Worthing Borough Council	(13,067,630)	(13,071,700)
TOTAL SERVICE BLOCK ALLOCATIONS	**(22,280,880)**	**(21,906,690)**

JOINT SUMMARY SERVICE BLOCK:
Chief Executive & Communications

ADUR & WORTHING COUNCILS

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/20
	£	**£**
CHIEF EXECUTIVE		
Chief Executive Office	196,330	271,960
Vacancy Provision	(16,660)	(16,660)
	179,670	**255,300**
Head of Communications		
Head of Communications - Office	68,980	70,350
Communications	184,000	175,260
	252,980	**245,610**
TOTAL FOR CEO AND COMMUNICATIONS	**432,650**	**500,910**

JOINT - CHIEF EXCECUTIVE AND COMMUNICATIONS DIRECTORATE - 2019/20 - SUBJECTIVE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Staff FTE	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	TOTAL BUDGET
		£	£	£	£	£	£	£	£
CHIEF EXECUTIVE									
Chief Executive Office	3	247,060	-	2,200	6,040	-	-	255,300	255,300
Head of Communications									
Head of Communications - Office	1	70,350	-	-	-	-	-	70,350	70,350
Communications	5	201,420	-	250	17,880	-	(44,290)	175,260	175,260
TOTAL COST	**9**	**518,830**	**0**	**2,450**	**23,920**	**0**	**(44,290)**	**500,910**	**500,910**
Percentage Direct Cost		95%	0%	0%	4%	0%			

An explanation of the changes to the budget since last year is provided on the previous page - the Variation page

Staff FTE = Number of staff based on full time equivalent

JOINT CHIEF EXECUTIVE OFFICER - 2019/20 - VARIANCE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Original Budget 2017/18	Inflation	One-off Items	Committed Growth	Savings	Impact of Capital Programme	Additional Income	Non Committed growth	Non-MTFP other changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE										
Chief Executive Office	179,670	-	-	61,000	-	-	-	-	14,630	255,300
Head of Communications										
Head of Communications - Office	68,980	-	-	-	-	-	-	-	1,370	70,350
Communications	184,000	(700)	-	-	(12,000)	-	-	-	3,960	175,260
TOTAL COST	**432,650**	**(700)**	**0**	**61,000**	**(12,000)**	**0**	**0**	**0**	**19,960**	**500,910**

JOINT SUMMARY SERVICE BLOCK:
Communities Directorate

ADUR & WORTHING COUNCILS

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/20
	£	£
DIRECTOR FOR COMMUNITIES		
Director for Communities office	167,890	177,870
Directorate Vacancy Provision	(329,350)	(329,350)
	(161,460)	**(151,480)**
Head of Housing		
Head of Housing	246,400	257,460
Housing Needs	824,350	834,860
Housing - Environmental Health / Protection Team	502,880	495,510
Housing Strategy	-	58,150
	1,573,630	**1,645,980**
Head of Environmental Services		
Head of Environment	101,280	110,800
Parks (including Cems/Crems/Admin & Grounds Mtce)	719,330	868,270
Foreshores	202,650	207,860
Waste Management	290,800	256,400
Commerce Way Depot	105,200	165,360
Clinical Waste Collection	(8,590)	3,930
Recycling	(1,368,150)	(1,615,140)
Refuse Collection	1,615,390	1,528,810
Street Cleansing, Grafitti & Pest Control	1,478,110	1,452,600
Trade Refuse Collection	439,040	462,200
Vehicle Workshop	516,640	556,050
Waste Strategy	78,190	74,400
Off Street Parking	343,240	391,290
	4,513,130	**4,462,830**
Less: Vehicle Works Trading A/c - recharged to services per job	(516,640)	(556,050)
Head of Wellbeing		
Head of Wellbeing	78,910	190,570
Community Wellbeing	546,940	477,980
Dog Warden	91,150	84,240
Environmental Health - Domestic	799,710	777,400
Licensing	229,890	234,860
Democratic Services	268,450	194,100
	2,015,050	**1,959,150**
TOTAL FOR COMMUNITIES	**7,423,710**	**7,360,430**

JOINT - DIRECTOR FOR COMMUNITIES - 2019/20 - SUBJECTIVE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Staff FTE	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	TOTAL BUDGET
		£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES										
Director of Communities Office	2	(156,400)	-	-	1,110	3,810	-	-	(151,480)	(151,480)
Head of Housing										
Head of Housing	2	158,760	-	-	300	98,400	-	-	257,460	257,460
Housing Needs	20	826,540	-	-	840	7,480	-	-	834,860	834,860
Housing - Environmental Health / Protection Team	6	483,710	-	-	3,200	8,600	-	-	495,510	495,510
Housing Strategy	4.5	58,150	-	-	-	-	-	-	58,150	58,150
Head of Environment										
Head of Environment	1	109,880	-	-	920	-	-	-	110,800	110,800
Parks (including Cems/Crems/Admin & Grounds Mtce)	55.1	1,923,760	-	-	288,680	270,900	-	(1,615,070)	868,270	868,270
Foreshores	5.5	207,830	-	-	150	-	-	(120)	207,860	207,860
Waste Management	3	259,000	-	100	160	17,040	-	(19,900)	256,400	256,400
Commerce Way Depot	1	-	-	156,660	4,120	10,910	-	(6,330)	165,360	165,360
Clinical Waste Collection	1	27,620	-	-	6,540	12,010	-	(42,240)	3,930	3,930
Recycling	23	683,560	-	-	151,790	59,530	-	(2,510,020)	(1,615,140)	(1,615,140)
Refuse Collection	42	1,366,780	-	-	267,460	21,030	-	(126,460)	1,528,810	1,528,810
Street Sweeping & Cleansing	52.6	1,497,390	-	-	239,180	127,020	-	(410,990)	1,452,600	1,452,600
Trade Refuse Collection	10.2	338,020	-	-	101,470	28,120	-	(5,410)	462,200	462,200
Vehicle Workshop	7	274,620	-	270	8,510	308,180	-	(35,530)	556,050	556,050
Waste Strategy	2	62,440	-	-	11,960	-	-	-	74,400	74,400
Off Street Parking	12.5	391,290	-	-	-	-	-	-	391,290	391,290
Less: Vehicle Works Trading Account - recharged to services per job		-	-	-	-	-	-	(556,050)	(556,050)	(556,050)
Head of Wellbeing										
Head of Wellbeing	1	162,660	-	-	860	27,050	-	-	190,570	190,570
Community Wellbeing	30.3	1,218,570	-	-	840	32,710	-	(774,140)	477,980	477,980
Dog Warden	2	72,790	-	-	4,060	11,870	-	(4,480)	84,240	84,240
Environmental Health- Domestic	14.6	755,140	-	-	7,550	17,110	-	(2,400)	777,400	777,400
Licensing	6.5	229,400	-	-	500	4,960	-	-	234,860	234,860
Democratic Services	4.6	177,320	-	-	20	16,760	-	-	194,100	194,100
TOTAL COST	**309.4**	**11,128,830**	**0**	**157,030**	**1,100,220**	**1,083,490**	**0**	**(6,109,140)**	**7,360,430**	**7,360,430**
Percentage Direct Cost		83%	0%	1%	8%	8%	0%			

JOINT COMMUNITIES DIRECTORATE - 2019/20 - VARIANCE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Original Budget 2017/18	Inflation	One-off Items	Committed Growth	Savings	Impact of Capital Programme	Additional Income	Non Committed growth	Non-MTFP other changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES										
Director of Communities Office	(161,460)	-	-	-	-	-	-	-	9,980	(151,480)
Head of Housing										
Head of Housing	246,400	-	-	-	-	-	-	-	11,060	257,460
Housing	824,350	-	-	-	-	-	-	-	10,510	834,860
Environmental Health - Domestic	502,880	-	-	-	(15,090)	-	-	-	7,720	495,510
Housing Strategy	-	-	-	-	-	-	-	-	58,150	58,150
Head of Environment										
Head of Environment	101,280	-	-	-	-	-	-	-	9,520	110,800
Parks (including Cems/Crems/Admin & Grounds M	719,330	(34,840)	-	-	(5,190)	-	-	-	188,970	868,270
Foreshores	202,650	(120)	-	-	5,430	-	-	-	(100)	207,860
Waste Management	290,800	(450)	-	-	-	-	-	-	(33,950)	256,400
Commerce Way Depot	105,200	3,130	-	-	3,860	-	-	-	53,170	165,360
Clinical Waste Collection	(8,590)	(1,200)	-	-	13,360	-	-	-	360	3,930
Recycling	(1,368,150)	(29,410)	-	300,000	(551,220)	-	-	-	33,640	(1,615,140)
Refuse Collection	1,615,390	(2,660)	-	-	(88,650)	-	-	-	4,730	1,528,810
Street Sweeping & Cleansing	1,478,110	(11,810)	-	-	2,270	-	-	-	(15,970)	1,452,600
Trade Refuse Collection	439,040	(140)	-	-	(990)	-	-	-	24,290	462,200
Vehicle Workshop	516,640	(12,140)	-	-	-	-	-	-	12,140	516,640
Waste Strategy	78,190	-	-	-	-	-	-	-	(3,790)	74,400
Off Street Parking	498,500	-	-	-	-	-	-	-	(107,210)	391,290
Less: Vehicle Works Trading Account - recharged to services per job	(516,640)	-	-	-	-	-	-	-	-	(516,640)
Head of Wellbeing										
Head of Wellbeing	78,910	-	-	-	-	-	-	-	111,660	190,570
Community Wellbeing	546,940	(100)	-	-	(33,500)	-	-	-	(35,360)	477,980
Dog Warden	91,150	(100)	-	-	(3,500)	-	-	-	(3,310)	84,240
Environmental Health- Domestic	799,710	-	-	-	(41,270)	-	-	-	18,960	777,400
Licensing	229,890	-	-	-	-	-	-	-	4,970	234,860
Democratic Services	268,450	-	-	-	(13,810)	-	-	-	(60,540)	194,100
TOTAL COST	**7,578,970**	**(89,840)**	**0**	**300,000**	**(728,300)**	**0**	**0**	**0**	**299,600**	**7,360,430**

JOINT SUMMARY SERVICE BLOCK:
Digital and Resources Directorate

ADUR & WORTHING COUNCILS

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/20
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Director for Digital and Resources office	145,240	139,880
Directorate Vacancy Provision	(299,400)	(299,400)
Sustainability	47,200	57,550
	(106,960)	**(101,970)**
Finance		
Head of Finance office	159,580	261,040
Management, Technical and Strategic Accounting	916,150	962,750
Exchequer and Fraud	423,640	438,440
Procurement	146,740	154,270
	1,646,110	**1,816,500**
Head of Legal Services		
Legal Services	700,160	674,640
	700,160	**674,640**
Head of Human Resources		
Human Resources	404,460	413,620
Organisational Development	230,920	245,270
	635,380	**658,890**
Head of Business and Technical Services		
Head of Business and Technical Services	96,980	96,780
Business Services	291,240	288,050
Engineers	575,270	588,260
Surveyors	778,320	791,760
Facilities - Admin Buildings	521,120	482,550
Centralised Costs	363,810	451,700
	2,626,740	**2,699,100**
Head of Customer & Digital Services		
Head of Digital and Design	94,600	-
ICT, Systems Support and Development Team	2,019,740	2,274,390
Customer Services	1,249,950	1,278,200
Parking Services	155,260	155,660
Business Support	124,130	132,620
Elections	167,670	206,820
	3,811,350	**4,047,690**
Head of Revenues & Benefits		
Revenues & Benefits	1,693,600	1,746,580
	1,693,600	**1,746,580**
TOTAL for DIGITAL AND RESOURCES	**11,006,380**	**11,541,430**

JOINT - DIGITAL AND RESCOURCES DIRECTORATE - 2019/20 - SUBJECTIVE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Staff FTE	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	TOTAL BUDGET
		£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL& RESOURCES									
Director Office	1	(164,350)	-	1,060	3,780	-	(10)	(159,520)	(159,520)
Sustainability	0.7	57,480	-	70	-	-	-	57,550	57,550
Head of Finance									
Head of Finance office	1	145,020	-	130	115,920	-	(30)	261,040	261,040
Management, Technical & Strategic Accounting	18.3	912,620	-	1,450	79,600	-	(30,920)	962,750	962,750
Exchequer and Fraud	13.7	437,450	-	270	87,530	-	(86,810)	438,440	438,440
Procurement	3	154,260	-	10	-	-	-	154,270	154,270
Head of Legal Services									
Legal Services	15.5	795,750	-	290	50,480	-	(171,880)	674,640	674,640
Head of Human Resources									
Human Resources	**7.6**	395,910	-	290	17,420	-	-	413,620	413,620
Organisational Development	**1**	229,270	-	730	15,270	-	-	245,270	245,270
Head of Business & Technical Services									
Head of Business & Technical Services	1	96,780	-	-	-	-	-	96,780	96,780
Business Services	6	294,470	50	2,950	77,510	-	(86,930)	288,050	288,050
Engineers	12	625,650	-	3,540	11,100	-	(52,030)	588,260	588,260
Surveyors	17.2	788,220	-	3,960	19,150	-	(19,570)	791,760	791,760
Facilities - Admin Buildings	0	-	553,270	-	26,570	-	(97,290)	482,550	482,550
Centralised Costs	0	-	-	42,880	408,820	-	-	451,700	451,700
Head of Customer and Digital Services									
Head of Customer & Digital	1	-	-	-	-	-	-	0	0
ICT, Systems Support and Development Team	25.4	1,250,570	-	820	962,500	60,500	-	2,274,390	2,274,390
Customer Services	39.1	1,266,470	-	500	11,230	-	-	1,278,200	1,278,200
Parking Services	3.8	155,660	-	-	-	-	-	155,660	155,660
Business Support	4.9	134,930	-	-	87,050	-	(89,360)	132,620	132,620
Elections	5	204,500	-	130	2,190	-	-	206,820	206,820
Head of Revenues & Benefits									
Revenues & Benefits	51.5	1,741,510	-	5,070	-	-	-	1,746,580	1,746,580
TOTAL COST	**229**	**9,522,170**	**553,320**	**64,150**	**1,976,120**	**60,500**	**(634,830)**	**11,541,430**	**11,541,430**
Percentage Direct Cost		78%	5%	1%	16%	0%			

JOINT DIGITAL AND RESOURCES DIRECTORATE - 2019/20 - VARIANCE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Original Budget 2017/18	Inflation	One-off Items	Committed Growth	Savings	Impact of Capital Programme	Additional Income	Non Committed growth	Non-MTFP other changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL& RESOURCES										
Director Office	(154,160)	10	-	-	-	-	-	-	(5,370)	(159,520)
Sustainability	47,200	-	-	-	-	-	-	-	10,350	57,550
Head of Finance										
Head of Finance office	159,580	88,550	-	-	(12,110)	-	-	-	25,020	261,040
Management, Technical & Strategic Accounting	916,150	(670)	-	15,000	-	-	-	-	32,270	962,750
Exchequer and Fraud	423,640	(1,950)	-	29,600	(26,370)	-	-	-	13,520	438,440
Procurement	146,740	-	-	-	-	-	-	-	7,530	154,270
Head of Legal Services										
Legal Services	700,160	(2,950)	-	-	(35,000)	-	-	-	12,430	674,640
Head of Human Resources										
Human Resources	404,460	-	-	-	-	-	-	-	9,160	413,620
Organisational Development	230,920	-	-	12,900	-	-	-	-	1,450	245,270
Head of Business & Technical Services										
Head of Business & Technical Services	96,980	-	-	-	-	-	-	-	(200)	96,780
Business Services	291,240	(2,570)	-	5,000	(12,720)	-	-	-	7,100	288,050
Engineers	575,270	(1,120)	-	-	(70,000)	-	-	-	84,110	588,260
Surveyors	778,320	(1,180)	-	-	(2,100)	-	-	-	16,720	791,760
Facilities - Admin Buildings	521,120	11,430	-	-	(50,000)	-	-	-	-	482,550
Centralised Costs	363,810	-	-	45,000	-	-	-	-	42,890	451,700
Head of Customer & Digital Services										
Head of Digital and Design	94,600	(70)	-	-	-	-	-	-	(94,530)	0
ICT, Systems Support and Development Team	2,019,740	13,100	-	60,000	(30,000)	-	-	-	211,550	2,274,390
Customer Services	1,249,950	10	-	-	(26,000)	-	-	-	54,240	1,278,200
Parking Services	155,260	-	-	-	-	-	-	-	400	155,660
Business Support	124,130	3,940	-	-	-	-	-	-	4,550	132,620
Elections	167,670	-	-	-	-	-	-	-	39,150	206,820
Head of Revenues & Benefits										
Revenues & Benefits	1,693,600	-	-	-	(25,000)	-	-	-	77,980	1,746,580
TOTAL COST	**11,006,380**	**106,530**	**0**	**167,500**	**(289,300)**	**0**	**0**	**0**	**550,320**	**11,541,430**

JOINT SUMMARY SERVICE BLOCK:
Economy Directorate

ADUR & WORTHING COUNCILS

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/20
	£	£
DIRECTOR FOR ECONOMY		
Director of Economy Office	168,220	174,910
Directorate Vacancy Provision	(92,710)	(92,710)
	75,510	**82,200**
Head of Planning & Development		
Head of Planning & Development	98,860	96,640
Planning Policy	312,940	318,340
Development Control	1,015,770	1,104,930
Building Control	496,600	506,660
LLPG	23,350	22,880
Land Charges	108,440	107,180
	2,055,960	**2,156,630**
Head of Major Projects & Investment		
Estates	356,480	326,870
Major Projects	349,080	315,620
	705,560	**642,490**
Head of Place & Economy		
Head of Place & Economy	93,900	70,680
Economic Development	384,130	428,950
	478,030	**499,630**
Head of Culture		
Head of Culture	103,080	108,970
	103,080	**108,970**
TOTAL for ECONOMY	**3,418,140**	**3,489,920**

JOINT ECONOMY DIRECTORATE - 2019/20 - SUBJECTIVE ANALYSIS

ADUR & WORTHING COUNCILS

SERVICE / ACTIVITY	Staff FTE	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	TOTAL BUDGET
		£	£	£	£	£	£	£	£	£
DIRECTOR OF ECONOMY										
Director of Economy Office	2	80,240	-	-	510	1,450	-	-	82,200	82,200
Head of Planning & Development										
Head of Planning & Development	1	95,770	-	-	110	760	-	-	96,640	96,640
Planning Policy	6	382,500	-	-	1,770	3,020	-	(68,950)	318,340	318,340
Development Control	24.3	1,039,590	-	-	2,930	62,410	-	-	1,104,930	1,104,930
Building Control	10.2	485,730	-	3,020	5,910	48,000	-	(36,000)	506,660	506,660
LLPG	1	50,350	-	-	30	16,430	-	(43,930)	22,880	22,880
Land Charges	3.4	103,720	-	-	-	3,460	-	-	107,180	107,180
Head of Major Projects & Investment										
Estates	6	322,450	-	-	1,530	2,890	-	-	326,870	326,870
Major Projects	4	268,480	-	-	1,050	81,790	-	(35,700)	315,620	315,620
Head of Place & Economy										
Head of Place & Economy	1	70,680	-	-	-	-	-	-	70,680	70,680
Economic Development	11.2	405,060	-	-	950	36,380	-	(13,440)	428,950	428,950
Head of Culture										
Head of Culture	1	108,060	-	-	910	-	-	-	108,970	108,970
TOTAL COST	**74.1**	**3,412,630**	**0**	**3,020**	**15,700**	**256,590**	**0**	**(198,020)**	**3,489,920**	**3,489,920**
Percentage Direct Cost		93%	0%	0%	0%	7%	0%			

JOINT ECONOMY DIRECTORATE - 2019/20 - VARIANCE ANALYSIS

SERVICE / ACTIVITY	Original Budget 2017/18	Inflation	One-off Items	Committed Growth	Savings	Impact of Capital Programme	Additional Income	Non Committed growth	Non-MTFP other changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF ECONOMY										
Director of Economy Office	75,510	-	-	-	-	-	-	-	6,690	82,200
Head of Planning & Development										
Head of Planning & Development	98,860	-	-	-	-	-	-	-	(2,220)	96,640
Planning Policy	312,940	-	-	-	-	-	-	-	5,400	318,340
Development Control	1,015,770	-	-	-	-	-	-	-	89,160	1,104,930
Building Control	496,600	(710)	-	-	-	-	-	-	10,770	506,660
LLPG	23,350	(950)	-	-	-	-	-	-	480	22,880
Land Charges	108,440	-	-	-	-	-	-	-	(1,260)	107,180
Head of Major Projects & Investment										
Estates	356,480	-	-	-	-	-	-	-	(29,610)	326,870
Major Projects	349,080	-	-	7,640	-	-	-	-	(41,100)	315,620
Head of Place & Economy										
Head of Place & Economy	93,900	-	-	-	(21,040)	-	-	-	(2,180)	70,680
Economic Development	384,130	(260)	-	-	(1,500)	-	-	-	46,580	428,950
Head of Culture										
Head of Culture	103,080	-	-	-	-	-	-	-	5,890	108,970
TOTAL COST	**3,418,140**	**(1,920)**	**0**	**7,640**	**(22,540)**	**0**	**0**	**0**	**88,600**	**3,489,920**

Joint Governance Committee
22 January 2019
Agenda Item 10

Joint Strategic Committee
31 January 2019
Agenda Item 7
Key Decision : No
Ward(s) Affected: All

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 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 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 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	(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 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 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.

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.

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%

APPENDIX B

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

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

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires 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?
• Deposits with banks and building societies • Certificates of deposit with banks and building societies • Deposits with Local Authorities • The UK Government	√ √ √ √	√ √ √ √	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution No limit	No
Gilts and Bonds: • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

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.

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

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

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

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

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

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

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

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

APPENDIX C

COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO PROFESSONAL 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.

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

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

(ii) **Joint Strategic Committee**

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

(iii) **Joint Governance Committee**

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

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

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

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

TREASURY MANAGEMENT SCHEME OF DELEGATION

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

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

APPENDIX E

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 of 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 Strategic Committee
31 January 2019
Agenda Item 8

Key Decision: No

Ward(s) Affected: All

Council Tax Support Schemes for 2019/20

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 Members are asked to recommend to their respective Full Councils the Council Tax Support Schemes in respect of 2019/20.

1.2 To assist in their decision this report includes details of the costs of the Council Tax Support schemes and an analysis of the responses that were received to the public consultations that were conducted during November & December 2018 in respect of options for the schemes for 2019/20.

2. Recommendations

2.1 The Joint Strategic Committee is asked to:

(i) Note the content of this report

(ii) Consider recommending to Adur District Council that

1. Either
    a. The Council Tax Support scheme for Adur District Council in respect of working age customers for 2019/20 should be based upon the scheme for 2018/19 with no restrictions; or
    b. The Council Tax Support scheme for Adur District Council in respect of working age customers for 2019/20 should be based upon the scheme for 2018/19 with the introduction of
        - A £5.00 weekly restriction; and
        - A discretionary budget to support those in severe financial difficulties
2. No other changes should be made beyond necessary technical amendments required to keep the scheme consistent with the national rules in respect of Housing Benefit

3. A further public consultation should be conducted during the summer of 2019 to inform the decision in respect of the scheme to be implemented in respect of 2020/21

(iii) Consider recommending to Worthing Borough Council that:

1. The Council Tax Support scheme for Worthing Borough Council in respect of working age customers for 2019/20 should be based upon the scheme for 2018/19 with
    a. The £5.00 weekly restriction retained; and
    b. The discretionary budget to support those in severe financial difficulties retained; and
    c. No other changes should be made beyond necessary technical amendments required to keep the scheme consistent with the national rules in respect of Housing Benefit

2. A further public consultation should be conducted during the summer of 2019 to inform the decision in respect of the scheme to be implemented in respect of 2020/21

3. Context

3.1 Since April 2013 Members have had the freedom to set a local Council Tax Support Scheme in respect of "working age" customers. Both Councils opted to retain the national scheme for 2013/14 and 2014/15 and whilst Adur District Council also retained the national scheme since, Worthing Borough Council introduced a £5.00 per week restriction from 1 April 2015 for all "working age" customers together with a discretionary budget to allow additional assistance to be provided where appropriate.

3.2 There are statutory protections for all pensioners and refugees, so local schemes only apply to "working age" customers.

3.3 At the meeting of Adur Full Council held on 14 December 2017 it was resolved that:

- There should be no restrictions introduced in respect of the 2018/19 scheme; and
- No other changes should be made beyond necessary technical amendments required to keep the scheme consistent with the national rules in respect of Housing Benefit; and
- A further public consultation should be conducted during 2018 to inform the decision in respect of the 2019/20 scheme.

3.4 At the meeting of Worthing Full Council held on 19 December 2017 it was resolved that:

- The £5.00 weekly restriction should be retained; and
- The discretionary budget to support those in severe financial difficulties should be retained; and
- No other changes should be made beyond necessary technical amendments required to keep the scheme consistent with the national rules in respect of Housing Benefit; and
- A further public consultation should be conducted during 2018 to inform the decision in respect of the 2019/20 scheme.

3.5 At its meeting held on 6 November 2018 the Joint Strategic Committee considered a report about the questions to be included in the public consultation for each Council and consultations were subsequently conducted from 15 November 2018 to 14 December 2018.

3.6 The content of the consultations was compiled ensuring that the outcomes of the case *R(on the application of Moseley (in substitution of Stirling Deceased)) (AP) (Appellant) v London Borough of Haringey (Respondent)* were met such that the documents

- Were clear and understandable, and therefore not unduly complex or lengthy
- Included information about about realistic alternatives

4. Issues for consideration

4.1 The introduction of local schemes was accompanied by a reduction of around 10% in the amount of subsidy paid to local authorities. However, the cost of benefits fell during 2013/14 and the final net cost of introducing the scheme in 2013/14 was substantially lower than expected:

	2013/14 estimated cost of CTS	Council share of overall cost	Grant received	Net cost	Percentage shortfall in funding
	£'000	**£'000**	**£'000**	**£'000**	**%**
Adur	4,975	856.7	-850	6.7	0.78%
Worthing	7,049	1,004	-947	5.7	5.68%

4.2 Whilst Adur District Council also retained the national scheme for 2015/16 - 2018/19, Worthing Borough Council amended the scheme in 2015/16 and has retained this amended scheme since. The scheme approved within Worthing:

- Introduced a £5.00 per week restriction for all "working age" customers; and
- Created a discretionary £80,000 budget in partnership with West Sussex County Council to allow additional assistance to be provided where appropriate; and
- Provided 1 x FTE additional member of staff to the Revenues & Recovery Team in anticipation of the additional recovery work that would arise

4.3 Over the past few years the cost of Council Tax Support has generally fallen as local employment has improved and as the result of the introduction of the £5.00 weekly restriction in Worthing from 1 April 2015 the overall cost has been:

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adur	5,195	4,975	4,633	4,414	4,313	4,314	4,608
Worthing	7,287	7,049	6,754	5,201	5,167	5,100	5,231
	12,482	12,024	11,387	9,615	9,480	9,414	9,839
Annual decrease (-) / increase		-3.7%	-5.3%	-15.6%	-1.4%	-0.7%	+4.5%

4.4 However, the grant towards the cost of Council Tax Support Schemes has been consolidated into the Revenue Support Grant and the retained business rate scheme which has fallen each year and, the Revenue Support Grant will cease by 2018/19. This means that the Councils face an ever-increasing cost associated with the scheme. By 2018/19, the level of subsidy is estimated to be:

	2018/19 cost of CTS	Council share of overall cost	Grant received	Net cost	Percentage shortfall in funding
	£'000	**£'000**	**£'000**	**£'000**	**%**
Adur	4,608	796.6	-374.0	422.6	53.1
Worthing	5,231	705.5	-417.9	287.6	40.8

4.5 The amount of subsidy that the Councils are required to contribute towards the cost of the schemes will continue to increase as Revenue Support Grant is reduced. Based on a 2% increase in both the basic Council Tax and the Social Care levy from West Sussex County Council in 2019/20, the level of subsidy will increase as follows:

Net Cost of Council Tax Support	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 estimate	2019/20 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£’000**	**£’000**	**£’000**
Adur	6.7	46.3	101.8	243.6	334.7	422.6	441.6
Worthing	57.0	125.9	16.5	133.5	224.0	287.6	304.1

4.7 The restriction implemented in Worthing in respect of 2015/16 resulted in all working age” customers being asked to pay at least £261.43, subject to being able to apply for additional financial support by way of a discretionary award.

4.8 For those customers who were previously in receipt of maximum Council Tax Benefit (and therefore had £nil to pay) this represented a significant change and considerable work was undertaken to engage with these customers to discuss a realistic payment arrangement and ensure that financial inclusion was maximised.

4.9 Additionally, the issue of a summons and the Magistrates’ Court granting a Liability Order results in costs being added to the account. If an account is subsequently referred to an Enforcement Agent additional statutory fees of either £75.00 or £310.00 will also become due (the level of the fees depends on the stage at which the customer engages with the Enforcement Agent).

4.10 In conjunction with the Customer Service Team, an empathetic approach has been taken when considering payment arrangements and where appropriate customers have been provided with assistance to complete an application form for a discretionary award and/or signposted to debt advice agencies. For Members’ information, the annual in-year collection rates for the last four financial years have been

	Adur	Worthing
2014/15	97.62%	98.15%
2015/16	97.67%	97.38%
2016/17	97.89%	97.58%
2017/18	97.66%	97.42%

5. Engagement and Communication

5.1 Separate consultations for the two Councils have been undertaken between 15 November 2018 and 14 December 2018.

5.2 The consultations were publicised via social media, a press release and by including paper copies with all Benefit award letters that were issued. Hard copies of the consultations were also available at the Shoreham Centre and Portland House, with an electronic copy being publicised on the Councils' website. Whilst talking to residents the Customer Services Team proactively promoted the survey, a link to the online survey was included in the auto-response from the "revsbens" email box and Members, external partner organisations and the Housing Team were asked to encourage residents to submit responses.

5.3 There were 43 (Adur) and 154 (Worthing) responses received to the consultations, which compares with 17 (Adur) and 91 (Worthing) that were received last year. 40 of the Adur responses and 146 of the Worthing responses were submitted online. Details of the Adur results are shown in appendix 1 and the results for Worthing are shown in appendix 2. In summary:

Question	Percentage of respondents	
	Adur	Worthing
Should a £5.00 per week restriction be introduced (in Adur) or retained (in Worthing)?	Yes: 60.47% No: 39.53% Not sure: 0%	Yes: 21.43% No: 75.32% Not sure: 3.25%
Should the rules for Council Tax Support be aligned with the rules for Housing Benefit/Universal Credit?	Yes: 60.47% No: 9.30% Not sure: 30.23%	Yes: 88.31% No: 1.30% Not sure: 10.39%

5.4 In order that Members are aware of the impact that the introduction or increase of any restriction on particular client groups, details of the number of live claims for working age customers currently in receipt of Council Tax Support are shown in appendix 3.

5.5 Appendix 4 contains an analysis of the position (as at 19 December 2018) of the Council Tax payments received from working age Council Tax Support customers, together with details about recovery action that has been taken for unpaid sums.

6. Financial Implications

6.1 When the £5.00 restriction was introduced by Worthing Borough Council in 2015/16, the Council saw an immediate increase in Council Tax income, however to achieve this level of income the Council needed to invest in additional staff, a new hardship fund, and allow for an increased level of write off. The eventual financial benefit was:

	Overall gain in 2015/16	Worthing Borough Council share
	£'000	£'000
Estimated impact of reduced Council Tax Support cost on Council Tax income	1,098.7	153.5
Less: Additional staffing required	-20.0	-20.0
Less: Hardship Fund	-80.0	-20.0
Less: Allowance for increased write offs @ 5%	-54.9	-7.7
	943.8	105.8

6.2 If Adur members choose to implement a £5.00 per week restriction accompanied by a discretionary Council Tax Support Hardship Fund, the financial gain in respect of 2019/20 is estimated to be:

	Overall	Adur District Council share
	£'000	£'000
Impact of reduced Council Tax Support cost on Council Tax income	582.7	99.1
Less: Additional collection costs	-15.0	-15.0
Less: Hardship Fund	-60.0	-15.0
Less: Allowance for increased write offs @ 5%	-29.4	-5.0
	483.3	64.1

7. Legal Implications

7.1 In respect of 2013/14 and 2014/15 both Councils adopted an amended "default" Council Tax Reduction Scheme. Adur also adopted the "default" Council Tax Reduction Scheme in respect of 2015/16 and 2016/17. In all instances this was in accordance with The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, Statutory Instrument 2012 No. 2886 and The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, Statutory Instrument 2012 No. 2885.

7.2 Any Council Tax Reduction Scheme must comply with the relevant sections of the Local Government Finance Act 2012 and with the delegated legislation under that Act as contained within The Council Tax Reduction Scheme (Default Scheme) Regulations 2012 and the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012, as amended.

7.3 Further, under Schedules 4 paragraph 3 of the Local Government Finance Act 2012 the Councils are required before making the Schemes (and to do so in the following order) to consult with the major precepting authorities, publish a draft scheme in such manner as it thinks fits and consult with such other person as it considers are likely to have an interest in the operation of the Scheme. Note that any revision of a Scheme must follow the same process as the making a Scheme. In the case of *R (Moseley) v London Borough of Haringey [2014] UKSC 56* the Supreme Court held that the statutory duty of consultation required the consultees to be provided with information about the draft scheme but also with an outline of the realistic alternatives and an indication of the authority's main reasons for adopting the draft scheme.

7.4 There is therefore a requirement to consult annually with residents.

Background Papers

Localising Support for Council Tax in England report to the Joint Strategic Committee held on 22nd July 2014

Welfare Reform Act 2012

Local Government Finance Bill 2012

Minutes of the meetings of the Joint Strategic Committee of Adur District and Worthing Borough Councils held on 26 July 2012, 28 November 2012, 3 December 2013, 2 December 2014, 2 February 2016, 10 January 2017 and 5 December 2017

Minutes of the Adur Full Council meeting held 14 December 2017

Minutes of the Worthing Full Council meeting held on 19 December 2017

Report considered by the Joint Strategic Committee on 6 November 2018

Officer Contact Details:

Paul Tonking
Head of Revenues & Benefits
(01903) 221290
paul.tonking@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Whilst Council Tax represents an important source of income to the Councils, financial support must be provided to residents on a low income via appropriate Council Tax Support schemes.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

Matter considered and no issues identified.

Appendix 1 - results from the consultation for Adur District Council

Forty-three responses were received.

Q1. Of the respondents
- 39 (90.69%) live in Adur
- 3 (6.98%) live and work in Adur
- 1 (2.33%) lives and runs a business in Adur

Q2. The age range of respondents:

19 or under	20 to 29	30 to 39	40 to 49	50 to 59	60 to 69	70 or over
0 (0.00%)	2 (4.65%)	8 (18.60%)	8 (18.60%)	11 (25.58%)	7 (16.28%)	7 (16.28%)

Q3. The annual income of respondents:

£9,999 or under	£10,000 to £14,999	£15,000 to £19,999	£20,000 to £29,999	£30,000 to £39,999	£40,000 or over
5 (11.63%)	5 (11.63%)	5 (11.63%)	7 (16.28%)	3 (6.98%)	18 (41.86%)

Q4. What's your postcode?
A map of respondents' postcodes is shown after the response to question 9.

	Yes	No	Don't know/not sure
Q5. Do you currently get Council Tax Support?	3 (6.98%)	39 (90.70%)	1 (2.33%)

	Yes	No	Prefer not to say
Q6. Are you disabled?	7 (16.28%)	32 (74.42%)	4 (9.30%)

Q7. If we introduce a restriction of £5.00 per week this would mean that all working age customers who get Council Tax Support would be asked to pay Council Tax of at least £26.00 per month. Should we introduce a £5.00 per week restriction with extra help made available for those who would find paying £5.00 difficult?

- Yes = 26 (60.47%)
  - Currently in receipt of Council Tax Support = 3 (6.98%)
  - Not Currently in receipt of Council Tax Support or not sure = 23 (53.49%)

  - Disabled = 6 (13.95%)
  - Not disabled or prefer not to say = 20 (46.52%)

- No = 17 (39.53%)
  - Currently in receipt of Council Tax Support = 0 (0.00%)
  - Not Currently in receipt of Council Tax Support or not sure = 17 (39.53%)

  - Disabled = 2 (4.65%)
  - Not disabled or prefer not to say = 15 (34.88%)

- Not sure = 0 (0.00%)

Q8. Should the rules for Council Tax Support be the same as the rules for Housing Benefit and Universal Credit (for example, the rules about the way that we work out how much income is coming into the household) so that people understand how the scheme works?

- Yes = 26 (60.47%)
  - Currently in receipt of Council Tax Support = 2 (4.65%)
  - Not Currently in receipt of Council Tax Support or not sure = 24 (55.82%)

  - Disabled = 5 (11.63%)
  - Not disabled or prefer not to say = 21 (48.84%)

- No = 4 (9.30%)
  - Currently in receipt of Council Tax Support = 0 (0.00%)
  - Not Currently in receipt of Council Tax Support or not sure = 4 (9.30%)

  - Disabled = 0 (0.00%)
  - Not disabled or prefer not to say = 4 (9.30%)

- Not sure = 13 (30.23%)
  - Currently in receipt of Council Tax Support = 0 (0.00%)
  - Not Currently in receipt of Council Tax Support or not sure = 13 (30.23%)

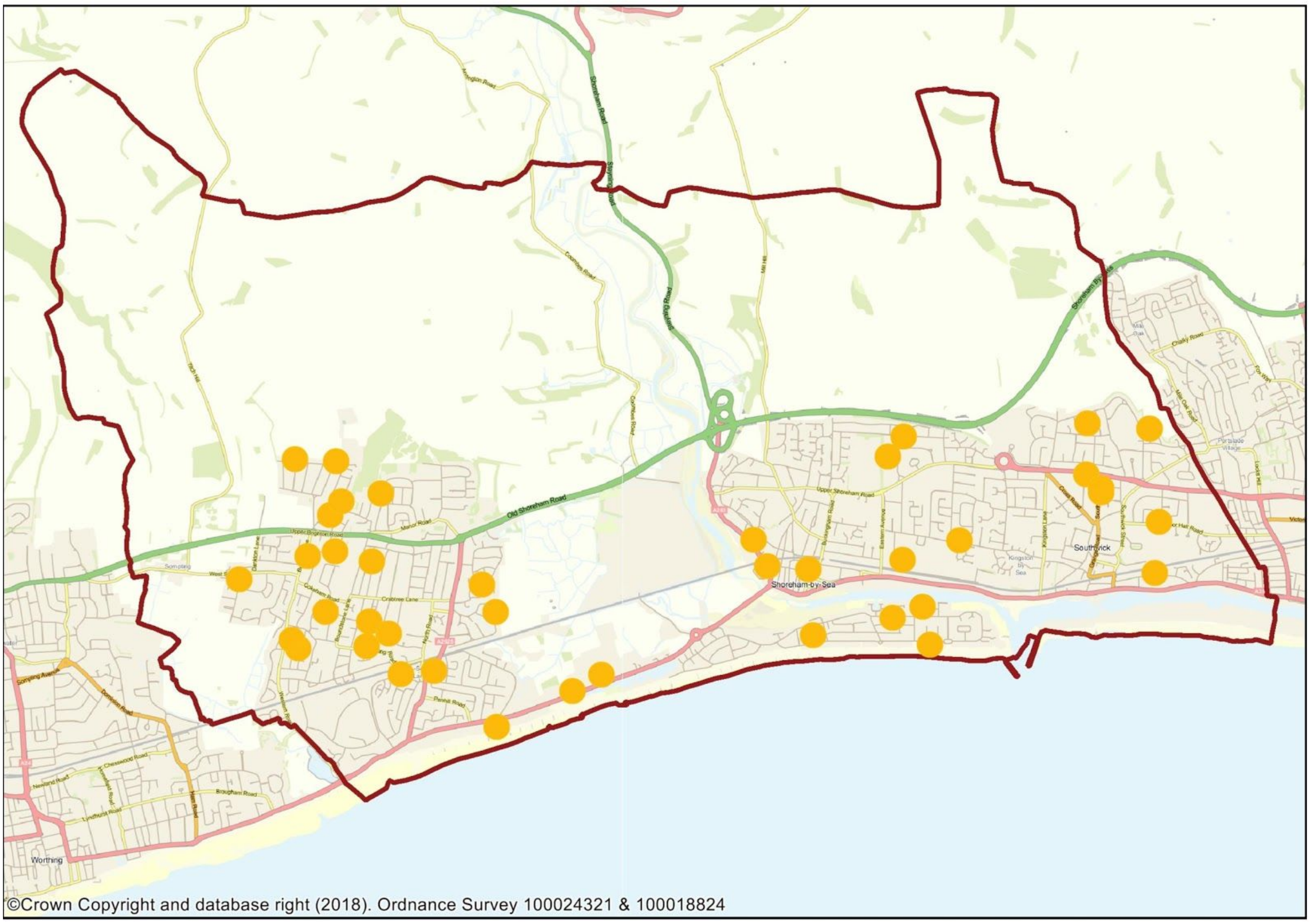
  - Disabled = 2 (4.65%)
  - Not disabled or prefer not to say = 11 (25.58%)

Q9. Are there any other changes that you would like to see?

- I am willing to support an increase in Council Tax to provide more money for public services.
- I want the council to revisit the decision to remove weekly bin collections without any form of consultation with residents affected by the change.

- Outgoings need to be taken into consideration as in mortgage payments/house maintenance and heating/water bills etc You should be more realistic about how much capital a person can have before you deduct benefits Penalising people for having over £6,000 or £16000 in this age of huge gap between rich and poor is not ethical in my opinion.
- I want the sheer utter idiocy of cutting the bin collections reconsidered.
- I would support keeping the 100% reduction in council tax for those on low incomes. £5 per week may not sound a lot to many people but can make a big difference to those on low incomes/benefits. We already have far too much reliance on food banks and this move would increase that.
- UC has too big a waiting period when circumstances change - people may really struggle if CTax support is based on UC. If someone is on benefits that means they need all of it.
- Stop cutting services challenge your government to redirect the Foreign aid budget to assist our real poverty needs in the UK created by your governments draconian enforced austerity policies.
- If people meet the housing benefit/ universal credit threshold, they should not be required to make a contribution. Surely UC is the MINIMUM required to survive!
- Everybody contributing something no *[matter how}* little it is.
- Scrap council tax as we get absolutely nothing to show for it. Bin services a waste of time, the parish council sit on any monies they get given and do nothing for the area. No police in the area, so tell me what my council tax is for?
- You should investigate more thoroughly who gets help and who doesn't. What about pensioners ... help shouldn't be means tested. To*[o}* many people on benefits. They take the easy way.
- Pensioners paying it too if they can afford it. They use the most services!
- Reduce senior management at the council , re-introduce street cleaning & drain clearance, tidy up grass verges & prevent parking on grassed areas, mend broken pavements.
- Every household should have to pay something towards council tax as they benefit from the services.
- Disabled persons discount.
- I think it’s fair that everyone pays some amount of council tax as everyone uses the services.
- If the overall cost of making the change is more than will be collected then don't make the change. Overall cost must account for IT changes, staff, additional administration etc.
- Every year I receive how my council tax benefit has been worked out notification and yet I am never able to understand it and I have an honours degree! Why, oh why is it still so difficult to comprehend.? Is it done on purpose, so that no one can challenge decision made?

Map of the postcodes of respondents



Appendix 2 - results from the consultation for Worthing Borough Council

One hundred and fifty-four responses were received.

Q1. Of the respondents
- 90 (58.44%) live in Worthing
- 48 (31.17%) live and work in Worthing
- 5 (3.25%) live and run a business in Worthing
- 11 (7.14%) live, work and run a business in Worthing

Q2. The age range of respondents was from eighteen to eighty, with an average age of just over forty-seven.

Q3. What's your postcode?
A map of respondents' postcodes is shown after the response to question 8.

	Yes	No	Don't know/not sure
Q4. Do you currently get Council Tax Support?	20 (12.99%)	132 (85.71%)	2 (1.30%)

	Yes	No	Prefer not to say
Q5. Are you disabled?	14 (9.09%)	78 (50.65%)	62 (40.26%)

Q6. Should we keep the current £5.00 per week restriction with extra help for those who would find paying £5.00 difficult?

- Yes = 33 (21.43%)
  - Currently in receipt of Council Tax Support = 9 (5.84%)
  - Not Currently in receipt of Council Tax Support or not sure = 24 (15.59%)

  - Disabled = 6 (3.90%)
  - Not disabled or prefer not to say = 27 (17.53%)

- No = 116 (75.32%)
  - Currently in receipt of Council Tax Support = 10 (6.49%)
  - Not Currently in receipt of Council Tax Support or not sure = 106 (68.83%)

  - Disabled = 8 (5.23%)
  - Not disabled or prefer not to say = 108 (70.59%)

- Not sure = 5 (3.25%)
  - Currently in receipt of Council Tax Support = 1 (0.65%)
  - Not Currently in receipt of Council Tax Support or not sure = 4 (2.60%)

  - Disabled = 0 (0.00%)

- Not disabled or prefer not to say = 5 (3.25%)

Q8. Should the rules for Council Tax Support be the same as the rules for Housing Benefit and Universal Credit (for example, the rules about the way that we work out how much income is coming into the household) so that people understand how the scheme works?

- Yes = 136 (88.31%)
  - Currently in receipt of Council Tax Support = 14 (9.09%)
  - Not Currently in receipt of Council Tax Support or not sure = 122 (79.22%)

  - Disabled = 12 (7.79%)
  - Not disabled or prefer not to say = 124 (80.52%)

- No = 2 (1.30%)
  - Currently in receipt of Council Tax Support = 1 (0.65%)
  - Not Currently in receipt of Council Tax Support or not sure = 1 (0.65%)

  - Disabled =1 (0.65%)
  - Not disabled or prefer not to say = 1 (0.65%)

- Not sure = 16 (10.39%)
  - Currently in receipt of Council Tax Support = 5 (3.25%)
  - Not Currently in receipt of Council Tax Support or not sure = 11 (7.14%)

  - Disabled = 1 (0.65%)
  - Not disabled or prefer not to say = 15 (9.74%)

Q8. Are there any other changes that you would like to see?

- In honesty I don't even think the housing benefit is fair, in the way it is calculated. It is causing a lot of hardship for those on low income

Additional comments provided by respondents

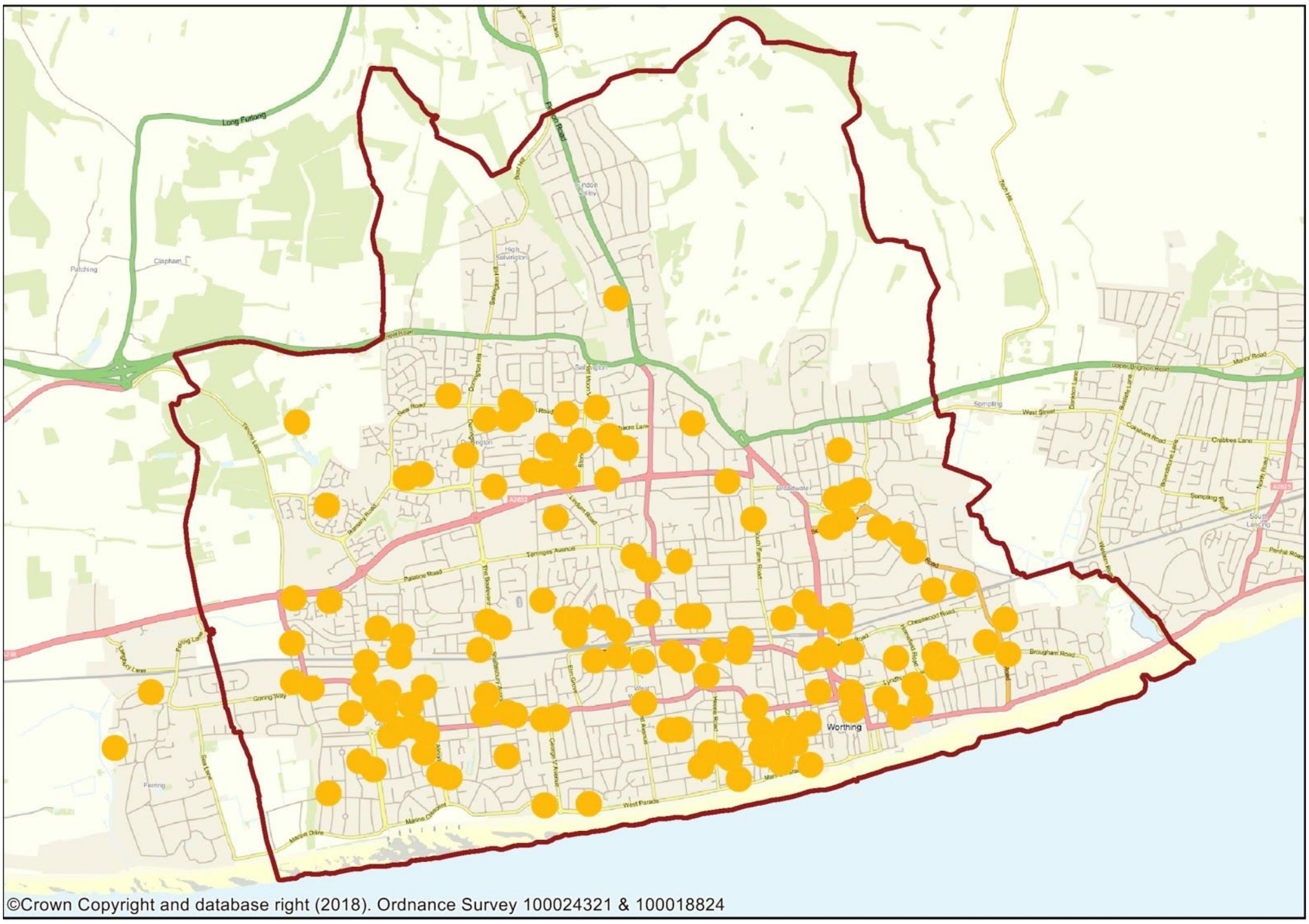
- Agree with changing rubbish collections fortnightly to save money for more important issues.
- Better wording of award letters so claimants understand they can apply for CTDA. Financial Inclusion Outreach Worker to support claimants to apply - some are too anxious to visit PH or CAB & have no support network. Others do not understand they need to pay £5/do. Many think it's being deducted from their benefits but this is for previous year's debts & the money they owe is spiralling. Recovery Officers should use reporting functions to identify these households & send appropriate communications each year before the situation sirald & further costs are added. Maybe CTDA former should go to those with CTS awards. Single adults & the childless plus those affected by benefit cap should be picked up automatically for some kind of communication as they can least afford £5/wk.
- Make sure CTDA goes to the most disadvantaged by recruiting a Financial Inclusion Officer urgently & not leaving post vacant as per current plans - potentially cost saving as preventative work could reduce recovery work & work across other teams e.g. Customer Services & also across many other agencies. Could have impact on Housing Options Team too as may reduce risk of homelessness.
- Everyone should contribute to the council services. A minimum of £10 a week should be used.

- Help for people that need it not just those on the scrounge!
- Whatever the system that's implemented the average joe will still get shafted and services will still be cut and those in office will still get a pay rise.
- Human Beings able to agree deferred payments from people struggling. The Council could save paper and money by not sending out notices only a few days after a missed payment. Saving paper, stationery, postage and staff costs. HUMAN BEINGS MAKING HUMAN DECISIONS ARE NEEDED.
- I think that pensioners who have more than just the state pension should help to pay for helping the poorest.
- If people found to be fraudulently claiming council tax benefit, they need to do Community Service and pay back the amount they fraudulent claimed.
- Only people who are actually working 35 hours a week or more should be given extra help if they say they can't afford the £5 a week Council Tax. People on benefits who aren't working get help with water bills, prescription charges etc etc and people who are working a lot of hours on low hourly pay rate get very little help with anything.
- No chief executive and directors who are only thinking of what is in it for themselves, they and past senior management have ruined the town. It's time for them to go!!!!!!!!!!
- No more police increases! Every other govt dept has to cut their cloth. After a commissioner led political pay rise last year for the police, they should be subject to same terms as all govt employees. I do not want to pay more for more police to clamp down on newly created laws just to keep them in employment i.e. hate crimes, anti religion, basically free speech. The UK is amongst the safest societies in the world. So no more money unless all get the same please.
- While China and India increase their emissions by way more than the entire western world reduce theirs, it is time to stop treating people like fools. Keep weekly bin collections. Whatever we do is futile in the greater scheme so stop punishing your locals by either reducing services or increasing costs, in the name of climate change. Ignore this at your peril! A global solution is the ONLY way. I refuse to pay more to offset other countries' ignorance about how we look after our planet.
- Protect the vulnerable yes, but stop making it easy and more beneficial for people to stay out of work. Could you consider some tapered protection, an increase scheme for those who have entered into work? (or maybe just reduce some councillors expenses)?
- I believe it is good to ask for a small weekly payment from all (with exception of protected groups). It gives everyone the responsibility of paying something and making a contribution and lessens the divide. Rest assured those who enjoy privileges that some of the non-benefit-claimers don't, like smoking, alcohol and pets, will still find money to pay for those things. If they have managed to pay it so far then why stop the payment?
- Reduce my council tax bill.
- Scrap the £5.00 per week contribution because it's a lot of money for those on a low income.
- The cost of collecting the £5.00 per week is always likely to exceed the revenue raised from trying to administer and collect it, so stop this failed policy. The £5 per week is in effect reintroduction of a poll tax. It was wrong last time, and it's wrong this time. Add £5 per week to band H properties and second homes instead. That way you get revenue from people with money, and stop wasting money trying to administer and collect from those without cash to spare. You'd also save money by not having to do this exercise every year.
- The government deems that the amount paid to disabled on ESA is what they need to live on by taking £5 a week you are taking from this amount therefore creating hardship. There has been no increase in benefits to claimants for the past approx 5yrs.

This is just making struggling disabled people more vulnerable to greater financial poverty.

- It seems very unfair that disabled people living in Adur do not pay whilst if you live in Worthing you do. This is discrimination.
- Would *[like]* to see equality across Adur & Worthing with regards to Council Tax.
- Council tax is a significant expense for everyone to pay. It is important that it isn't increased for those that pay to support those that can't.
- I have experienced periods of unemployment in the past and £5 per week is needed towards essential services such as water and electricity.
- Council Tax Support claimants should be entitled to full Council Tax Support as with housing costs via HB or UC if they receive certain benefits or income below a certain amount. When the £5pw contribution was introduced DWP benefits were not increased in line with this & remain frozen. DWP benefits are not calculated to take into account payments for Council Tax &, until they include extra help with this, we should not be charging people entitled to full HB or UC housing costs.
- Your customer services person in Portland House on my last visit was not helpful and I am astounded she told me that if I post directly to your letter box it will take 3-4 days to get to you as it goes via the post room. I also made a payment that didn't show up on my council tax a/c but left my bank.

<u>Map of the postcodes of respondents</u>



Appendix 3 - current numbers of working age customers in receipt of Council Tax Support (as at 19 December 2018)

Total caseload
- Adur: 2,199
- Worthing: 3,387

Customer circumstances	Adur (number of claims)	Worthing (number of claims)
Passported - War Pensioners	0	1
Passported - Disabled	757	1,308
Passported - Carer	102	171
Passported - Disabled child	8	14
Passported - Couples and lone parents with at least one child in the household	219	267
Passported - but also working	5	21
Passported - other circumstances	136	335
Non-Passported-War Pensioners	7	3
Non-Passported - Disabled	163	263
Non-Passported - Carer	41	47
Non-Passported - Disabled child	17	14
Non-Passported - Couples and lone parents with at least one child in the household	393	324
Non-Passported - and working	168	307
Non-Passported - other circumstances	183	312

"Passported" means the customer is in receipt of Income Support, income-based Jobseeker's Allowance or income-related Employment & Support Allowance. In Adur, under the rules for the 2018/19 Council Tax Support scheme these customers generally have no Council Tax to pay.

Appendix 4 - analysis of the position (as at 19 December 2018) in respect of Council Tax payments received from working age Council Tax Support customers and details about recovery action that has been taken for unpaid sums

Adur District Council

In respect of Council Tax bills for 2018/19	Working age CTS customers (number/value and percentage)	Non-working age CTS customers * (number/value and percentage)**
Total number of accounts	2,199 (7.77%)	26,103 (92.23%)
Total value of gross Council Tax charged (before CTS is awarded)	£3,040,691 (6.39%)	£44,572,478 (93.61%)
Total value of Council Tax Support awards	£2,301,942	N/A
Net Council Tax charged	£463,937 (1.23%)	£37,184,189 (98.77%)
Council Tax payments received	£291,388 (0.94%)	£30,780,550 (99.06%)
Net Council Tax remaining to be paid	£172,549 (2.62%)	£6,403,639 (97.38%)

Summons and Court costs raised	£6,180 (10.09%)	£55,055 (89.77%)
Summons and Court costs withdrawn	£535 (12.60%)	£3,711 (87.40%)

* The percentage relates to the total value or number
** This column includes pensioners in receipt of Council Tax Support

Adur - current recovery status in respect of Council Tax bills where a Liability Order has been granted

In respect of Council Tax bills for 2018/19	Working age CTS customers (number and percentage)	Non-working age CTS customers * (number and percentage)**
Accounts where a Liability Order has been granted and a response from the customer is awaited in respect of a letter asking them to contact the Revenues & Recovery Team	9 (10.23%)	79 (89.77%)
Accounts where a Liability Order has been granted and a payment arrangement has been made with the customer	15 (9.38%)	145 (90.63%)
Accounts where a Liability Order has been granted and an Attachment of Earnings has been set up (for deductions from earnings to be made by the employer)	1 (5.00%)	19 (95.00%)
Accounts where a Liability Order has been granted and an Attachment of Benefit has been set up (for deductions from benefits to be made by the DWP)	1 (100.00%)	0 (0.00%)
Accounts where a Liability Order has been granted and an Attachment of Earnings or an Attachment of Benefit is pending	5 (31.25%)	11 (68.75%)
Accounts referred to Enforcement Agents (bailiffs)	5 (4.55%)	105 (95.45%)
Accounts where a summons has been issued but a Liability Order has not yet been obtained because the Court date has not yet been reached	35 (19.89%)	141 (80.11%)
Accounts where a Liability Order has been obtained and a decision needs to be made about what the next recovery action should be	6 (9.23%)	59 (90.77%)
Accounts where a Liability order has been obtained and the outstanding balance is due to be written off	1 (100.00%)	0 (0.00%)

* The percentage relates to the total number
** This column includes pensioners in receipt of Council Tax Support

Worthing Borough Council

In respect of Council Tax bills for 2018/19	Working age CTS customers (number/value and percentage)	Non-working age CTS customers * (number/value and percentage)**
Total number of accounts	3,387 (6.73%)	46,974 (93.27%)
Total value of gross Council Tax charged (before CTS is awarded)	£4,148,914 (4.98%)	£79,079,292 (95.02%)
Total value of Council Tax Support awards	£2,515,582	N/A
Net Council Tax charged	£1,236,841 (1.87%)	£64,876,298 (98.13%)
Council Tax payments received	£794,973 (1.46%)	£53,784,489 (98.54%)
Net Council Tax remaining to be paid	£441,868 (3.83%)	£11,091,809 (96.17%)
Summons and Court costs raised	£65,290 (32.70%)	£134,360 (67.30%)
Summons and Court costs withdrawn	£4,770 (30.73%)	£10,750 (69.27%)

* The percentage relates to the total value or number
** This column includes pensioners in receipt of Council Tax Support

Worthing - current recovery status in respect of Council Tax bills where a Liability Order has been granted

In respect of Council Tax bills for 2018/19	Working age CTS customers (number and percentage)	Non-working age CTS customers * (number and percentage)**
Accounts where a Liability Order has been granted and a response from the customer is awaited in respect of a letter asking them to contact the Revenues & Recovery Team	64 (23.62%)	207 (76.38%)
Accounts where a Liability Order has been granted and a payment arrangement has been made with the customer	125 (24.56%)	384 (75.44%)
Accounts where a Liability Order has been granted and an Attachment of Earnings has been set up (for deductions from earnings to be made by the employer)	4 (6.15%)	61 (93.85%)
Accounts where a Liability Order has been granted and an Attachment of Benefit has been set up (for deductions from benefits to be made by the DWP)	15 (93.75%)	1 (6.25%)
Accounts where a Liability Order has been granted and an Attachment of Earnings or an Attachment of Benefit is pending	204 (73.91%)	72 (26.09%)
Accounts referred to Enforcement Agents (bailiffs)	46 (17.97%)	210 (82.03%)
Accounts where a summons has been issued but a Liability Order has not yet been obtained because the Court date has not yet been reached	23 (31.94%)	49 (68.06%)
Accounts where a Liability Order has been obtained and a decision needs to be made about what the next recovery action should be	87 (31.07%)	193 (68.93%)
Accounts where a Liability order has been obtained and the outstanding balance is due to be written off	2 (20.00%)	8 (80.00%)

* The percentage relates to the total number
** This column includes pensioners in receipt of Council Tax Support

Joint Strategic Committee
31 January 2019
Agenda Item 9

ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: Central

Investing in Worthing Town Centre - Action Plan for Redevelopment of Grafton Car Park Worthing

Report by the Director for the Economy

Executive Summary

1. Purpose

1.1. To update the Joint Strategic Committee on work completed in respect of the Grafton site since the November 2017 report to this Committee.

1.2. To outline and agree with Members the next steps in the project to ensure development of the Grafton site.

1.3. To seek agreement for Officers to begin focussed engagement and negotiation with tenants and adjoining neighbours to achieve vacant possession of the Grafton site.

2. Recommendations

The Joint Strategic Committee is recommended to:

1. Note the headline summary of the CBRE Development Strategy Report as set out in paragraphs 4.5 to 4.9.

2. Note the indicative timeline as set out in paragraph 5.3 and the work underway to resolve issues and progress the scheme.

3. Note the continued collaboration with London and Continental Railways and exploration of a formal working relationship to jointly fund and develop the Grafton site.

4. Note that a further report will be submitted to the Joint Strategic Committee following the completion of the Vacant Possession Strategy setting out the precise details of achieving Vacant Possession of the site.

3. Context

3.1. Since the previous report in November 2017 significant progress has been made on resolving key barriers to development on the Grafton site. The site currently provides the second largest quantum of public parking in the town centre, which, if left as a requirement for the redevelopment of the site would greatly reduce the viability of any scheme and greatly reduce the Council's ability to attract private sector investment.

3.2. It was therefore decided to undertake a strategic review across the town centre and the overall town centre regeneration programme, to understand the needs of the town, it's residents and businesses going forward. The studies focussed on identifying the best optimal use for these sites whilst maintaining good access to the services and facilities of the town, including the retail core, employment locations and the hospital. The strategy recommends that Grafton MSCP remains operational in the short term to allow for alternatives to be put in place and improvements to existing provision to be implemented, that the Grafton MSCP be closed permanently and that there be no requirement on the site to provide public car parking in the future. This releases the site from being required to provide public parking spaces and the associated infrastructure/access on this prime seafront site should that be the best development strategy for the site. It also aims to make the site more attractive to investors and developers who will assist the Council in transforming this site for the better of the town centre.

3.3. In order to allow for the implementation of the parking strategy, maintenance works have now begun at Grafton MSCP to keep it safe and operational in the short term, until additional capacity and upgrades to existing parking facilities have progressed sufficiently to enable the Grafton MSCP to be closed for redevelopment purposes.

3.4. Officers will continue to work closely with London and Continental Railways, using their development experience in delivering complex sites to progress the Grafton development. There is provision within the existing Landpool and Promotion Agreement that other sites could be added and discussions are ongoing as to how this could be used to the benefit of the Grafton site and expedite development.

4. Road map to development

4.1. The Grafton Area of Change, a large development site in the centre of the town, has been defined as a redevelopment opportunity in Worthing for many years. During this time town centres and high streets have experienced fundamental changes. This has accelerated considerably with changes in the retail market from high street to online, meaning fundamental structural changes for our high streets and town centres, with many stalwarts of the high street going into administration or closing.

4.2. The focus for Grafton had previously been an extension of the retail floorspace to support growth, however this was prior to the dramatic changes and contraction in the retail sector that we are seeing today. It is therefore appropriate to consider the best uses for the site and how we best support a changing town centre for the future.

4.3. To support this Officers have commissioned a development strategy from CBRE, market leaders in this field, to:

- Identify the ‘best’ option - in terms of viability and deliverability - to bring about redevelopment as soon as prudently practicable, and;
- Maximise the associated regeneration benefits for Worthing Town Centre - in terms of support to the local economy - that will flow from a successful development scheme.

4.4. This work identified key actions to progress the project in readiness for development and provided the following observations and recommendations. The Council has a clear strategy to deliver major change to the town to improve its 'offer' in housing, leisure and business; and attract investment and stimulate economic growth for the local area. The Grafton MSCP site is rightly identified as an ageing, well located asset with development potential and progress has been made; purchase of the Montague Street shops and a new car parking strategy are clear demonstrations of intent.

4.5. However, it identified that there are several impediments that currently either prevent or negatively impact the delivery of a comprehensive re-development of the Grafton site. Many of these are capable of eradication and therefore will not necessarily impede development. These are classed as normal development **constraints**. In addition to these normal development constraints, there are a number of other more significant issues which have been termed development **barriers** for resolution.

4.6. There are three ‘stand out’ issues which have the status of a ‘barrier’. Unless resolved, a comprehensive redevelopment of the GMSCP will - at best - be significantly compromised and - at worst - be undeliverable. These barriers are:

- Vacant possession and associated capital and revenue issues
- Viability
- Access rights of Knightsbridge House tenants across and through the site

4.7. Vacant possession and associated capital and revenue issues: Vacant possession of the site will be required to facilitate comprehensive development. The key considerations will be firstly, the process of negotiation, including any compensation to be paid by the Council, with each of the tenants to achieve vacant possession. Secondly, ensuring the Council has accounted for the combined loss in revenue from the tenants and MSCP. To facilitate this, your Officers are working with consultant advisors to develop a Vacant Possession Strategy.

4.8. Viability: Both non-direct and financial intervention could maximise the financial viability of the project. This includes non-direct “levers” such as increasing the residential component and improving the achievable values realised through improving the layout and aspect of the residential development. Potential to include other types of accommodation (e.g. senior living or hotel accommodation)

4.9. Access rights of Knightsbridge House tenants across and through the Car Park: The vehicular access rights of Knightsbridge House tenants is a fundamental challenge to develop the development, affecting construction and design. There are a number of remedies available to the Council and these are being explored. It could be that a change in the mix of uses and the layout of the development could reinstate the vehicular access without negatively impacting the Grafton site and scheme viability. To progress this, your officers are working with legal advisors to resolve each of the issues and will look to work in cooperation with affected residents to reach the best possible solution to this challenge.

5. Action Plan

5.1. The CBRE Development Strategy sets out a comprehensive action plan to progress the site which will encourage early engagement with potential investors and developers, in particular through seeking expressions of interest, which should elicit a range of design and developer skills for the Council to consider and evaluate early on within the development process. The report also highlights the need to effectively address the issues outlined in paragraphs 4.5 to 4.9 above to ensure the successful development of the site.

5.2. The preferred approach would be to procure a partner to work with the Council to deliver the project, enabling the Council to continue to guide the redevelopment of the site and maximise the regenerative benefits for the wider town centre.

5.3. The following table provides an overview of the recommended timescales and actions for the Grafton site:

	2019				2020				2021				2022		2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2	H1	H2
Impediment resolution workstream	•	•	•	•	•	•										
Wider market testing	•	•	•													
Expressions of Interest invitation				•	•											
Consideration of responses					•	•										
Developer shortlist compiled						•	•									
Development submissions received							•	•								
Proposal evaluation							•	•								
Developer interviews							•	•								
Developer selection							•	•								
Planning							•	•	•							
Pre-development								•	•	•	•					
Commencement of development											•	•	•			
Construction period													•	•	•	•

Table 6 (Note: Assumes comprehensive development)

6. Engagement and Communication

6.1. The Executive Member for Regeneration and the Worthing Major Projects Board have been regularly updated on progress on the Site, including design feasibility options which have focussed on provision of car parking on the site as well as the key issue of resolving access to the rooftop car park of neighbouring residential units at Knightsbridge House.

6.2. Significant internal engagement across Council departments has been taking place, including officers from Finance, Parking, Procurement, Legal, Estates, Technical Services.

6.3. Initial engagement with M&S at both a local and corporate level has been positive and it will be important to maintain a close working relationship with them as a key retailer for the town centre and neighbour to the development site. A further round of store closures has been released and once again Worthing is not listed as being at risk.

6.4. Discussions with AMF Bowling have been productive and we have discussed their role in the town moving forward and what a higher quality offer might look like and how that could be accommodated. We have secured their ongoing commitment to the area with a new lease and will continue to build on our positive relationship.

6.5. Engagement with leaseholders within the Site will be key once we have a fixed development strategy. Engagement with residents at Knightsbridge House will also be fundamental to the redevelopment of the Site. Depending on the preferred solution. this could also include formal negotiation of compensation, including alternative parking provision following the closure of the MSCP and during redevelopment. Wider engagement with town centre residents and businesses will take place once a developer has been secured.

7. Financial Implications

7.1. The assets held by the Council in the Grafton site area generate significant annual income to the Council as follows:

	2018/19 Budget £
Net income from car parking operations	468,440
Rental income from bowling alley	82,500
Net income from shops*	273,960
Total cost to Council of redevelopment	824,990

* Net income after funding debt charges. This assumes that the Council will dispose of the shops as part of the sale and that the capital receipt received will be sufficient to repay the debt. If this is not the case, then the loss of

income will be in would increase by up to £269,000 to a maximum of £1,094,000 . However, the redevelopment may not require the disposal of the retail units depending on the final extent of any proposed scheme.

7.2. Whilst it should be possible to accommodate some of the parking demand in other car parks in the town centre, there will still be a significant loss of income to the Council whilst the site is being redeveloped. In addition to the direct loss of income associated with the redevelopment of the site, the Council will also lose business rate revenues for any commercial properties which are affected as part of the redevelopment.

7.3. The loss of income from the development site would present the Council with a significant financial issue. To mitigate this financial risk, the Council has agreed that the potential loss of income would be phased into the revenue budget over the period 2018/19 - 2021/22. At present the following amounts are being set aside:

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Worthing	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current budget	247	247	247	247	247
Proposed set aside	-	-	400	700	800
Total budget	247	247	647	947	1,047

Whilst this will clearly add to the financial pressures in each of the financial years, this will enable the Council to avoid a significant financial cliff-edge when the car park is closed and the site is redeveloped. By 2021/22, the Council should have set aside sufficient funds to accommodate the loss of income from the closure of the car park and the bowling alley.

7.4. However, much will depend on the financial pressures emerging over the next two years from the outcome of the fairer funding review which may result in a larger budget shortfall than currently anticipated, which may mean that it will take longer to set aside the required amounts.

8. Legal Implications

8.1. Under Section 123 Local Government Act 1972 local authorities have a power to dispose of land held by them in any manner they wish (subject to various constraints, and a general obligation to obtain the best value possible).In addition it is restrictive in that if the disposal of the land is at an undervalue of £2 million pounds or more the consent of the Secretary of State must be obtained.However “consideration” is not limited to the money purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value.

8.2. If the development strategy proposes appropriation of the Site for planning purposes under Section 203 of the Town And Country Planning Act 2016 (S203), a further resolution to appropriate land under S203 will be required, which can only be made once full details of a proposed redevelopment scheme are known.

8.3. Legal advice concerning proposals to terminate leases, and any potential liability arising or compensation due will be provided in due course, once development proposals are known.

8.4. Legal advice will be provided in due course regarding any proposed formal agreement between London Continental Railways and Worthing Borough Council to jointly fund and develop the Site, once the details of the proposed agreement are known.

Background Papers

- Grafton MSCP, Augusta Place, Worthing: Development Strategy. (CBRE, Dec 2018)
- Grafton Multi-Storey Car Park Redevelopment - JSC November 2017
- Worthing Core Strategy, 2011 (Area of Change)
- Draft Worthing Local Plan, 2018

Officer Contact Details:-
Lara Southam
Project Manager, Major Projects and Investment
lara.southam@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

The redevelopment of Grafton is identified as a key transformational change for Worthing Town Centre. It is highlighted as a key area for change in the Worthing Core Strategy (2011), Worthing Investment Prospectus (2016) and Platforms for Our Places (2017). It will deliver modern commercial floorspace and create a new retail circuit by reconnecting the High Street and the Sea front as well as new town centre residential units. This would bring new retailers to the town as well as supporting existing retailers by strengthening the high street retail offer.

2. Social

2.1 Social Value

The redevelopment will include new residential units which will provide a mix of new housing, including family size units. This will assist in addressing the significant shortfall of housing within the Borough

2.2 Equality Issues

Matters considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matters considered and no issues identified.

2.4 Human Rights Issues

Matters considered and no issues identified.

3. Environmental

The development would make more efficient use of a brownfield site, providing a mix of uses in a sustainable, town centre location close to existing amenities and well connected to the public transport system.

4. Governance

A dedicated project board will oversee the governance of the project ensuring:

1) Due diligence
2) Alignment with Council priorities and policies
3) Legal issues and compliance with legislation
4) Risk management including health and safety
5) Statutory approvals
6) Stakeholder Management
7) Change control

Joint Strategic Committee
31 January 2019
Agenda Item 10

ADUR & WORTHING
COUNCILS

Key Decision: Yes

Ward Affected: St Mary's

New Flood Defence for Shoreham Town Centre at Sussex Yacht Club

Report by the Director for the Economy

Executive Summary

1. Purpose

- To update Members on progress with the development of flood defences at Sussex Yacht Club and update on funding.
- To agree a preferred way forward on the purchase of land and funding of the flood defence barrier.

2. Recommendations

2.1 Joint Strategic Committee is recommended to resolve that Option 3 in paragraph 5.3 is agreed as the preferred way forward: to authorise the Director for Economy, to purchase, on behalf of Adur District Council, the land (edged in red on the attached plan) from Sussex Yacht Club for £3.365 million, using funding from Coast to Capital Local Enterprise Partnership granted for that purpose, subject to Adur District Council approving recommendation 2.3.

2.2 Joint Strategic Committee are recommended to require a report back with an update on the project and to consider funding, procurement and contract issues relating to the flood defence wall within the next 12 months.

2.3 The Joint Strategic Committee is recommended to recommend to Adur District Council that:

i) The budget for the scheme be increased by £215,000 to accomodate a contingency sum for the coastal defences works;
ii) Approve prudential borrowing of £778,070 to part fund the coastal defence works, in the event that full funding for the flood defences is not secured from other sources, with the remainder of the funding being provided by the Environment Agency,

3. Background

3.1. Shoreham Town Centre has experienced a number of flooding events in recent years which is affecting investment and growth, and delaying progress on delivering development along the Western Harbour Arm regeneration area. The key weakness in flood defences is at the Sussex Yacht Club site (The Site).

3.2. The majority of flood defences will be provided by private sector investment in line with Adur District Council's adopted Flood Risk Management Guide Supplementary Planning Document 2015. Sussex Yacht Club as a members club is unlikely to have a commercial incentive to develop flood defences.

3.3. Adur District Council is working in partnership with Sussex Yacht Club to deliver a new flood defence wall along the northern boundary of the site. At the meeting of the Joint Strategic Committee in January 2017 it was agreed for Officer's to enter into negotiations for the purchase of the land required on which to build the flood defence, for them to appoint any necessary consultant and to submit a planning application for the flood defence, and to enter into contracts for the construction of the flood defence wall. The authority was given, subject to financial provisions that the full cost of the scheme was covered by grant funding from Coast to Capital Local Enterprise Partnership and the Environment Agency. Head of Terms were agreed by Members at a meeting of the Joint Strategic Committee in June 2018.

3.4. Funding has been identified from the Coast to Capital Local Enterprise Partnership (LEP) of £3.5m which through the funding agreement is required to be spent on the purchase of the land and needs to be spent by April 2022 at the latest in line with the terms of the Government's Local Growth Fund Round 2. The terms of the Coast to Capital funding agreement with Adur District Council includes a requirement to deliver agreed outputs which include the delivery of the flood barrier, cycleway and footpath, should all of these outputs not be delivered by the end of the funding period, Coast to Capital may require the funding to be repaid. The Environment Agency had indicated that they would provide funding of up to 1.2 million pounds for the construction of the flood barrier following the submission of a business case.

4. Previous Resolutions by Joint Strategic Committee

4.1 Joint Strategic Committee previously considered the project in January 2017 and agreed a way forward based on the scheme being fully grant funded from the Environment Agency and Coast to Capital Local Enterprise Partnership. The following recommendation 6.1 was agreed:

> *The Director for Economy, in consultation with the Executive Member for Regeneration, be authorised to make the necessary professional consultancy appointments to negotiate both the purchase of the yellow land shown on the Plan by way of an unconditional sale contract and the land shown coloured green on the Plan by way of a contract conditional on the Yacht Club being able to obtain planning permission for the construction of the replacement clubhouse from Sussex Yacht Club subject to all costs associated with the project not exceeding the funding drawn down from the Coast to Capital LEP and Environment Agency.*

4.2 An update on progress was presented to the June 2018 Joint Strategic Committee through which Members noted the agreed Heads of Terms for purchase of the land from Sussex Yacht Club which included the agreed purchase price for the land £3,300,000. The Heads of Terms removed the distinction between the land shown in yellow and land shown in green from the January 2017 report to committee, and the agreement was to purchase all of the land required in one transaction. A plan of the land to be purchased is shown in Appendix 1 below.

4.3 The resolution from January 2017 included the proviso that "all costs associated with the project not exceeding the funding drawn down from the Coast to Capital LEP and Environment Agency". Since this time, further detailed work has been undertaken on the cost of construction of the flood defence wall which has increased from original estimates due to ground conditions and the need for substantially wide flood gates to accommodate the continuing operation of the Yacht Club. A business case has also been submitted to the Environment Agency, and initial indications are that only £661,931 will be forthcoming instead of the full £1,200,000 allocated in their capital budget. More refined estimates of the cost of the flood barrier indicate that the cost of construction will also exceed £1,200,000, but this cannot be confirmed until tenders have been received. Furthermore, the Environment Agency have confirmed that their grant allocation will be dependent on the full costs of the scheme being secured by Adur District Council.

4.4 It is now clear that while all the funding is in place for the purchase of the land using the Local Enterprise Partnership grant, the funding available from the Environment Agency will not cover the full cost of the development of the flood defence wall. This is contrary to the resolution of the Committee in January 2017 and therefore Officers cannot proceed to purchase the land without a further resolution from the Joint Strategic Committee, and approval from Council of the shortfall in funding from prudential borrowing.

4.5 Officers have begun to identify other sources of funding to cover the cost of the wall including securing funding from the Shoreham Harbour Regeneration Partnership, West Sussex Business Rates Pool, or applications for any other grant under-spends from Coast to Capital or the Environment Agency. Should a funding gap remain at the time the works are due to be commissioned (anticipated to be autumn 2020), the Council could prudentially borrow (subject to Member approval) to cover any remaining funding gap.

4.6 It is considered that the acquisition of the land is the key element that allows the development of the flood defence by the Council. Officers consider that a pragmatic way to continue is to purchase the land using Local Enterprise Partnerships funding (which would have to be returned should we choose not to proceed), and work to secure additional funding as set out in paragraph 4.5 above while Sussex Yacht Club do the initial stages of the project to develop their new club house. A further report will be brought to Members of the Joint Strategic Committee outlining the funding situation and seeking authority to proceed, prior to procuring and awarding a Contract to outline the final funding of the flood defence barrier. A risk would remain that any funding gap could not be bridged, and the flood barrier would not be delivered even though the land had been purchased; in such circumstances the Local Enterprise Partnership could require repayment of their funding. To prevent this authority is sought from the Council, to cover the funding gap, by way of borrowing, should that be necessary.

5. Options Considered

5.1 Option 1: To not continue with the project. This would result in the Council having to return £3.5m of funding to the Coast to Capital Local Enterprise Partnership and would not prevent flooding from happening in Shoreham Town Centre. This is not the recommended option.

5.2 Option 2: To wait until all funding has been secured for the flood barrier works before purchasing the land from Sussex Yacht Club. This is likely to result in Sussex Yacht Club losing the confidence in Adur District Council as a partner and could withdraw from the agreement to sell the Council the land. Furthermore, the delay could result in the Coast to Capital Local Enterprise Partnership withdrawing the £3.5m funding for the scheme as there would be no clear indication that the flood defence infrastructure would be delivered within the funding period (ending 2022). This is not the recommended option.

5.3 Option 3: To continue with the purchase of the land from Sussex Yacht Club for the flood defence infrastructure using the £3.5m grant from Coast to Capital without the full funding being in place for the flood defence works. For Officers to continue to source additional grant funding for the construction of the flood defence wall. Should grant funding not be secured for the full amount, that Adur District Council would prudentially borrow (subject to full Council approval) to cover the funding gap subject to a report to Joint Strategic Committee prior to any procurement when more detailed costs are known. This option will allow the infrastructure project to proceed, and enable the Council to purchase the land which is critical to the projects success. If Council approve the funding as set out in recommendation 2.3 above, this would eliminate the risk of funding for the flood barrier not being secured, and the LEP requesting their grant funding to be returned. This is the recommended option.

6. Financial Implications

6.1 The overall cost of the scheme is expected to be as follows:

	£'000
Flood alleviation study	85
Preliminary fees	90
Purchase of land	3,300
Flood defence works	1,200
Contingency on flood defence works	240
Total scheme costs	4,915
Current approved budget	4,700
Budget shortfall	215

6.2 It was expected that the EA would fund the entirety of the flood defence works. However, a maximum amount of funding of £661,930 has been indicated. Unless the Council can identify alternative funding, the Council will have to fund the shortfall through prudential borrowing of £778,070 otherwise the scheme will be unable to proceed. This is will add to the Councils financial pressures from 2021/22 onwards by £33,670 per annum.

6.3 If no funding is forthcoming from the EA, then the Council would have to fund the whole of the flood defence scheme (£1.44m) at a potential additional cost of £62,300 per annum.

7. Legal Implications

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

7.2. The District Council of Adur is a Coast Protection Authority under Section 1 of the Coast Protection Act, 1949.

7.3. s120 Local Government Act 1972, provides that principal Councils may acquire by agreement any land for the purpose of their functions or the improvement of their areas for money or money's worth as a purchaser or lessee.

7.4. Land purchases are not generally service or works contracts as defined by the Public Contract Regulations 2015 and therefore fall outside the scope of the procurement regulations.

7.5. When entering into a contract for the purchase of Land the Council must have regard to its Contract Standing Orders and any constitutional issues arising from the value of the Contract and that it will constitute a Key Decision.

7.6. Further contracts arising under this project; the demolition of the existing yacht club and the building of the flood defence wall and footpath; will be public works contracts and subject to the Public Contract Procurement Regulations.

7.7. Any expenditure of grant funding must be in accordance with the Grant Funding Terms and Conditions or approved by the Grantor. The terms of the Coast to Capital funding agreement with Adur District Council includes a requirement to deliver agreed outputs which include the delivery of the flood barrier, cycleway and footpath. There is no certainty at this time that the Council will have secured sufficient funding to deliver the outputs and there is a risk that if they are unable to do so by the end of the funding period, Coast to Capital may require the funding to be repaid.

7.8. Joint Strategic Committee are asked to recommend to full Council the approval of prudential borrowing should additional grant funding not be secured to complete the flood defense barrier. No purchase of the Sussex Yacht Club should take place until such approval has been given by Adur District Council.

7.9. Section 9 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 and the Adur District Council Executive Procedure Rules provide that at least 28 clear days before a key decision is made a document must be made available to the public which states that a key decision is to be made, the matter in respect of which the decision is to be made, the decision-making body, the date on which the decision is to be made, and the procedure for requesting details of relevant documents (the Forward Plan). The decision to purchase the Sussex Yacht Club is key as defined by the Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2000, due to the significant expenditure. The required statutory notice has not been given of this key decision. As it is impracticable to defer this decision until 28 clear days notice has been given, the general exception provisions have been applied, and the Director for Communities has, in writing, informed the Chairmen of the Joint Overview and Scrutiny Committee, by Notice, of the matter to which the decision is to be made, and has made that Notice available to the public for at least 5 clear days prior to the decision being made.

Background Papers

- Joint Strategic Committee 5th June 2018 Agenda Item 7- Sussex Yacht Club.
- Joint Strategic Committee 10th January 2017 Agenda Item 11 - Flood Defences at Sussex yacht Club.
- Joint Strategic Committee 7th July 2015 Agenda Item 12 - Shoreham Harbour - Flood Defence Project for Sussex Yacht Club and Kingston Beach, Western Harbour Arm.

Officer Contact Details:-

Cian Cronin
Head of Major Projects & Investment
07824 343896
cian.cronin@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

The project will deliver significant economic benefits through the protection of Shoreham Town Centre and the A259 from flooding incidents and will create a number of direct and indirect economic benefits through the construction process. A full economic impact assessment is being undertaken as part of the work being undertaken by Mott MacDonald at present.

2. Social

2.1 Social Value

The project outlined in the above report will have a positive impact on our local communities by improving local flood, cycle and pedestrian infrastructure.

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

The development would protect homes and businesses and therefore would not impinge on anyone's human rights. The proposals, in any event, would require planning permission and due consideration will be given to all the consultation responses received.

3. Environmental

It is not anticipated that any aspect of the scheme will have a deleterious effect on Adur District's environment or habitats. The environmental and ecological effects of the scheme will be fully considered through the planning application.

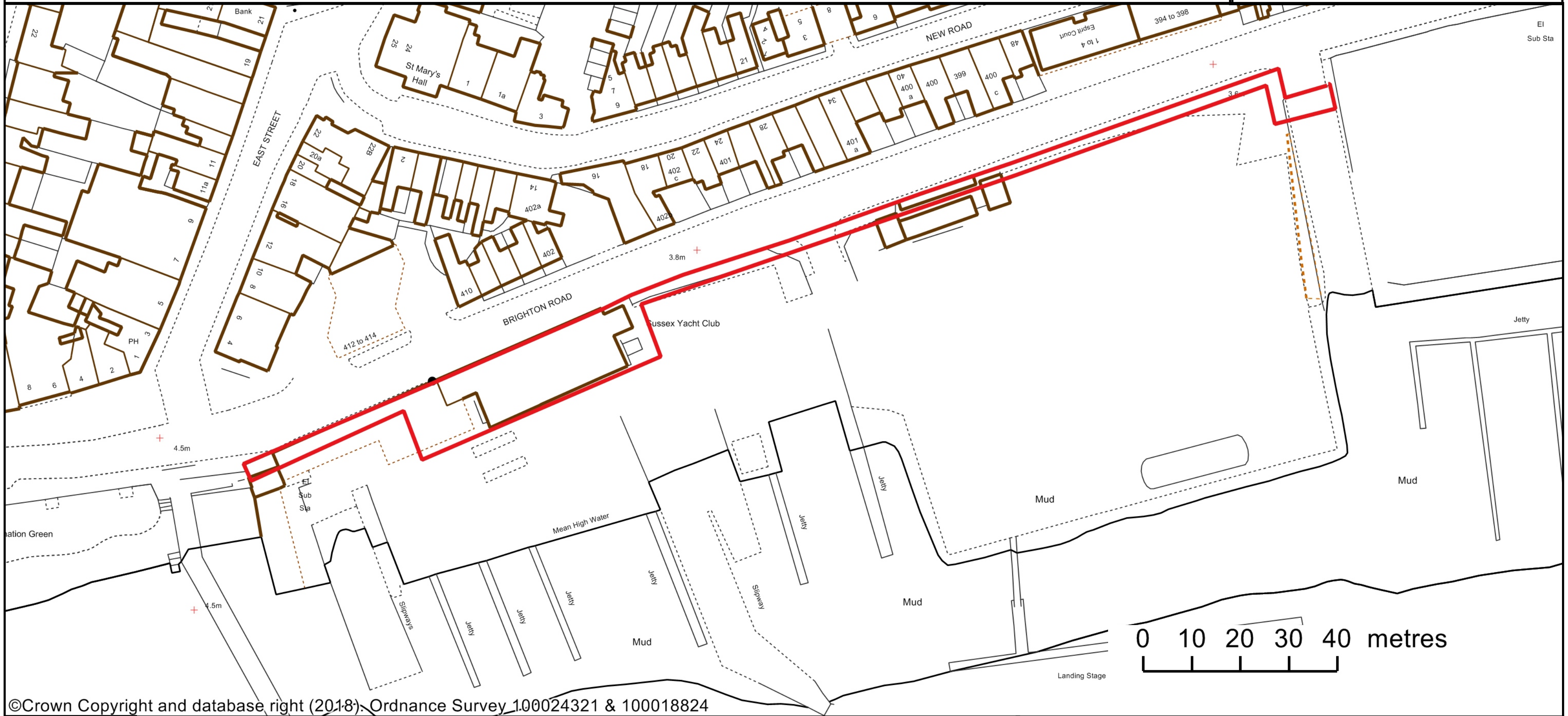
4. Governance

The developments outlined within this report are aligned to the Council's priorities contained within the Our Financial Economies platform.

Shoreham Flood Defence Wall

23 October 2018

ADUR & WORTHING COUNCILS



1:1250