



ADUR & WORTHING COUNCILS

25 February 2019

Joint Strategic Committee

Date: 5 March 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 31 January 2019, the Worthing Executive meeting held on 4 February and the Adur Executive meeting held on the 5 February, 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 Friday 1 March 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. 3rd Quarter Revenue Budget Monitoring 2018/19

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

6. 3rd Quarter Capital Investment Programme & Projects Monitoring 2018/19

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

7. Strategic Property Investment Fund 2019 (SPIF) and the Commercial Property Investment Strategy (CPIS) 2019/20

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

8. easitADUR&WORTHING - transport discount scheme

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

9. Investing in Domestic Abuse support and increasing physical activity

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

10. Waste & Street Cleansing Vehicle Replacements

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

11. The Future of Public Spaces Protection Orders for Dogs

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

12. Worthing Theatres & Museum - The Future of Culture for Worthing

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

13. Delivering our Sports and Activity Strategy - Opportunities for Worthing Leisure Site

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

14. Development of a Natural Burial Area

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

15. Exclusion of Press and Public

In the opinion of the Proper Officer the press and public should be excluded from the meeting for consideration of the following item. Therefore the meeting is asked to consider passing the following resolution:

'that under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting from the following items of business on 2 the grounds that they involve the likely disclosure of exempt information as defined in the paragraph of Part 3 of Schedule 12A to the Act indicated against the item'

Part B - Not for Publication – Exempt Information Reports

16. Development of a Natural Burial Area - Exempt Appendix 2

To consider a report from the Director for Communities, a copy is attached as item 16.

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:

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



Key Decision : No
Ward(s) Affected: All

3rd Quarter Revenue Budget Monitoring 2018/19

Report by the Director for Digital and Resources

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report updates the Joint Strategic Committee with the latest expenditure and income projections for each Council in the current financial year 2018/19, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 31st December 2018, the forecast position will reflect the latest information available to ensure an up-to-date forecast is presented.

1.2 The following appendices have been attached to this report:

- (i) **Appendix 1** (a) Adur Summary
(b) Adur Use of Earmarked Reserves
- (ii) **Appendix 2** (a) Worthing Summary
(b) Worthing Use of Earmarked Reserves
- (iii) **Appendix 3** HRA Summary
- (iv) **Appendix 4** (a) Table of Variations over £20,000
(b) Quarterly comparison

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is asked to note the report and projected outturn position for the Joint Committee, Adur District Council and Worthing Borough Council against the approved revenue budgets and proposed use of reserves (Appendix 1b and 2b).

3. CONTEXT

- 3.1 The Joint Strategic Committee considered the 5-year forecast for 2018/19 to 2022/23 on 5th December 2018.
- 3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on the strategy first proposed in 2016/17 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 income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

- 4.1 As part of the 2018/19 budget the Councils committed to savings of £1.365m for Adur District Council and £1.981m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. From the budget monitoring it is clear that the majority of these savings have been delivered as expected.
- 4.2 The operational position is a **net overspend** by services of **£200,000 in Adur** and **£80,000 in Worthing** as a result of previously reported cost pressures such as increasing demand in the homelessness budgets and a delay to the implementation of the environmental services restructure. This includes meeting the challenges of significant savings requirements to balance the 2018/19 budget. The main factors influencing the level of spend are discussed in detail in section 4.9 of the report.
- 4.3 There are a number of timing differences which have benefited the budget in 2018/19 associated with the business rate retention scheme and the financing of the capital programme which are discussed in more detail below.
- 4.4 An analysis is underway to review commercial income performance as there are a number of income streams that have performed less well this year to date.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.5 The current year-end forecasts are comprised of a number of elements as set out in the table below:

2018/19 Forecast Outturn	Adur £000	Worthing £000
<u>Over/(under)spend in operational services – including share from Joint</u>	200	80
<u>Reduced borrowing requirement:</u>		
A lower than forecast call on the MRP (provision to repay debt) and net interest in 2017/18, due to reprofiling of the capital programme already adjusted for in 2019/20 budget.	(88)	(466)
<u>Planned contributions to the capital programme</u>		
Additional net income in Car Parking to be set aside to fund future car park refurbishment works		(73)
<u>Expenditure to be funded from reserves</u>		
Items of expenditure which are to be funded from reserves as approved by members	187	242
<u>Budget provision related to timing differences:</u>		
Project funding to Carry forward to 2019/20 for projects that have yet to commence or will complete next year	(27)	(249)
Additional Government grants for Business Rate reliefs granted in year which will be used to fund the financial impact in 2019/20	(376)	(520)
Net over/(under)spend before contributions from Reserves	(104)	(986)
Net contribution to / from (-) Reserves and use of capital flexibilities	(187)	(192)
Committed revenue contribution to capital funded from departmental underspends	0	73
Net underspend after contribution from Reserves	(291)	(1,105)

4.6 The key factors underpinning the current financial position include:

- An underspend in the Minimum Revenue Provision (MRP) and net interest budgets. The budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current years capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2019/20. A full breakdown of the position is at 4.12.6.
- Budgets or additional income in year that have been committed as revenue contributions to capital schemes. For example, net additional parking income received in Worthing that has been committed to fund improvement works.
- Budget underspends that will be requested to be carried forward to 2019/20. These occur where initiatives have not commenced or completed as early as expected. The expenditure is therefore still expected but not until the next financial year. This relates mainly to the major project budgets in Worthing which are currently in progress and run over several years.
- Government (section 31) grants received to compensate Councils for HM Treasury decisions relating to Business Rate reliefs. Although additional grants are paid in 2018/19 the impact of these decisions on business rates income will not hit the general fund until 2019/20. It will therefore be prudent to transfer these additional funds to the Business Rates Smoothing Reserve. This reserve was established in 2017/18 to smooth the effect of the cash flow volatility within the Business Rates mechanism in future years.

Once the above items are taken into account, including the contribution from reserves, the operational position is a net overspend by services of £200,000 in Adur and £80,000 in Worthing. The factors influencing the operational position have been addressed as part of the 2019/20 revenue budget.

4.7 The comparison to the Q2 forecast outturn before a contribution from reserves:-

	Joint	Adur	Worthing
	£'000	£'000	£'000
Forecast Over / (Under) spend Q3	482	(104)	(986)
Forecast Over / (Under) spend Q2	(56)	(184)	(745)
Change from Q2 to Q3: (Improvement) / Deterioration	539	80	(241)

The Joint overspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported budget variances in Adur and Worthing, in the table above, include the total share transferred from the Joint services.

4.8 In the table below, projections have been separated between authority and by Income and Expenditure, to indicate the level of under/overspend of costs and the over/under achievement of income targets.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

	Expenditure	Income	Net Total
Joint	£'000	£'000	£'000
Budget	29,224	(6,854)	22,371
Forecast	29,624	(6,771)	22,853
Projected Forecast (Under)/ Overspend	399	83	482
Forecast varaince percentage	1.37%	-1.21%	2.16%
Adur	£'000	£'000	£'000
Budget	37,703	(28,447)	9,256
Forecast	34,962	(26,003)	8,959
Authority Projected Forecast (Under)/ Overspend	(2,741)	2,445	(297)
Share of Joint (Under) / Overspend	160	33	193
Authority Projected Forecast (Under) / Overspend	(2,582)	2,478	(104)
Forecast varaince percentage	-6.85%	-8.71%	-1.12%
Worthing	£'000	£'000	£'000
Budget	70,555	(54,849)	15,706
Forecast	68,413	(53,982)	14,431
Authority Projected Forecast (Under)/Overspend	(2,142)	867	(1,275)
Share of Joint (Under) / Overspend	240	50	289
Authority Projected Forecast (Under)/ Overspend	(1,903)	917	(986)
Forecast varaince percentage	-2.70%	-1.67%	-6.28%

4.9 The Joint Strategic Committee (JSC) is asked to consider:-

- the current projections of variations in the two Councils General Fund Revenue Budgets;
- the current projections of variations in the Adur Housing Revenue Account; and
- any amendments and virements to budgets for each Council which may require a recommendation onto Council for approval;

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.10 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2018/19, these services are:-

- Crematorium
- Development Control
- Homelessness
- Theatres
- Commercial Waste
- Car Parking
- Cross cutting services including maintenance and utilities

4.11 Most of these services are subject to closer monitoring because they meet one or more of the following criteria:-

- Demand led
- Income based
- Specialist
- Significant changes to the service are being made in the near future.

4.12 **Headline budget variations across both the Councils' and the Joint account**

4.12.1 Car Parks

In Worthing, net income from parking charges is currently exceeding the budget and is forecast to be £73,000 over at year end. This will contribute towards the funding of the financing costs associated with improving the lighting at the car parks. This increased income is due to last year's tariff review, which was implemented in early 2018. This excess income will continue to be used in future years to fund MSCP improvements. The forecast is lower than quarter 2, this is due to several factors:

- New parking provision not yet available at the Teville Gate site. It was assumed in the budget that following the closure of the previous parking facility alternative temporary surface provision would be introduced, this is not now expected until 2019/20.
- Parking at Brooklands has been affected by the closure of the facilities, this is as a result of the launch of the Brooklands Masterplan.
- The improvement works to Grafton MSCP reduced the parking space capacity which has impacted on the income received within car parks. There was some displacement to other car parks but the net impact is a reduction.

In Adur, the income projection is expected to exceed its budget by £70,000.

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.2 Housing

Housing Needs

The continued increased spend on providing emergency and temporary accommodation reflects rising demand across the South East, including Adur and Worthing and the lack of housing supply for those needing affordable accommodation, whether this is to prevent homelessness or to move people on from emergency accommodation.

Across the South East there is competing demand between local authorities for both emergency and temporary accommodation, the latter often being leased private sector accommodation.

Whilst Adur and Worthing have made significant progress in leasing more affordable units of temporary accommodation, competition does mean that prices in some areas (e.g. Worthing) are being pushed beyond the reach of the Councils, and the supply of suitable emergency and temporary accommodation within the Borough is reduced.

There is currently a projected overspend of £206,000 in Worthing and £64,000 in Adur. This estimate assumes the current caseload numbers in temporary accommodation remains static with an average room rate of £47 per night. More affordable units are projected to come on stream in the future. The team continues to explore other avenues to prevent homelessness, and consequently the need for temporary accommodation, as well as the potential purchase of suitable properties for this purpose.

Housing Management - Full Year forecast						
	2017/18			2018/19 - Full Year Projection		
	Budget for Year	Actual for Year	Variance for Year Over / (Under)	Budget for Year	Forecast for Year	Projected Variance for year Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	318	643	325	635	803	167
ETA rental income	(102)	(261)	(159)	(411)	(308)	103
Grant funding	-	(184)	(184)	-	(206)	(206)
	215	199	(16)	224	289	64
WORTHING						
ETA Expenditure	748	1,402	654	1,267	1,708	442
ETA rental income	(259)	(548)	(289)	(589)	(687)	(98)
Grant funding	-	(120)	(120)	-	(138)	(138)
	489	735	245	678	884	206
	704	933	229	903	1,173	270

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.2 Housing

Housing Needs

Housing Management - Comparative Financial position at December						
	2017/18 Year to Date			2018/19 Year to Date		
	Budget to P9	Actual to P9	Variance to P9 Over / (Under)	Budget to P9	Actual to P9	Variance to P9 Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	238	421	182	477	564	87
ETA rental income	(76)	(42)	34	(309)	(243)	66
Grant Funding	-	(184)	(184)	-	(206)	(206)
	162	195	33	168	115	(54)
WORTHING						
ETA Expenditure	561	1,021	460	950	1,144	194
ETA rental income	(194)	(125)	69	(441)	(506)	(65)
Grant Funding	-	(120)	(120)	-	(138)	(138)
	367	776	409	508	500	(9)
	529	971	442	676	614	(62)

For Adur, there is an additional overspend on Private Sector Leasing accommodation, £75,000 where there is an income shortfall over the cost of rent payable, in addition to a number of void properties awaiting repairs to bring them up to a lettable standard.

Also in Worthing, the temporary accommodation overspend is currently partially offset by an underspend in the housing initiatives budget £110,000. It is projected that this budget will be used to support preventing homelessness projects over the remaining course of the year.

Overall there is an overspend in the general fund Housing Needs in Adur of £127,000 and Worthing £96,000. Significant additional resources have been added to the 2019/20 revenue budgets to address the pressure on the budgets.

Housing - Environmental Health

With effect from 1 October 2018 mandatory licensing of HMOs will be extended so that smaller properties used as HMOs in England which house 5 people or more in 2 or more separate households will in many cases require a licence.

This has generated additional income of £80,000 for Worthing and £15,000 for Adur for these 5 year licences. In addition, the fee income received for the Housing Improvement Assistance scheme will exceed the budget by £37,000 in Worthing and £20,000 in Adur.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.3 Environment

The Restructure of the Environment and Waste teams into a new single service was fully implemented by the end of August. This had been planned from April and therefore has impacted on the ability to achieve the full year saving.

In 2018/19, growth was approved to create two additional waste & recycling rounds to service new properties being constructed.

An in-year review has identified that it is not necessary to fully implement this growth immediately, (whilst retaining service delivery), therefore some of this budget has been used to offset the changes to the timeline of the Environment service redesign.

It is projected that both Adur and Worthing Commercial Waste disposal costs are expected to be over budget by £40,000 and £141,000 respectively. This is a combination of increased disposal costs and under estimation of budget required. Any budgetary issues have been corrected in the 2019/20 budget.

Bereavement services – Cemetery net income in both authorities is projected to fall marginally short of the budget (£4,000 Adur, £28,000 Worthing). The Crematorium income is forecast to be £58,000 below target for the year; business has been affected by the closure of the Muntham chapel for three months whilst refurbishment work was completed and a current decline in numbers in recent months.

Parks & Open Spaces – Worthing has received a one off receipt of £80,000 relating to an inconvenience payment from Rampion for the continued use of Brooklands park during the construction of the Rampion wind farm. Additional compensation payments for loss of income have been received totalling £131,000. This offsets a projected shortfall of income across Parks Services of £121,000.

4.12.4 Planning & Development

Building Control

Building Control fees have increased slightly year on year but due to increasing competition from the private sector (Approved Inspectors) it is not predicted to meet its net income budget (likely shortfall for Worthing £63,000 and Adur £39,000). This is a continuing trend from previous years following an expected increase in fee income which was not achieved and has been addressed in the next budget setting cycle and a realistic fee income target has been set for next year.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

Development Management

There is forecast to be a slight shortfall in income against its budget in Adur of £15,000. In Worthing it is estimated that the income will come in above target by £32,000, this projection assumes that Planning fees will be received relating to two large projects: the West Sompting development and Teville Gate.

There are some additional fees for flood assessment, retail and landscape Consultants relating to the New Monks Farm development, however, if the West Sompting application is submitted there could be a surplus in fees for Adur.

Issues with the new proposed Development and Building Control system have resulted in a decision to abort the purchase and the capital costs have now been written off to revenue £116,000.

4.12.5 **Economic Development**

Adur Farmers Markets - Income from farmers markets has already met the budget for the year to date and is expected to exceed by an estimate of £24,000 by the year end.

Bus Shelter Advertising – income of £20,000 has been received in Adur for this service.

4.12.6 **External Borrowing Costs, Investments and Minimum Revenue Provision**

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The calculation is based on the level of historic capital spend that has been financed from borrowing. Consequently, once the accounts have been closed and the calculation has been updated for the capital spend in 2017/18, there is certainty about the charge for the forthcoming year.

Both Councils have an underspend on their MRP budgets due to the reprofiling to 2018/19 of a proportion of the 2017/18 Capital Programmes and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow.

In addition, interest rates for borrowing have remained stable although the Council had expected an increase when setting the budget. This combined with increasing levels of capital receipts and changes to the profile of expected capital spend has reduced the overall need to borrow.

These underspends also include a write down of a municipal bond fund of £25,000 per Authority and the purchase of additional shares in Boom Credit Union (see table below):

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

Treasury Management (Under) / Overspends	Adur	Worthing
Minimum Revenue Provision	(82,000)	(297,600)
Interest on Borrowing and TM costs	(51,700)	(168,200)
Investment Income	6,800	(50,500)
Write down of Municipal Bond Funds	25,000	25,000
Debt Management Expenses	14,000	
Deferred Shares in Boom Credit Union		25,000
Total	(87,900)	(466,300)

4.12.7 Revenues and Benefits

There is forecast to be an underachievement in the recovery of court costs in Worthing of £59,000 as a result of changes in the process, which take a more customer focused approach in:

- Engaging with customers earlier in the recovery process (reducing the number of accounts that require Court action); and
- In some instances negotiating repayment in return for remitting the court cost charge.

Overpayments in Worthing are showing an underachievement of income based on current figures. It is forecast that this will underachieve by £355,000. However, this is attributable to a reduction in the value of overpayments that have been raised which is a reflection that following:

- a) The provision of enhanced data sets from the Department for Work & Pensions (e.g. earnings and private pensions via the HMRC RTI/VEP database); and
- b) A number of data matches that were received from the Department for Work & Pensions during the last three years benefit records are more accurate and therefore the potential to identify overpayments has reduced.

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.8 Business Rates

Additional net income is anticipated in relation to Business Rates by Adur £376,000 and Worthing £520,000;

	Worthing		Adur	
	2018/19 Budget £000	Projected Outturn £000	2018/19 Budget £000	Projected Outturn £000
Income - (Fixed)	12,803	12,803	7,307	7,306
Less Tariff payment (fixed)	(9,839)	(9,839)	(4,931)	(4,931)
	2,964	2,964	2,376	2,375
Section 31 Grants from Govt	910	1,290	616	773
Less Levy payment	(818)	(830)	(701)	(575)
Net Income	3,056	3,424	2,291	2,573
Additional income above budget 2018/19		368		282
Additional backdated grant		152		94
Total additional grant		520		376

The precept income from the Collection Fund is set before the start of the financial year as part of the budget process and the tariff payment is fixed by Government as part of the local government finance settlement.

Section 31 grants are a reimbursement by Government for the income lost by local authorities for specific types of relief or support given to local businesses under the business rate retention scheme. This year there has been an increase in the value of reliefs awarded to local businesses leading to additional income from grants for. Included in the forecast is an allowance for additional backdated grant resulting from a change in the calculation basis for the Section 31 Grant (Adur £94,000 Worthing £152,000). the claims are subject to confirmation from MHCLG.

However these increases were made after the overall income to be taken from the Collection Fund was determined. The result is a timing difference between when the grant is received and accounted for within the General Fund and when the actual loss of business rates to the Collection Fund income will be funded by the General Fund (2019/20). The Councils have set aside resources into a business rate smoothing reserve to help fund these timing differences.

The Worthing share of the projected Collection Fund deficit for 2019/20 is £403,651, and this is as a result of the timing differences between grant receipt and the business rates income.

The Adur Collection fund also has a projected deficit and the district council share is £562,517 but the position is more complex. In Adur there is a substantial in-year deficit which is the result of the adverse impact of the settlement of a significant appeal, revaluations and the impact of some commercial properties being converted to residential use (where in time council tax income will be received instead).

4.12 **Headline budget variations across both the Councils' and the Joint account**

Business Rate income is volatile and can be affected by many factors; government decisions, changing use of commercial properties, valuations, appeals. It will therefore be recommended to members that where there is available capacity at outturn, they agree to put any additional business rates income into reserves. The reserves can then be used, when required, to smooth the effect of the business rates volatility in future years.

4.12.9 **Capitalisation of Staff Costs**

The estimate of work completed by Technical Services that relates to capital projects is higher than budgeted. This has resulted in a reduction in the anticipated costs that will be charged to revenue in 2018/19. In Adur the underspend against the revenue budget is £70,000 and in Worthing £210,000. This final charge to capital will be dependent on the level of work actually completed by the year end.

4.13 **Budget variations greater than £20,000**

The Councils individual Summary Projected Outturns are reported in Appendix 1a for Adur District Council and Appendix 2a for Worthing Borough Council.

The variations greater than £20,000, for this report, are detailed in Appendix 4.

There are some expenditure items that are not identified until the year end that will impact on the final outturn. These items can have a positive or negative impact on the final position.

They include:-

- Movement in the estimate for doubtful debts
- A review of any amounts needed to be set aside for liabilities that are likely to occur in the future
- Changes in allocations of staff time to outside the General Fund

4.14 **Cross Cutting Budgets**

The following categories of expenditure are analysed across various services. It is anticipated that this will be on target:

- Equipment, furniture and materials
- Postage
- Printing stationery and office supplies
- Consultancy costs
- Travel costs

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

Energy

During the year a review of energy cost recharges to external organisations was carried out, it has been identified that these had not been completed for a number of years. It is estimated that costs of £70,000 will be recovered in 2018/19 relating to prior years. Overall energy costs are forecast to be below budget.

Water

The costs for water are above budget for Adur, Worthing and Joint services by £49,000, £74,000 and £23,000 respectively. This includes some costs associated with 2017/18 that were not accrued for at the end of last year (£30,000 for both Adur and Worthing). In addition Adur has incurred costs as a result of a water leak at Monks Recreation Ground amounting to £9,000 after the water rebate protection.

Rates

There is an overall underspend against the cost of rates budget in Adur £9,000 and Worthing of £48,000. This is mainly due to refunds of rates costs associated with public conveniences. There is however a small overspend within the Joint Services of £9,000 related to the office buildings that is allocated to Adur and Worthing which partly offsets this.

Telephony

Telephony costs are expected to exceed budget by £50,000. This includes additional costs associated with change of provider £10,000 which has resulted in improved resilience of the service. The remaining overspend is due to the budget historically not meeting the cost of the service. This is to be addressed in the 2019/20 budget setting process.

Vacancy Provision

Current projections show that the vacancy provision target is not currently being met and is forecast to underachieve by £160,000. This is due in part to the income being below budget due to the early cessation of officer secondments, together with pressures in some services requiring additional resources. Additionally there has been the impact of pay and grading reviews and the later implementation of service redesigns.

4.15 Housing Revenue Account

4.15.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 3.

	ORIGINAL ESTIMATE 2018/19	REVISED ESTIMATE 2018/19	PROJECTED OUTTURN 2018/19	PROJECTED OVER/ (UNDERSPEND) 2018/19
	£	£	£	£
General Management	4,132,760	4,132,760	4,082,198	(50,562)
Annual Revenue Maintenance costs	2,823,320	2,823,320	2,954,701	131,381
Capital Financing costs & Depreciation	6,908,980	6,908,980	6,253,104	(655,876)
Provision for Bad Debt	50,000	50,000	35,817	(14,183)
Total Expenditure	13,915,060	13,915,060	13,325,820	(589,240)
Less Income	(13,180,490)	(13,180,490)	(13,076,270)	104,220
Net (Surplus) / Deficit	734,570	734,570	249,550	(485,020)
Funded from Reserves	(734,570)	(734,570)	(734,570)	
Overall Position	-	-	(485,020)	(485,020)

4.15.2 The HRA is forecast to remain within budget for 2018/19. The approved budget includes the use of HRA reserves of £734,570 required to meet the cost pressures from rent limitation and maintenance and repair work required to the housing stock resulting from the condition survey. A number of income shortfalls have arisen during quarters 1 and 2 but these can be covered by reductions in expenditure elsewhere in the budget.

5. ENGAGEMENT AND COMMUNICATION

5.1 The Corporate Leadership Team and budget managers have all collaborated in the content of this report providing explanation and narrative on the forecast variances.

6. FINANCIAL IMPLICATIONS

6.1 At the end of the 3rd Quarter of the revenue budgetary cycle, it is anticipated that there will be an overspend in the Joint Committee of £482,000. After allowing for the net contribution from reserves to fund some expenditure and the allocation from the Joint Committee, it is anticipated there will be an underspend in Adur District Council of £291,000 and in Worthing Borough Council an underspend of £1,105,000.

6.2 This is a welcome position and provides the opportunity for the Councils to contribute to their general fund reserves. This would support the recommendation from the recent LGA Peer review that the Councils should 'Maintain and bolster reserves in line with risk exposure as necessary'.

6.3 Any recommendations regarding the underspend will be presented to members in the Outturn report for approval. However early indications are that:

- Carry forward permissions will be sought for underspent project budgets to support the delivery of approved initiatives;
- Any surplus business rate income will be recommended to be transferred to the business rate smoothing reserves to mitigate against future volatility.
- Surplus car parking income in Worthing which will be used to fund improvements to the MSCPs.

Finance Officer:

Date:

7. LEGAL IMPLICATIONS

7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge.

Legal Officer: Susan Sale

Date: 5th February 2019

Local Government Act 1972

Background Papers

Revenue Budget 2018/19 Joint, Adur and Worthing – 2018/19 Budget Book

<https://www.adur-worthing.gov.uk/media/media,148471,en.pdf>

Joint Overall Budget Estimates 2018/19

<https://www.adur-worthing.gov.uk/media/media,147643,en.pdf>

Adur District Council Budget Estimates 2018/19 and Setting of the 2018/19 Council Tax

<https://www.adur-worthing.gov.uk/media/media,147719,en.pdf>

Worthing Overall Budget Estimates 2017/18 and Setting of 2017/18 Council Tax –

<https://www.adur-worthing.gov.uk/media/media,147660,en.pdf>

Financial Performance 2017/18 - Revenue Outturn

<https://www.adur-worthing.gov.uk/media/media,149798,en.pdf>

Officer Contact Details:

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Chief Accountant

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified


4. GOVERNANCE

Matter considered and no issues identified

SUMMARY - 2nd QUARTER PROJECTED OUTTURN 2018/19

APPENDIX 1a


Actual Previous year 2017/18	ADUR CABINET MEMBER PORTFOLIOS	Original Estimate 2018/19	Current Estimate 2018/19	Projected Outturn to 31st March 2019	Forecast Over/(Under)
2,904,564	CM for Environment	2,844,860	2,844,860	2,804,910	(39,950)
1,002,320	CM for Health & Wellbeing	1,103,700	1,144,250	1,144,250	-
1,486,629	CM for Customer Services	1,164,740	1,164,740	1,267,860	103,120
583,779	Leader	598,120	598,120	598,120	-
1,345,284	CM for Regeneration	1,659,300	1,659,300	1,707,830	48,530
2,132,249	CM for Resources	1,963,740	1,993,740	1,859,930	(133,810)
-	Holding Accounts	(7,520)	(7,520)	(7,520)	-
9,454,824	Total Cabinet Member	9,326,940	9,397,490	9,375,380	(22,110)
(1,512,074)	Credit Back Depreciation	(1,821,540)	(1,821,540)	(1,821,540)	-
712,431	Minimum Revenue Provision	1,097,860	1,097,860	1,015,860	(82,000)
33,938	Non ring fenced grants	-	-	-	-
2,270	Financial Instruments Adjustment Account	-	-	-	-
8,691,389		8,603,260	8,673,810	8,569,700	(104,110)
	Transfer to/from reserves				
-	Contribution to/(from reserves)	14,000	14,000	14,000	-
	Budgeted contribution to/(from) Reserves	10,500	10,500	10,500	-
(20,552)	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	(70,550)	(70,550)	-
110,000	General Fund Working balance	-	-	-	-
385,023	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-	-	104,110	104,110
9,165,860	Total Budget requirement before External Support from Government	8,627,760	8,627,760	8,627,760	-

 ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2018/19	Estimated Decrease 2018/19	Estimated Increase 2018/19	Projected Closing Balance 2018/19
	£	£	£	£
Capacity Issues Fund including General Fund Carry Forward Reserve Redundancy costs approved 16 May 2018 by Executive Members for Resources Funding for waste savings proposals (4 Dec 2018 JSC/066/18-19) Adur Grants Fund (5 Dec 2017 JSC/069/17-18) Carry forwards approved at JSC 10th July 2018 Budgeted contribution (to)/from revenue Balance	384,093	(127,633)	10,500	124,410
Insurance Fund	174,943	(62,870)	30,000	142,073
Investment Property Maintenance Fund	38,387	-	-	38,387
Business Rates Smoothing Reserve	74,000			74,000
Grants and Contributions held in Reserves	552,668			552,668
Election Reserve	7,880			7,880
Special and Other Emergency Reserve	81,080			81,080
Projected Underspend/(Overspend) (Reserve to be identified at outturn)			104,000	104,000
General Fund Reserve	518,171	-	-	518,171
TOTALS	1,831,222	(333,053)	144,500	1,642,669

SUMMARY - 1st QUARTER PROJECTED OUTTURN 2018/19

APPENDIX 2a

Actual Previous year 2017/18	WORTHING CABINET MEMBER PORTFOLIOS	Original Estimate 2018/19	Current Estimate 2018/19	Projected Outturn to 31st March 2019	Forecast Over/(Under)
1,079,949	CM for Environment	2,139,780	2,139,780	2,231,670	91,890
3,408,498	CM for Health & Wellbeing	1,702,990	1,722,990	1,671,600	(51,390)
1,304,543	CM for Customer Services	4,779,360	4,793,360	4,705,360	(88,000)
5,196,703	Leader	852,870	852,870	852,870	-
2,699,126	CM for Regeneration	3,039,710	3,169,840	3,042,970	(126,870)
1,746,447	CM for Resources	2,389,670	2,434,670	1,969,400	(465,270)
-	Holding Accounts	710,270	710,270	710,270	-
15,435,265	Total Cabinet Member	15,614,650	15,823,780	15,184,140	(639,640)
(3,531,618)	Credit Back Depreciation	(3,633,620)	(3,633,620)	(3,633,620)	-
809,289	Minimum Revenue Provision	1,408,260	1,408,260	1,111,260	(297,000)
(270,026)	Non ring fenced grants	-	-	-	-
12,442,910		13,389,290	13,598,420	12,661,780	(936,640)
	Transfer to/from reserves				
	Contribution to/(from reserves)	86,250	86,250	86,250	-
	Budgeted contribution to/(from) Reserves	41,050	41,050	41,050	-
212,932	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	(209,130)	(209,130)	-
812,788	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-		936,640	936,640
13,468,630	Total Budget requirement before External Support from Government	13,516,590	13,516,590	13,516,590	-

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2018/19	Estimated Decrease 2018/19	Estimated Increase 2018/19	Projected Closing Balance 2018/19
£	£	£	£	£
Capacity Issue Reserve	1,439,822			
- Marketing/legal costs re disposal of High St & Civic Centre car park sites (28/02/12 JSC/094/11-12) up to £50k each		(100,000)		
- Funding for Decoy Farm survey (22/7/14 JSC/031/14-15)		(150,000)		
- Preliminary costs of Theatre Trust bid (10 July 2018 JSC/026/18-19)		(100,000)		
- Funding for savings proposals (4 Dec 2018 JSC/066/18-19)		(76,800)		
Expenditure funded from approved carry forwards from 2017/18				
- Worthing carry forwards agreed Joint Strategic Committee 10th July, 2018		(241,330)		
- Budgeted contribution (to)/from revenue			41,050	
Balance				812,742
Insurance Reserve	296,907	(37,870)	30,700	289,737
Joint Health Promotion Reserve	7,810	(5,000)		2,810
Leisure Lottery & Other Partnerships - 01/02/18 JSC/078/17-18 for Museum Costume Research Centre	77,766	(25,000)		52,766
Museum reserve - 12/09/17 JSC/037/17-18 release of funds to support grant bid	97,702	(60,690)		37,012
Theatres Capital Maintenance Reserve	141,149	(92,000)	83,000	132,149
Special and Other Emergency Reserve	34,292			34,292
Business Rates Smoothing Reserve	425,000			425,000
Grants & Contributions	542,176			542,176
Capital Expenditure Reserve	29,658			29,658
Projected Underspend/ (Overspend) (Reserve to be identified at outturn).			986,000	986,000
General Fund Working Balance	843,625			843,625
TOTAL	3,935,907	(888,690)	1,140,750	4,187,967

HOUSING REVENUE ACCOUNT QUARTER 3 BUDGET MONITORING
APPENDIX 3

	ORIGINAL ESTIMATE 2018/19	PROJECTED OUTTURN 2018/19	PROJECTED OVER/ (UNDERSPEND) 2018/19
	£	£	£
EXPENDITURE			
Supervision & Management	3,891,890	3,767,023	(79,897)
Special Services	214,570	267,651	8,111
Rent, Rates, Taxes & Other Charges	26,300	47,524	21,224
Repairs & Maintenance	2,823,320	2,954,701	131,381
Depreciation	4,600,000	3,999,920	(600,080)
Bad/Doubtful Debt	50,000	35,817	(14,183)
Capital Financing Costs			
Interest charges	2,308,980	2,253,184	(55,796)
Revenue Contributions to Capital	-	-	-
TOTAL EXPENDITURE	13,915,060	13,325,820	(589,240)
INCOME			
Dwelling Rents	(11,991,720)	(11,959,132)	32,588
Non Dwelling Rents	(566,920)	(550,462)	16,458
Tenants' Service Charges	(374,210)	(325,420)	48,790
Leaseholders' Service Charges	(219,640)	(216,811)	2,829
Commercial Property Service Charges	-	-	-
Contributions Towards Expenditure	-	3,555	3,555
Reimbursement of Costs	-	-	-
Interest Received	(28,000)	(28,000)	-
TOTAL INCOME	(13,180,490)	(13,076,270)	104,220
NET (SURPLUS)/DEFICIENCY	734,570	249,550	(485,020)

Quarter 3 2018/19

The variations greater than £20,000, for this report, are detailed below

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
NET TRADING				
Parking	-	(70)	(73)	ADUR: Over-achievement of income against budget WORTHING: Net Additional projected car parking income to December shows a surplus, but less than the predicted £120k to contribute towards debt charges for the Grafton capital investment (estimated £200k pa)
Theatres			(124)	Theatres Levy income which is used to contribute towards Theatre improvements, will form part of a request to carry forward at Outturn plus a surplus on operational budgets
Environment - Commercial Waste Services		40	141	ADUR & WORTHING Commercial Waste : Increase in tonnages from 17/18 not fully budgeted for
Total Net Trading	-	(30)	(56)	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
INCOME:				
Development Management - Fee Income	-	15	(32)	ADUR: There is forecast to be a slight shortfall in income against. WORTHING: The projected income assumes that Planning fees will be received relating to two large projects: the West Sompting development and Teville Gate
Economic Development	-	(49)	(45)	ADUR: Additional income from Markets and Bus Shelter Advertising anticipated for 2018/19 WORTHING: Various underspends plus Income from concessions which will be requested to carry forward towards the Seafront scheme at Splashpoint
Estates			(144)	Income from new investments has exceeded the approved budget. In addition the budget set up for voids has not been required, so this will be transferred to Reserves at Outturn to fund future possible voids in excess of the budget.
Building Control	34	39	63	ADUR & WORTHING : Underachievement of Building Control income due to a continued decline in income through competition from Authorised Inspectors (39k Adur, 63k Worthing)
Land Charges	-	28	8	Fees for Land Charges have not been increased for a number of years and are not covering the service costs. This means the budget is currently showing a shortfall of £258k in Adur & 8k in Worthing
Environment - Bereavement Services		4	86	ADUR&WORTHING: Shortfall of Cemetery Income projected based on current numbers and prior years profiles WORTHING : Crematorium income under achieving following closure of one chapel last year and a lower number of Cremations compared to the past couple of years
Environment - Parks & Open Spaces	-	-	(90)	Addtl inconvenience payment from Rampion for for the late reinstatement of the par 3 at Brooklands offset in part by shortfall in income
Environmental Health	-	(35)	(117)	ADUR & WORTHING: Houses in Multiple Occupation (HMO) income - increase expected due to change in regulations which make more properties eligible for licensing.
Revenues & Benefits			375	Under-achievement of Court Cost income plus an Under-achievement of income from Benefit Overpayments debts raised offset by some underspends in expenditure
Finance		(376)	(520)	Business Rates Section 31 Grant
Total Income	34	(373)	(417)	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
COSTS:				
Major Projects			(121)	Current estimated underspend on major projects mainly due to a commitment to the capital purchase of 5 High Street which will be completed at outturn
Environment - Bereavement Services		(14)	28	ADUR: Underspend on expenditure which offsets shortfall of income WORTHING: Additional cost of prior year cremator maintenance in excess of 3000 pa, offset by Underspend on Cemetery services budget.
Planning & Development	116	15		Overspend on the computer costs for the Planning, Building control & Development Management system. This relates to the write off of abortive costs relating to the Arcus system 116k ADUR: Additional study costs arising from Monks Farm Developments, deferred decision
Homelessness		139	96	ADUR: Increased use of temporary accommodation to meet increased demand (Currently 50 cases at the end of January 19) from homeless applicants £64,000 plus an overspend in PSL accommodation £50,000 WORTHING: Increased use of temporary accommodation to meet increased demand (Currently 98 cases at the end of January 19) from homeless applicants £206,000 less £110,000 Housing initiatives budget currently not used but will reduced futre TA.
Finance: Treasury	-	(88)	(466)	MRP underspends due to reprofiling of capital programme less write down of Municipal Bond less under achievement of investment interest
Audit		31	27	Increased cost of the Internal Audit provision
Insurance		80	102	ADUR& WORTHING: Increased premiums for insuring Motor vehicles over and above inflation, plus expenditure to be funded from the Insurance reserve
Wellbeing Cross Cutting:			(51)	Grants and contributions in excess of budget
Energy Costs	(70)	(28)	(42)	Income recharged to law courts for electricity since 2013/14
Telephony	50			Overspend on Telephony costs
Water	23	49	74	This includes some costs associated with 2017/18 that were not accrued for at the end of last year (£30,000 for both Adur and Worthing). In addition Adur has incurred costs as a result of a water leak at Monks Recreation Ground
Rates	9	(9)	(48)	This is mainly due to refunds of rates costs associated with public conveniences.
Maintenance	16	60	(100)	Maintenance is currently forecasting an underspend in Worthing, this may change if urgent maintenance claims are identified

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
Centralised Costs	63			<p>The cost of providing pool cars following the review of the essential users has increased and no budget allowance made</p> <p>The estimate of work completed by Technical Services that relates to capital projects is higher than budgeted</p> <p>Underachievement on Vacancy Provision forecast.</p> <p>Various minor over and underspends</p> <p>Share of joint services allocated 40:60 to Councils</p>
Capitalised costs		(70)	(210)	
Vacancy Provision	160			
Other minor variances	80	(57)	(91)	
Allocation of Joint Variance		193	289	
Total costs	447	299	(513)	
Total Variance	482	(104)	(986)	

Quarter 3 2018/19

Movement between quarters greater than £50,000 are detailed below

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
NET TRADING				
Parking			97	The reduction in anticipated net income is due to a poor December compared to projections plus the loss of income from Brooklands (Masterplan impact) and Teville Gate (delay in surface car park opening) which were not anticipated during quarter 2.
Theatres			(124)	There is £84k income received for the Theatres maintenance levy which will be moved to Reserves to fund current and future maintenance of the Theatres, along with a £40k surplus on the overall Theatres net provision
INCOME:				
Estates			(144)	This is the expected surplus from the purchase of the new Investment portfolio over the target set for the year.
Environmental Services - Bereavement			66	The last quarter has seen a continued reduction in cremation numbers following the reopening of the Muntham Chapel not anticipated.
Environmental Services - Parks and Open			(50)	Additional income has been received from Rampion for the use of Brooklands par 3 not expected at quarter 2
Revenues & Benefits			160	The is a continuing under-achievement of income from Benefit Overpayments debts raised not projected when Q2 was produced.
Finance - Treasury & Insurance		(49)	(88)	Less borrowing has been required for the Capital programme as allowed for in the budget offset by excess spend on insurance funded from the Insurance reserve
COSTS:				
Technical Services - Maintenance & Transport costs	79	60	(100)	Pool cars are overspent but a continuing review of usage means that excess cars have now been returned. In addition, the maintenance costs for worthing are projecting to underspend, but this could change in the final quarter if unexpected reactive maintenance issues arise..
Capitalised costs		(70)	(210)	An early projection of final capitalised fees have identified a likely increase in costs charged to Capital schemes.
Planning & Development	116			Abortive computer costs for the Planning, Building Control & Development Management system were not expected at quarter 2
Wellbeing			(51)	Grants and contributions in excess of budget not anticipated at quarter 2
Finance - Collection Fund			(221)	Business rates section 31 grants received in excess of that expected at quarter 2
Vacancy Provision	160			The latest projection for meeting the vacancy provision is a shortfall. This could change in the remaining months as staff leave and delays in recruiting replacement mean this will reduce by Outturn



Key Decision : No

Ward(s) Affected: All

3rd Quarter Capital Investment Programme & Projects Monitoring 2018/19

Report by the Director for Digital and Resources

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report updates the Joint Strategic Committee on the progress made on the 2018/19 Capital Investment Programmes for Adur District Council, Worthing Borough Council. The programmes include schemes which support the delivery of services by the Joint Services Committee.

1.2 The following appendices have been attached to this report:

Appendix 1: Adur District Council Capital Monitoring Summary

Appendix 2: Worthing Borough Council Capital Monitoring Summary

Appendix 3: Adur District Council Reprofiled Budgets

Appendix 4: Worthing Borough Council Reprofiled Budgets

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is asked:

(a) **With respect to the Capital Investment Programme of Adur District Council.**

i) To note the reprofiling of the Adur District Council capital schemes as advised in paragraphs 8.1.1 and Appendix 3.

ii) To note the additional award of £69,038 Better Care Grant for Disabled Facilities Grants and the amendment to the 2018/19 Capital Investment Programme to increase the budget in line with anticipated expenditure funded from Better Care Grant as detailed in paragraph 8.1.2 i).

(b) With respect to the Capital Investment Programme of Worthing Borough Council.

- i) To note the reprofiling of the Worthing Borough Council capital schemes as advised in paragraphs 8.2.1 and Appendix 4.
- ii) To note the additional award of £138,075 Better Care Grant for Disabled Facilities Grants and the amendment to the 2018/19 Capital Investment Programme to increase the budget in line with anticipated expenditure funded from Better Care Grant as detailed in paragraph as detailed in paragraph 8.2.2 i).
- iii) To approve the carry forward of £50,000 from the overall 2018/18 Capital Investment Programme underspends to fund the anticipated shortfall in funding for the Highdown Gardens Infrastructure Scheme as detailed in paragraph 8.2.2 ii).
- iv) To approve the funding of £44,800 for the East Beach Walkway replacement of railings funded from the overall 2018/19 Capital Investment Programme underspends and the inclusion of the scheme in the 2018/19 Capital Investment Programme as detailed in paragraph 8.2.2 iii).

3. CONTEXT

- 3.1 In accordance with the Councils' Capital Strategy, the Capital Working Group oversees the implementation and progress of both Councils' Capital Investment Programmes.
- 3.2 The Capital Working Group meets quarterly and monitors the programmes' progress and finance, seeking to address any problems at an early stage in order for schemes to be completed within budget and timescales. Where problems are highlighted the Group considers possible remedies including virements between schemes, reprofiling of budgets between years and the withdrawal of schemes from the programme when schemes are unable to proceed. This could be due to resourcing problems, time delays or other factors beyond the Councils' control.
- 3.3 Full summaries of the progress of all the schemes in the 2018/19 Capital Investment Programmes are prepared each quarter highlighting:

Schemes with significant challenges or where there are financial issues	Red
Schemes where progress is being closely monitored	Amber
Schemes progressing well	Green
Schemes where progress is beyond officers' control	▣
Schemes with financial issues	£
Schemes where progress has improved	↑
Schemes where progress has deteriorated	↓

3.4 The Capital Working Group also ensures that capital schemes are approved within financial regulations; a Summary of Project Initiation Document (P.I.D.) Approvals for 2018/19 schemes and the P.I.D. documents (for schemes costing under £250,000) are available from the Councils' Joint Intranet.

3.5 Financial Regulations require officers to report each project on completion detailing the original estimate, tender estimate and the final outturn.

4. SUCCESSES AND CHALLENGES IN THE 2018/19 CAPITAL INVESTMENT PROGRAMMES

4.1 The following schemes are progressing:

4.1.1 Adur Homes Capital Investment Programme

The Adur Homes Capital Investment Programme for the two years 2017/18 and 2018/19 was approved by the Joint Strategic Committee 12th September 2017.

Major contracts have been the subject of a joint review by Adur Homes and Technical Services, taking into consideration the most recent property condition surveys. This has taken some time to complete.

Works have now been prioritised, urgent works have been identified and the following schemes are / have progressed well:

- i) Pashley Court – Repairs to flint wall. Works complete.
- ii) Seaview Court central heating installation. Works anticipated this financial year.
- iii) Essential boiler replacements. In progress.
- iv) Fire Safety works flats front entrance doors. Pilot scheme complete. Main scheme in progress.

- v) Smoke detection installation programme. Works in progress, completion anticipated August 2019.

4.1.2 Adur Homes Development and Acquisition Programme

The Council is currently progressing the following housing development schemes:

- i) Cecil Norris House (15 housing units) – Demolition and rebuild.
- ii) Albion Street (15 housing units) – Demolition and rebuild.
- iii) Hidden Homes Project – A review of garage sites and other HRA land holdings to identify new sites for affordable homes.
- iv) 101 North Road, Lancing (2 housing units) – Conversion of ground floor into residential accommodation. Conversion is underway and due to be completed in the next 2 months.
- v) Feasibility of other projects also in progress.

4.1.3 Adur Civic Centre – Redevelopment

- i) Demolition of the Civic Centre. The demolition completed 1st June 2017.
- ii) Phase I North New Office Development. The construction is in progress and is due to complete May 2019.
- iii) Phase II South development of the Civic Centre Site. The Joint Strategic Committee March 2018 recommended to the Council either a conditional disposal of the site or to work with a developer via a Joint Venture. Studies are currently in progress to inform on floor areas and parking requirements.

4.2 The following schemes are presenting the Councils with challenges:

4.2.1 Adur Homes External Works Programme

The following schemes were identified for progression.

- i) Bushby Court and Beachcroft Court – Replacement of doors, porches and screens.
- ii) Rocks Close – External works package to include fire safety works, electrical and water compliance works, and floor and stair coverings where required.
- iii) Locks Court – External works package to include fire safety works, electrical and water compliance works, and floor and stair coverings where required.
- iv) Millfield – external works programme including repairs to balcony railings and walkways, brickwork repairs .

- v) Warren Court – external works programme including soffits and asphalt repairs, brickwork repairs.
- vi) Window replacement programme.

On site issues and feedback from residents regarding Phase 1 of the works at Bushby Court are being reviewed before progressing to phase 2.

Standard specifications for all external works are being reviewed to ensure best value and support the development of a programme of works that is in line with priorities that have emerged as the result of condition surveys and new urgent matters being added to the work programme.

4.2.2 Affordable Housing – Grants to Registered Social Providers

The cut in social housing rents by 1% per annum has had a significant impact on the delivery of affordable housing. This is because the rent reduction has affected the registered providers' business model which was previously based on a rent increase of CPI plus 1%.

Officers are in regular discussions with Registered Social Providers. Currently, one small grant to Worthing Homes is in progress, but others are being reviewed with providers both in Worthing and Adur.

4.2.3 Buckingham Park - Contribution to Replacement Pavilion

A contribution of £172,000 to Shoreham Rugby Club towards the replacement of the Buckingham Park Pavilion has been included in the Adur District Council Capital Investment Programme for a number of years.

The replacement of the pavilion has been delayed by an overall project funding shortfall of approximately £250,000. The Rugby Club have been unsuccessful in applying for external funding and have now appointed a professional fundraiser to assist in their efforts to raise the additional funds required.

4.2.4 Crematorium - Health and Safety Works Provision of a Walkway and Ventilation above the Cremators

The 2018/19 Capital Investment Programme includes a budget provision of £104,000 for health and safety works around the cremators. Updated quotes are currently being obtained from alternative sources and an uplift of spend of £34,000 has been identified due to issues with asbestos.

The current anticipated overspend can be funded from the current anticipated overall underspend in the 2018/19 Capital Investment Programme.

4.2.5 Financial Management System- Replacement

The project has been paused due to system performance issues and the availability of the required functionality. It is expected that the software released last October 2018 will address the majority of concerns.

A Settlement Agreement, Contract Variation and Solution Design Document have been signed. This will formally restart the FMS project with a planned go live in July 2019.

4.2.6 Removal of asbestos from Town Hall roof space

The Town Hall roof space contains asbestos debris. The roof space contains critical services, much like a domestic house with plumbing/electrical/air handling/ICT cabling etc all routed through the roof space that enables the operation of the building/facilities. Some works have been carried out recently to enable safe working zones in critical areas to ensure we can carry out maintenance to key services. However, the advice is that we should budget for the removal of all asbestos debris from the roof spaces where all cabling and pipework is located. A further risk assessment will be required along with a detailed project plan as some staff may require relocating to other offices whilst removal works are underway.

The current budget for these works is £224,920 and is currently profiled in 2019/20 to allow time for a risk assessment to be completed. Meetings have been held with consultants regarding the extent of the works and the estimated cost of the project is now £353,400, a shortfall of approx £128,500 on the current budget. It is proposed to fund the shortfall from the 2019/20 Capital Investment Programme Contingency Budget.

However, as the asbestos in the roof space is currently contained and there is no risk to staff or visitors, discussions are currently in progress regarding the possibility of transferring this budget to the general asbestos budget to fund asbestos surveys of all Council properties. A report is to be submitted at a later date.

4.2.7 Lancing Manor LC – Renewal of flat roofs and replacement of glazing units in the entrance hall

The Capital Investment Programme includes a budget of £85,000 to renew the flat roof area over the entrance hall and to replace the glazing units in the entrance hall.

The scheme has been tendered and the Executive Member has previously agreed to a virement of £45,820 from 2017/18 underspends to fund the total costs of the scheme.

However, a recent site visit has identified that the works will need to be re-tendered to include the refurbishment of adjoining flat roofs which now

require essential works. Due to the additional works the scheme will need to be deferred to the summer of 2019. In addition, building control has advised that the glazing units in the entrance hall require specialised glass which also needs to be included in the new tender.

The actual costs of the scheme are unknown at this time and will be reported in a future monitoring report.

4.2.8 Lower Beach Road (Riverside) Car Park - Enhancements

The majority of the works completed in 2017/18 and the car park was opened. The remainder of the works were suspended to accommodate access for the East Tidal Walls Coastal Protection Scheme. The outstanding works car park works completed October 2018 and planting works and final lighting column works are anticipated to complete by March 2019.

However, an overspend has been identified as part of the final reconciliation of costs which can be accommodated within the anticipated overall underspends in the 2018/19 Capital Investment Programme.

4.2.9 Coast Protection Works - Shoreham Harbour Walls Project

The grant received from the Coast to Capital LEP for the purchase of land from Sussex Yacht Club to be used for the relocation of their club house is expected to be paid end February 2019. The funding application to the Environment Agency has been submitted and is anticipated the Environment Agency will confirm the grant by the end of March 2019.

This project was originally expected to be entirely funded from the Local Enterprise Partnership Grant and the Environment Agency. However it is now unlikely that the Council will receive all the funding required for the coastal defence works from grant. Whilst the Council will endeavour to find alternative external funding, it has been agreed that any shortfall will be funded by the Council to ensure that the coastal defences will be completed. The coastal defence works are expected to be completed in 2021/22 after the new yacht club has been built.

However, some of the expenditure in the current year incurred is not grant funded and will have to be financed from the Council's own resources. The current estimated shortfall in financing is £40,000 and can be funded from the overall estimated underspend in the 2018/19 Capital Investment Programme.

4.3.0 Car Parks - MSCPs Planned Structural Repairs and Improvements

The works commenced in 2016/17, continued in 2017/18 and the 2018/19 works are progressing well:

- i) One lift has been replaced at Buckingham Road MSCP.
- ii) Major structural repairs started at the Grafton MSCP October 2019 and are estimated to complete by March 2019.
- iii) Concrete repairs at Buckingham Road MSCP have completed.

- iv) Concrete repairs at High Street MSCP have completed.
- v) The refurbishment of the Grafton MSCP lift is estimated to complete June 2019.

However, further structural issues with approximately 50 beams at the Grafton MSCP have been identified. The engineers have classified the issues as either needing urgent repair or requiring intensive monitoring. The estimated cost of urgently repairing these beams is estimated at £80,000.

A report is to be submitted to the next Health and Safety Board to update on the works.

5. PROGRESS OF THE DIGITAL STRATEGY

The following digital strategy schemes are currently in progress or have completed in 2018/19:

- i) Waste Management System £19,670.

The scheme has completed with the launch of self serve options for clinical waste collections and missed bins, informed by customer engagement.

- ii) Avaya Telephone System Improvements £40,000.
Improvements complete.

The unallocated 2018/19 Digital Strategy Budget is £182,660 and the following schemes have been referred to the ICT Service Redesign Group for viability:

- i) Vehicle Fleet Management System – Replacement or upgrade.
- ii) Cemeteries and Crematorium – Database to provide locations of the deceased.
- iii) Revenues and Benefits – E forms.
- iv) Environmental Health – M3 replacement system.
- v) Health and Safety System.

Following approval of PIDs by the ICT Service Redesign Group, the PIDS will be sent to Executive Members for comment, followed by sign off by the Chief Financial Officer and Head of Service.

6. PROGRESS OF THE ADUR DISTRICT COUNCIL 2018/19 CAPITAL INVESTMENT PROGRAMME – DECEMBER 2018

- 6.1 There are 56 schemes in the 2018/19 current capital investment programme which are progressing as follows:

	Number of schemes	Percentage %
Schemes which are progressing satisfactorily or have completed	31	55.4
Schemes where progress is being closely monitored	21	37.5
Schemes with significant challenges or where there are financial issues	4	7.1

6.2 A summary of the schemes with significant challenges or where there are financial issues is attached as Appendix 1 to this report. A summary of the progress of all the schemes in the 2018/19 Capital Investment Programme is available from the Councils' Joint Intranet.

6.3 The original budget for the programme was £67,415,450 This has changed due to a number of factors as follows:

	£'000
2018/19 original budget	67,415
Net budget profiled from 2017/18	-12
Reprofiling of annual investment in strategic property budget to 2019/20 agreed as part of the capital strategy	-12,020
Approved changes to the 2018/19 budget	543
Net budgets reprofiled to 2019/20	-10,680
Current 2018/19 budget	45,246

7. PROGRESS OF THE WORTHING BOROUGH COUNCIL 2018/19 CAPITAL INVESTMENT PROGRAMME – DECEMBER 2018

7.1 There are 63 schemes in the 2018/19 current capital investment programme which are progressing as follows:

	Number of schemes	Percentage %
Schemes which are progressing satisfactorily or have completed	38	60.3
Schemes where progress is being closely monitored	21	33.3
Schemes with significant challenges or where there are financial issues	4	6.4

7.2 A summary of the schemes with significant challenges or where there are financial issues is attached as Appendix 2 to this report. A summary of the

progress of all the schemes in the 2018/19 Capital Investment Programme is available from the Councils' Joint Intranet.

- 7.3 The original budget for the programme was £60,350,180 This has changed due to a number of factors as follows:

	£'000
2018/19 original budget	60,350
Net budget profiled from 2017/18	2,591
Reprofiling of annual investment in strategic property budget to 2019/20 agreed as part of the capital strategy	-18,000
Approved changes to the 2018/19 budget	2,385
Net budgets reprofiled to 2019/20	-6,527
Current 2018/19 budget	40,799

8. ISSUES FOR CONSIDERATION

8.1 Adur District Council

8.1.1 Budgets totalling £9,279,750 have been reprofiled to 2019/20 and future years, where the original project plan has changed and the schemes are not expected to complete in 2018/19. A list of schemes reprofiled is attached as Appendix 3 to this report.

8.1.2 The following amendments to the Adur District Council 2018/19 Capital Investment Programme are recommended:

i) **Disabled Facilities Grant - Additional Allocation of £69,038**

The Authority has received an additional Better Care Grant allocation for Disabled Facilities Grant of £69,038. The current Disabled Facilities budget is £400,720 and the estimated 2018/19 expenditure is £705,000, which can be funded from the Better Care Budget as follows:

Better Care Grant c/f from 2017/18:	£548,030
Better Care Grant Allocation 2018/19:	£580,993
Better Care Grant Additional Allocation 2018/19:	£69,038
Total Grant Available:	£1,198,061

Officers are currently liaising with West Sussex County Council regarding the amount of Better Care Grant which can be carried forward to 2019/20.

The 2018/19 Disabled Facilities Grant Budget needs to be increased in line with the anticipated expenditure funded from the Better Care Grant.

8.2 Worthing Borough Council

8.2.1 Budgets totalling £4,527,650 have been reprofiled to and from 2019/20 and future years where the original project plan has changed and the schemes are unable to complete in 2018/19. A list of schemes reprofiled is attached as Appendix 4 to this report.

8.2.2 The following amendments to the 2018/19 Capital Investment Programme are recommended:

i) Disabled Facilities Grant - Additional Allocation of £138,075

The Authority has received an additional Better Care Grant allocation for Disabled Facilities Grant of £138,075. The current Disabled Facilities budget is £750,000 and the estimated 2018/19 expenditure is £1,555,549, which can all be funded from the Better Care Budget as follows:

Better Care Grant c/f from 2017/18:	£941,119
Better Care Grant Allocation 2018/19:	£1,126,939
Better Care Grant Additional Allocation 2018/19:	£138,076
Total Grant Available:	£2,206,134

Officers are currently liaising with West Sussex County Council regarding the amount of Better Care Grant which can be carried forward to 2019/20.

The 2018/19 Disabled Facilities Grant Budget needs to be increased in line with the anticipated expenditure funded from the Better Care Grant.

ii) Highdown Gardens - Infrastructure Improvements Scheme

The 2018/19 Capital Investment Programme includes a budget provision of £131,500 to progress Stage 1 Development Stage of the Highdown Gardens Infrastructure Improvements Scheme, comprising:

HLF Grant £96,500
WBC Section 106 monies £30,000
SDNPA partnership funding £5,000

The development stage ends in March 19, concluding with the Stage 2 application bid to the Heritage Lottery Fund for a grant of £813,200. The outcome of the bid is expected to be announced in June 2019.

The infrastructure works to Highdown Gardens include:

- i) Conversion of the bungalow to a visitor centre incorporating improved staff and volunteer facilities
- ii) Entrance improvements to screen the toilets, enhance wheelchair access, and improve interpretation (SDNPA)
- iii) Improvements to staff composting and tool store areas

- iv) Upgrade of artery pathway to be wheelchair friendly, and conversion of upper rose garden into sensory garden
- v) Reinstatement of second greenhouse and refurbishment of existing greenhouse to enable us to deliver a Plant Propagation Programme

The infrastructure works have been costed and a shortfall of £50,000 has been identified due mostly to increased inflation costs (the original costing was based on capital works starting in January 2019 and work will now commence 1 year later).

It is proposed to carry forward £50,000 from the underspends in the overall 2018/19 Capital Investment Programme to fund the shortfall in funding, contingent on the Council receiving the HLF funding.

iii) **East Beach Walkway- Replacement railings**

The East Beach Walkway has been fenced off since last summer due to a safety issue with the height of the railings. This was raised at the last Health and Safety meeting and funding has been requested to replace the railings so that the walkway can be opened before the summer season.

The anticipated cost of the works is £40,800 and it is proposed to include the works in the 2018/19 Capital Investment Programme funded from the overall underspend in the 2018/19 Capital Investment programme.

9. ENGAGEMENT AND COMMUNICATION

- 9.1 The purpose of this report is to communicate with stakeholders on the progress of the Adur District Council and Worthing Borough Council 2018/19 Capital Investment Programmes. Officers of the Council have been consulted with on the progress of the schemes which they are responsible for delivering.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no unbudgeted financial implications arising from this report as the Adur District Council and Worthing Borough Council original 2018/19 Capital Investment Programmes were approved by the Councils in December 2017. Subsequent changes have been reported to and approved by the Joint Strategic Committee. The issues considered in this report can be funded from within existing resources.

Finance Officer: Sarah Gobey

Date:

11. LEGAL IMPLICATIONS

- 11.1 Section 28 Local Government Act 2003, as amended by the Localism Act 2011, provides that where in relation to a financial year, a Local Authority has made the calculations required by section 43 Local Government Finance Act

1992, it must review them from time to time during the year. If it appears that there has been a deterioration in its financial position it must take such action, if any, as it considers is necessary to deal with the situation.

11.2 Section 151 of the Local Government Act 1972 requires the Councils to make arrangements for the proper administration of their financial affairs.

Legal Officer: Susan Sale

Date:

Background Papers

- Capital Investment Programme 2018/19 – 2020/21 Adur District Council, Worthing Borough Council and Joint Committee
- Capital Strategy 2018/21.

Officer Contact Details:-

Sarah Gobey

Chief Financial Officer

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

- The capital programme prioritisation model awards points for capital project proposals that impact positively on the economic development of our places or the economic participation of our communities.

2. SOCIAL

2.1 Social Value

- The capital programme prioritisation model awards points for capital project proposals that impact positively on our communities.

2.2 Equality Issues

- The capital programme prioritisation model awards points for capital project proposals that address DDA requirements and reduce inequalities.

3. ENVIRONMENTAL

- The management, custodianship and protection of our natural resources are considered when capital schemes are assessed for inclusion in the Councils' Capital Investment Programme.

4. GOVERNANCE

- The Councils' priorities, specific action plans, strategies or policies are considered when capital schemes are assessed for inclusion in the Councils' Capital Investment Programmes.
- The Councils' reputation or relationship with our partners or community is taken into account when capital schemes are assessed for inclusion in the Councils' Capital Investment Programmes.
- Resourcing, risk management (including health and safety) and the governance of the either Council are fully considered during the preparation of the Councils' Capital Investment Programmes.

CAPITAL MONITORING SUMMARY 2018/2019								DECEMBER 2018	
Executive Portfolios	(1) Total ADC Scheme Budgets £	(2) Previous Years' Spend £	(3) 2018/19 Original Budget £	(4) Net budget b/f from 2017/18 £	(5) Approved Changes to Original Budget £	(6) 2018/19 Budget Reprofiles to and from 2019/20 £	(7) 2018/19 Current Budget £	(8) 2018/19 Spend to Date £	(9) Spend % of Current Budget
Customer Services	14,448,200	-	13,655,810	793,390	(1,000)	(8,658,810)	5,789,390	2,562,490	44.26%
Environment	2,953,920	1,046,320	1,610,490	172,480	121,310	(1,224,220)	680,060	493,349	72.54%
Health and Wellbeing	280,400	7,000	187,900	78,500	7,000	(51,450)	221,950	155,323	69.98%
Regeneration	43,019,430	2,221,870	51,379,200	(1,263,110)	(13,004,480)	1,206,570	38,318,180	33,394,484	87.15%
Resources	1,031,980	228,570	582,050	206,680	-	(551,840)	236,890	54,931	23.19%
TOTALS	61,733,930	3,503,760	67,415,450	(12,060)	(12,877,170)	(9,279,750)	45,246,470	36,660,577	81.02%

Financing of 2018/19 Programme:

Adur Homes Capital Programme:	£'000
Capital Receipts:	844
Major Repairs Reserve:	3,662
New Development Reserve:	160
Prudential Borrowing:	537
	<u>5,203</u>

General Fund Capital Programme:	£'000
Prudential Borrowing:	35,191
Capital Receipts:	131
Government Grants:	1,086
Revenue Reserves and Contributions	116
Other Contributions:	3,519
	<u>40,043</u>

Summary of Progress:

Schemes with significant challenges or where there are financial issues:	4
Schemes where progress is being closely monitored:	21
Schemes progressing well:	16
Schemes completed:	15
Total Schemes:	<u>56</u>

2018/19 Current Anticipated Council Resources General Fund Underspend: (20)

(1) SCHEME (Responsible Officer)	(2) Total ADC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiles to and from 2018/19 and Future Years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D.(P)	(9) 2018/19 Anticipated (Underspend) /Overspend (Council Resources) £	(10) COMMENTS AND PROGRESS	(11) Status
									<p>● Progress Beyond Council's Control</p> <p>£ Schemes with financial issues</p> <p>▲ Scheme Progress Improved</p> <p>▼ Scheme Progress Deteriorated</p>	
<p>Customer Services Affordable Housing 1 Partnership Schemes with Registered Social Landlords (AA)</p>	1,380,600	-	1,380,600	1,380,600	-	-	T.B.A. (C) T.B.A. (D)	-	The cut in social housing rents by 1% has had a significant negative impact on affordable housing. This is because the rent reduction will impact on registered providers' business model which was previously based on a rent increase of CPI plus 1%. Officers are in regular discussions with Registered Social Providers and grants are being reviewed with providers.	●
<p>Environment Lancing Manor Leisure Centre 2 Renewal of flat roof area over the entrance hall and replacement of glazing units in the entrance hall (DM)</p>	90,620	5,620	40,000	80,000	5,000	253.46	Sept 19 (C) 14.3.17 (P)	Overspend to be confirmed on retendering	The scheme has been tendered and the estimated costs were £45,820 over budget. The Executive Member has agreed a virement of £45,820. A recent site visit has identified that adjoining flat roofs also need to be refurbished. In addition Building Control has advised that the glazing units in the entrance hall require specialised glass which will also have additional costs. The scheme will be retendered and works have been deferred to the Summer 2019.	£

(1) SCHEME (Responsible Officer)	(2) Total ADC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiles to and from 2018/19 and Future Years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D.(P)	(9) 2018/19 Anticipated (Underspend) /Overspend (Council Resources) £	(10) COMMENTS AND PROGRESS <input checked="" type="checkbox"/> Progress Beyond Council's Control £ Schemes with financial issues ^ Scheme Progress Improved v Scheme Progress Deteriorated	(11) Status
3 Parks and Open Spaces Buckingham Park - Contribution to replacement pavilion (£150,000 funded from S106 receipts) (AE/DM)	172,000	-	172,000	172,000	-	-	Mar 20 (C) 2.12.14 (D)	-	JSC 2.12.14 agreed in principle £150,000 of S106 funding to be used as match funding to help secure RFU funding towards a replacement of the pavilion at Buckingham Park. Original resurfacing budget of £22,000 has been added to this funding. Planning permission has been approved but there is a funding shortfall of £250k. The Rugby Club have been unsuccessful in applying for external funding and have now appointed a professional fundraiser to assist in their efforts to raise the additional funds required.	Scheme on hold

(1) SCHEME (Responsible Officer)	(2) Total ADC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiles to and from 2018/19 and Future Years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D.(P)	(9) 2018/19 Anticipated (Underspend) /Overspend (Council Resources) £	(10) COMMENTS AND PROGRESS <ul style="list-style-type: none"> ● Progress Beyond Council's Control £ Schemes with financial issues ▲ Scheme Progress Improved ▼ Scheme Progress Deteriorated 	(11) Status
Resources <i>Information and Technology</i> 4 Financial Management System Replacement (Partnership Scheme with Worthing Borough Council. Total Cost £565,000) (SG)	265,550	216,350	-	24,900	24,300	-	Aug 19 (C) 1.9.16 (D)	-	The FMS project has been temporarily halted due to system performance issues and required functionality being delivered in later software releases. A Settlement Agreement, Contract Variation and Solution Design Document have been signed. This will formally restart the FMS project with a planned go live in July 2019. Joint budget of approx £53,000 reprofiled to 2019/20. Minor overspend anticipated.	▲
TOTAL:	1,908,770	221,970	1,592,600	1,657,500	29,300	253.46		-		

RESPONSIBLE OFFICERS:

AA Akin Akinyebo
 DM Derek Magee
 SG Sarah Gobey

Housing Solutions Manager
 Engineering and Surveying Manager
 Chief Finance Officer

CAPITAL MONITORING SUMMARY 2018/19								DECEMBER 2018	
Executive Portfolios	(1) Total WBC Scheme Budgets	(2) Previous Years' Spend	(3) 2018/19 Original Budget	(4) Net Budget b/f from 2017/18	(5) Approved Changes to Original Budget	(6) 2018/19 Budget Reprofiled to and (from) 2019/20	(7) 2018/19 Current Budget	(8) 2018/19 Spend to Date	(9) Spend % of Current Budget
	£	£	£	£	£	£	£	£	
Customer Services	6,123,810	17,310	5,955,400	75,750	100,350	(1,197,090)	4,934,410	2,362,363	47.88%
Digital and Environment Services	5,101,640	845,570	2,862,050	800,510	545,610	(1,733,330)	2,474,840	1,242,055	50.19%
Health and Wellbeing	427,270	5,080	207,800	215,390	(1,000)	(300,610)	121,580	48,045	39.52%
Regeneration	10,031,840	804,760	5,729,760	480,020	2,695,500	(2,792,470)	6,112,810	1,165,581	19.07%
Resources	27,756,780	22,480	45,595,170	1,019,820	(20,955,190)	1,495,850	27,155,650	26,551,397	97.77%
TOTALS	49,441,340	1,695,200	60,350,180	2,591,490	(17,614,730)	(4,527,650)	40,799,290	31,369,440	76.89%

Financing of 2018/19 Programme:

	£'000
Borrowing:	39094
Capital Receipts:	164
Revenue Contributions and Reserves:	341
Government Grants:	768
S106 Receipts	311
Other Contributions:	121
	<u>40,799</u>

Capital Monitoring - Summary of Progress:

Schemes with significant challenges or where there are financial issues:	4
Schemes where progress is being closely monitored:	21
Schemes progressing well:	24
Schemes completed:	12
Schemes not proceeding:	2
Total Schemes:	<u><u>63</u></u>

2018/19 Current Anticipated Council Resources Underspend: (96,170)

Proposed Use:

Highdown Infrastructure - Conversion of bungalow into a visitor centre	50,000
East Beach Walkway - Replacement of railings	44,800

2018/19 Council Resources General Fund Anticipated Underspend: (1,370)

(1) SCHEME (Responsible Officer)	(2) Total WBC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiled to and (from) 2019/20 and future years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D (P)	(11) 2018/19 Anticipated (Underspend) /Overspend (Capital Resources) £	(12) COMMENTS AND PROGRESS ● Progress Beyond Council's Control £ Schemes With Financial Issues ▲ Scheme Progress Improved ▼ Scheme Progress Deteriorated	(13) Status
Customer Services Affordable Housing 1 Partnership Schemes with Registered Social Landlords (AA)	831,900	-	991,900	831,900	-	-	T.B.A. (C) T.B.A. (D)	-	The cut in social housing rents by 1% has had a significant negative impact on affordable housing. This is because the rent reduction will impact on registered providers' business model which was previously based on a rent increase of CPI plus 1%. £167,000 has been vired for the development of the Fulbeck Avenue site to provide housing. Officers are in regular discussions with Registered Social Providers. Currently, one small grant to Worthing Homes is in progress, but others are being reviewed with providers.	●

(1) SCHEME (Responsible Officer)	(2) Total WBC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiled to and (from) 2019/20 and future years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D (P)	(11) 2018/19 Anticipated (Underspend) /Overspend (Capital Resources) £	(12) COMMENTS AND PROGRESS <input checked="" type="checkbox"/> Progress Beyond Council's Control £ Schemes With Financial Issues ▲ Scheme Progress Improved ▼ Scheme Progress Deteriorated	(13) Status £
<p>Digital and Environmental Services Car Parks 2 MSCP's - Planned structural repairs and improvements (JJ/DM)</p>	2,693,200	369,030	2,040,640	140,000	1,923,210	654,523	Jun 19 (C)	80,000 Could be further overspend on Grafton as works in progress and there could be unidentified costs	Expenditure priorities agreed and approved by JSC April 17. Remedial works commenced in 2016/17 and continued in 2017/18. Works completed in 2017/18 included the replacement of one lift at Buckingham Road MSCP. Other works were delayed by the need to consider the consultants budget cost report prior to decisions being taken on the final scope of the works. Tenders were challenged but issues have now been resolved. 2018/19 works: 1. One lift has been replaced at Buckingham Road. 2. Grafton major structural repairs started on site Oct 18, completion estimated by Jun 19. 3. Buckingham Road concrete repairs - complete. 4. High Street concrete repairs - complete. 5. Refurbishment of Grafton lift. Completion June 19. Consultants have advised that 60 / 70 beams at the Grafton MSCP have structural issues. Extent of additional resources required not yet known.	£

(1) SCHEME (Responsible Officer)	(2) Total WBC Scheme Budget £	(3) Previous Years' Spend £	(4) 2018/19 Original Budget £	(5) Budget Reprofiled to and (from) 2019/20 and future years £	(6) 2018/19 Current Budget £	(7) 2018/19 Spend to Date £	(8) Anticipated Completion Date (C) / Approval Report(D)/ P.I.D (P)	(11) 2018/19 Anticipated (Underspend) /Overspend (Capital Resources) £	(12) COMMENTS AND PROGRESS <ul style="list-style-type: none"> ☐ Progress Beyond Council's Control £ Schemes With Financial Issues ▲ Scheme Progress Improved ▼ Scheme Progress Deteriorated 	(13) Status
3 Crematorium Improvements Health and safety works - Provision of a walkway and ventilation above cremators (DM)	106,000	-	60,000	104,000	2,000	-	Mar 20 (C) 10.7.18 (D)	34,000	JSC 10.7.18 approved the additional funding and budget for these works in 2018/19. Updated quotes being obtained from alternative sources as an overspend has been identified due to issues with asbestos. The current anticipated overspend can be funded from underspends within the 2018/19 Capital Investment Programme.	£
4 Information and Technology Financial Management System Replacement (Partnership Scheme with Adur District Council. Total cost £565,000) (SG)	299,450	243,970	-	28,100	27,380	-	Aug 19 (C) 1.9.16 (D)	3,700	The FMS project has been temporarily halted due to system performance issues and required functionality being delivered in later software releases. A Settlement Agreement, Contract Variation and Solution Design Document have been signed. This will formally restart the FMS project with a planned go live in July 2019. Joint budget of approx £53,000 reprofiled to 2019/20. Minor overspend anticipated.	▲
TOTAL:	3,930,550	613,000	3,092,540	1,104,000	1,952,590	654,523	-	117,700		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(11)	(12)	(13)
SCHEME (Responsible Officer)	Total WBC Scheme Budget	Previous Years' Spend	2018/19 Original Budget	Budget Reprofiled to and (from) 2019/20 and future years	2018/19 Current Budget	2018/19 Spend to Date	Anticipated Completion Date (C) / Approval Report(D)/ P.I.D (P)	2018/19 Anticipated (Underspend) /Overspend (Capital Resources)	COMMENTS AND PROGRESS	Status
	£	£	£	£	£	£		£	<input checked="" type="checkbox"/> Progress Beyond Council's Control £ Schemes With Financial Issues ▲ Scheme Progress Improved ▼ Scheme Progress Deteriorated	

RESPONSIBLE OFFICERS:

AA	Akin Akinyebo	Housing Solutions Manager
DM	Derek Magee	Engineering and Surveying Manager
JJ	Jan Jonker	Head of Customer Contact and Engagement
SG	Sarah Gobey	Chief Finance Officer



ADUR DISTRICT COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Adur Homes Capital Investment Programme	<p>2,997,200</p> <p>235,200</p> <p>1,120,000</p> <p>151,800</p>	<p>External Works Programme: Standard specifications for all external works are being reviewed to ensure best value and support the development of a programme of works that is in line with priorities that have emerged as the result of condition surveys and new urgent matters being added to the work programme.</p> <p>Communal Area Works: Internal works to blocks of flats, flooring and walls are still being considered relative to stock condition survey data and maintenance team advice.</p> <p>Fire Safety Works : Works are progressing well and will continue in 2019/20.</p> <p>Sheltered Accommodation - Community Alarm Systems Work planned for approximately 350 properties. Programme of works commenced December 2018 and will continue in 2019/20.</p>
Adur Homes - Development and Acquisition Programme	604,070	<p>Budget profiled for the following developments to continue in 2019/20:</p> <p>i) Cecil Norris House. The planning application for the new building has been submitted and the tender for development will be issued shortly. It is planned that work will start on site before the end of March 2020.</p> <p>ii) Albion Street. It is anticipated that work will commence on site before the end of March 2019, with completion anticipated by mid to late 2020.</p> <p>iii) Hidden homes project. Development programme anticipated in 2019.</p> <p>iv) 101 North Road Lancing. Conversion into residential accommodation of 2 flats in progress. Estimated to complete in 2019.</p>

**ADUR DISTRICT COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS**

Scheme	Reprofiled Budgets	Reason
Affordable Housing Programme 2018/2019 - Unallocated budget	1,380,600	The cut in social housing rents by 1% per annum has had a significant negative impact on affordable housing. This is because the rent reduction will impact on the registered providers' business model which was previously based on a rent increase of CPI plus 1%. Officers are in discussions with Registered Social Providers regarding possible contributions to housing developments. Budget reprofiled to 2019/20 due to the likely lead in time for grant payments for housing developments.
Asbestos Management and Removal from Council Buildings	51,450	Tenders being sent out for asbestos surveys of all corporate buildings to be undertaken in 2019/20.
Buckingham Park - Contribution to a replacement pavilion	172,000	The Joint Strategic Committee has agreed in principle £150,000 S106 receipts and £22,000 capital resources to be used as match funding to help secure funding towards replacement of the pavilion at Buckingham Park. Planning permission has been approved for the new pavilion which will enable the scheme to progress. However, the Shoreham Rugby Club has advised there is a funding shortfall of £250,000. The Rugby Club have recently appointed a professional fund raiser to assist in gaining external funding for the project.
Compliance Service - Replacement of one operational vehicle (Partnership scheme with Worthing Borough Council)	5,200	The procurement of the replacement has been delayed by a service restructure. Due to delivery lead in times this vehicle is now anticipated to be delivered in 2019/20.
Dog Warden Service - Replacement of one van	12,500	The replacement van is on hold pending confirmation that the service still requires a replacement van.
Financial Management System - Replacement (Partnership Scheme with Worthing Borough Council)	24,900	The FMS project has been temporarily halted due to system performance issues and required functionality being delivered in later software releases. A Settlement Agreement, Contract Variation and Solution Design Document have been signed. This will formally restart the FMS project with a planned go live in July 2019.



ADUR DISTRICT
COUNCIL

ADUR DISTRICT COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Adur Town Centre Public Space Improvements	133,430	The 2018/19 budget has been profiled over 3 years: 2018/19: 88340 2019/20: 47130 2020/21: 47130 Works programmes for 2019/20 and 2020/21 under consideration.
Information and Technology - Windows 10 Laptop / Desktop rollout (Partnership Scheme with Worthing Borough Council)	120,000	Delivery, storage and financing options under consideration. Purchases likely to commence in 2018/19 and continue in 2019/20.
Information and Technology - Digital Strategy (Partnership Scheme with Worthing Borough Council)	149,690	Development and prioritisation of the Councils ICT schemes under discussion.
Lancing Manor - Renewal of flat roof area over the entrance hall and replacement of glazing units in the entrance hall.	80,000	A recent site visit has identified that additional works will be required to the adjoining flat roofs. The scheme will need to be retendered for works in the summer of 2019.
Payroll System - Replacement (Partnership scheme with Worthing Borough Council. Total cost £175,000.	82,250	The replacement has been deferred to 2019/20.
Property Acquisitions - Acquisition of emergency, interim or temporary accommodation for the homeless (Invest to Save Scheme)	2,169,940	The Council is actively reviewing options to acquire land within Adur for the development of temporary and emergency accommodation and is in discussion with partners such as WSCC regarding the possibility of joint development on vacant sites.
Refuse/Recycling and Street Cleansing - Vehicle replacements (Partnership scheme with Worthing Borough Council)	315,520	The procurement of the 2018/19 vehicles was delayed by decisions regarding a restructure and the vehicles required. Only one vehicle is now required and will be delivered in 2019/20. The Joint Strategic Committee December 2018 approved the carry forward of the remainder of the budget for urgent leisure schemes and surveys of leased out properties.
Shoreham Harbour Projects (Externally funded by the Central Government Growth Point Programme)	60,000	A contribution of £75,000 has been agreed to an A259 green corridor. However the Council is awaiting the completion of a study into an A259 cycle route which may require land take from the green corridor. The study is currently in progress. The Council's contribution is likely to be to several smaller discrete projects 2019/20.



ADUR DISTRICT
COUNCIL

ADUR DISTRICT COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Play Area Improvements - Adur Memorial Recreation Ground	100,000	The scheme has been delayed by the identification of land contamination issues and additional resources had to be approved to fund the additional works. The scheme is being revised and completion is now anticipated July 2019.
Public Conveniences - Refurbishments	50,000	Programme of improvement works on hold whilst condition and priorities of all the public conveniences are discussed with the Executive Member.
Southwick Leisure Centre - Replacement of the eastern set of three tennis courts with an outdoor all weather pitch for football / tennis / netball.	310,500	Planning Application submitted January 2019 for works to be undertaken in 2019/20.
Rolling programme of installation of solar panels and other energy efficiency measures	175,000	Schemes still under consideration.
Southwick Recreation Ground - Refurbishment of hard surfaces	31,500	Scheme initially delayed by discussions with the MS Day Care Centre regarding suitable dates for the work as the Day Centre requires vehicular access 7 days a week. The project is now on hold pending a strategic review of the property.
Strategic Property Investments - Investments in commercial property to generate income	-1,400,000	The Council purchased 3 properties in 2018/19 and budget has been brought forward to fund the final purchase.
Street Lighting - Enhancements to WSCC street lighting in conservation areas or near heritage sites	27,000	The scheme was originally delayed by confirmation from WSCC of the areas included in their PFI. There have been numerous delays and protracted liaison with WSCC and their contractor. The Council is currently awaiting an installation programme as there is a 12 week manufacture lead in time.
Wadurs Swimming Pool - Expansion of changing facilities	120,000	Impulse Leisure will be delivering this project with Technical Services overseeing. Officers are meeting with Impulse Leisure to review the specification and drawings. Consideration being given to undertaking the works alongside the boiler replacement in 2019/20.
Total Reprofiled Budgets:	9,279,750	



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Affordable Housing (Partnership Schemes with Registered Social Landlords) Unallocated Budget	991,900	Officers are in discussion with various Housing Associations regarding possible contributions to housing developments. Budget reprofiled to 2019/20 due to the likely lead in time for grant payments for housing developments.
Asbestos Management and Removal from Corporate Buildings	289,610	Tenders to be sent out for all of the corporate estate for surveys to be undertaken in 2019/20. The asbestos in the Town Hall roof space has been contained and there is no risk to staff or visitors. Discussions in progress regarding the transfer of the budget for the removal of the asbestos from the Town Hall roof space to fund surveys of all the corporate estate.
Beach House Park - Palm Court Café replacement of doors and windows	33,200	The project has been delayed by the identification of additional works, which required further resources to be allocated, following an inspection of the building. The works are now scheduled to start on site March 2019 and complete April 2019.
Boundary Signs - Replacement of existing boundary signs on main entry routes into Worthing and additional signs on the A27	40,000	The scheme was initially delayed by decisions regarding corporate branding, and has been further delayed by the departure of the officer over-seeing the project. Unfortunately the current prototype and designs were not acceptable to members and the future direction is now being considered. The timescales for this project are uncertain.
Brooklands Park Masterplan Redevelopment - Infrastructure	90,000	This budget was originally to be used to replace the Par 3 Club House. Following the approval of the Brooklands Park Masterplan this budget is now to be used to fund the initial infrastructure works associated with the Masterplan, which will commence in 2018/19 with the removal of the old buildings from the Park.
Multi Storey Car Parks - Planned structural repairs and improvements	140,000	The refurbishment of the lifts at Grafton is scheduled to commence in 2018/19 and complete June 2019.
Connaught Theatre - Refurbishment of public toilets	92,000	Due to lack of staffing resources there has been no progress on this scheme to date.



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Compliance Service - Replacement of one operational vehicle (Partnership scheme with Worthing Borough Council)	7,800	The procurement of the replacement has been delayed by a service restructure. Due to delivery lead in times this vehicle is now anticipated to be delivered in 2019/20.
Crematorium Health and Safety Works - Provision of a walkway and ventilation above cremators	104,000	Updated quotes being obtained from alternative sources as an overspend has been identified due to issues with asbestos. Works anticipated in 2019/20.
Disability Discrimination Act Improvements - Rolling programme	11,000	£11,000 has been committed to the refurbishment of the Connaught Theatre public conveniences, which has been rescheduled to 2019/20.
Dog Warden Service - Replacement of one van	12,500	The replacement van is on hold pending confirmation that the service still requires a replacement van.
Economic Regeneration - Development of a new health facility on the Town Hall Car Park	262,000	A project manager has been appointed and it is anticipated that the outline business case will be completed by March 2019. This will be followed by a Planning Application and completion of the full business case, estimated September 2019. Construction works are anticipated to start on site between October and December 2019.
Durrington Cemetery - Additional burial spaces	500,000	Tenders have been received and the project is awaiting award of the contract. Works programme anticipated to start March 2019 with completion estimated July 2019.
Financial Management System Replacement (Partnership Scheme with Adur District Council. Total cost £565,000)	28,100	The FMS project has been temporarily halted due to system performance issues and required functionality being delivered in later software releases. A Settlement Agreement, Contract Variation and Solution Design Document have been signed. This will formally restart the FMS project with a planned go live in July 2019.



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Foreshore - Purchase and installation of 32 new beach huts between Esplanade Court and Clarence Court	341,360	An invest to save scheme was approved by the October 2018 Joint Strategic Committee for the installation of 32 new Council owned beach huts between Esplanade Court and Clarence Court. As this project will require planning approval the budget has been profiled in 2019/20.
Foreshore - Fire Prevention Works to Pier, Southern Pavilion and Seafront Amusements	284,400	The 2018/19 and 2019/20 budgets will be used to fund emergency works to the dry riser and for the replacement of the sewage pipe. Works are anticipated to complete May 2019.
Fulbeck Avenue - Development of site to provide new housing	144,710	A modular build is now being considered and the current plan is to sell the site to a developer and the Council will receive units. The contract and the land are currently being negotiated.
Homefield Park - Refurbishment of tennis courts	7,020	The Joint Strategic Committee July 2017 approved the transfer of the budget from the Homefield Park Multi Use Games Area to the refurbishment of the tennis courts in Homefield Park. The main works completed at the end of October 2018, but the painting of the surfaces cannot be painted until the weather conditions improve, estimated April 2019.
Information and Technology - Windows 10 Laptop / Desktop rollout (Partnership Scheme with Worthing Borough Council)	135,320	Delivery, storage and financing options under consideration. Purchases likely to commence in 2018/19 and continue in 2019/20.
Information and Technology - Digital Strategy (Partnership Scheme with Adur District Council)	168,800	Development and prioritisation of the Councils ICT schemes under discussion.
Museum - Costume Display House refurbishment	25,000	The project commenced on site January 2019 and completion is estimated June 2019.
Museum - Development	88,190	The Museum development project "Let the Light in" is ongoing. The application to the Heritage Lottery was resubmitted January 2019 and a decision is anticipated in March 2019. Subject to approval from the HLF, officers will then start on the development stage of the project.



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Properties - Montague Street Site Essential Repairs	243,470	Rendering works to be undertaken in 2018/19. This will be followed by internal works to rectify the water damage when the building has dried out, anticipated April 2019. There are also other works still to be specified.
Payroll System - Replacement (Partnership scheme with Adur District Council. Total cost £175,000.	92,750	The replacement has been deferred to 2019/20.
Play Area Improvements - Pennycross and Northbrook Recreation Ground	108,130	The 2018/19 play area improvements were originally due to be undertaken at Palatine Park. However, this scheme has been delayed by Southern Water and Worthing Town Centre planning application and the project was changed to Pennycross and Northbrook Recreation Ground. The estimated timescales are for the works to start on site April 2019 and completion June 2019.
Public Conveniences - Improvements and Upgrades	100,000	Programme of improvement works on hold whilst condition and priorities of all the public conveniences are discussed with the Executive Member.
Refuse/Recycling and Street Cleansing - Vehicle replacements (Partnership scheme with Adur District Council)	345,710	The procurement of the 2018/19 vehicles was delayed by decisions regarding a restructure and the vehicles required. Due to lead in times for delivery the replacements will not be delivered until 2019/20.
Solar Renewable Energy Projects and other Environmental Improvements	260,680	The June 2015 Joint strategic Committee recommended committing all council properties to a solar deployment programme and the Council is undertaking a feasibility on the installation of solar panels on the Town Hall.
Strategic Property Investments - Investments in commercial property to generate income	-2,000,000	Budget has been bought forward from 2019/20 to purchase a third property in 2018/19.
Teville Gate MSCP - Creation of a surface car park	1,000,000	Demolition of MSCP has been completed. The tender process is underway for appointing a contractor to construct the surface car park. Timescales for delivery are dependent on the contract.



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
Union Place Development	580,000	The Council has agreed to enter into a land pooling agreement with partners. A development strategy has been agreed by the Joint Strategic Committee and an outline planning application is being prepared for submission in September 2019.
Total Reprofiled Budgets:	4,527,650	



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 7

Joint Governance Committee
26 March 2019

Key Decision [No]

Ward(s) Affected: All

**Strategic Property Investment Fund 2019 (SPIF)
The Commercial Property Investment Strategy (CPIS) 2019/20**

Report by the Director for the Economy

Executive Summary

This document comprises the Strategic Property Investment Fund 2019 (SPIF) Commercial Property Investment Strategy (CPIS) 2019/20. This document is split into two elements, this Business Case and also the Investment Strategy 2019/20, which is attached as **Appendix 1**.

It is recommended both these documents, which collectively comprise the commercial property investment strategy, are approved by the respective Councils.

Statutory guidance places a duty upon local authorities to prepare an annual investment strategy, which must ideally be approved before the start of the forthcoming financial year, by full Council, or its closest equivalent.

This Business Case, the attached Investment Strategy and other appendices, collectively:

- detail the current fund structures and completed investment purchases up to February 2019.
- detail mechanisms to support the ongoing structured and measured approach to property income generation, pro-actively managing the risk inherent in

investment.

- detail measures to support the ongoing development of a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.
- outline the future strategy to continue building and developing the property investment funds including recommendations to increase fund size from £75M per council, to £125m per council, capital reserves allocations and resourcing and management requirements for the funds.

The primary objective of the CPIS, is to build a strong and resilient portfolio, generating consistent income, to facilitate ongoing core service delivery, mitigating the impact of reductions to central government funding.

1. Purpose

1.1 The purpose of this report is to set out a robust commercial property investment strategy, building upon the existing portfolio, 2018/19 CPIS (link provided under background documents) and previous Strategic Property Investment Fund (SPIF) reports.

1.2 To meet the statutory guidance on investment strategy, as detailed under s12 below, which stipulates councils are to prepare an annual investment strategy which must be approved before the start of the forthcoming financial year by full Council.

1.3 This report will support the Councils' Medium Term Financial Strategy, providing a basis for expansion and management of each Council's portfolio, by setting : -

- Robust parameters to guide and support the development of risk managed, financially resilient, income generating commercial property portfolios.
- Governance criteria to facilitate purchase of investment property, ensuring diligent analysis and transparency, supporting an informed decision making process. This remains unchanged from last year's CPIS.

- Governance criteria to facilitate a commercial approach to the asset management of the investment properties, supporting proactive management, analysis and forecasting, in order to support strategic decisions, whilst qualifying risk and opportunity. This remains unchanged from last years CPIS.

2. Recommendations

2.1 The Joint Governance Committee is asked to consider the contents of the report and provide any feedback, or comments, to the Joint Strategic Committee.

2.2 The Joint Strategic Committee is recommended to:

2.2.1 Note the requirement to create a further additional post as part of the 2020/21 revenue budget to ensure the delivery of the Commercial Property Investment Strategy to provide additional necessary resourcing (Ref 9).

2.2.2 Agree the suggested delivery and governance model as set out in the report.

2.2.3 Recommend to Adur District Council the adoption of the 2019 Commercial Property Investment Strategy.

2.2.4 Recommend to Adur District Council to:

- i) increase to their Commercial Property investment fund from the current £75,000,000 to £125,000,000 with a maximum investment in any year of £50,000,000
- ii) Increase the operational and authorised borrowing limits by £25,000,000 in 2019/20.

2.2.5 Recommend to Adur District Council to resolve that the Strategic Property Investment Fund budget for future years may be brought forward with the approval of the Executive Members for Resources, following their consideration of a business case.

2.2.6 Recommend to Worthing Borough Council the adoption of the 2019 Commercial Property Investment Strategy.

2.2.7 Recommend to Worthing Borough Council to:

i) increase to their Commercial Property Investment fund from the current £75,000,000 to £125,000,000 with a maximum amount invested in any year of £50,000,000

ii) Increase the operational and authorised borrowing limits by £25,000,000 in 2019/20.

2.2.8 Recommend to Worthing Borough Council to resolve that the Strategic Property Investment Fund budget for future years may be brought forward with the approval of the Executive Members for Resources, following their consideration of a business case.

3. Context

3.1. Due to ongoing reductions in central government grant funding, local authorities are increasingly reliant upon income-generating services. By 2020/21, the revenue support granted to Councils as the main source of government funding will no longer exist and Councils will need to be self-funding from raising local taxation (Council Tax and Business Rates). In order to sustain service provision, this has led many local authorities to implement strategies to generate additional income, including commercial property investment.

3.2. Adur and Worthing Councils have to jointly make £8.3M of savings over the next 4 financial years.

3.3. *Achieving Financial Sustainability - Budget Strategy for the 2019/20 budget and beyond(2018/19 to 2023/24)*, presented to the Joint Strategic Committee (JSC) on 10th July 2018, set out changes to council funding over the next few years, detailing our strategic response and increasing reliance upon income generation. The paper illustrated that either income growth, or significant savings, will need to

be delivered to balance the budget. Property investment was identified as an option to generate “a return of between 2% and 3%... after financing costs”.

- 3.4. Direct Property Investment is now commonly undertaken by local authorities, acquiring assets both within and outside of their governance boundaries. Public Works Loan Board (PWLB) long-term lending is at very preferential rates (c.2-3%), when compared to the wider commercial sector lending rates. Property investment is capable of generating returns above PWLB rates, creating positive income. This can be used to fund current services and mitigate the impact of ongoing cuts to council services, protecting services that would otherwise be at risk.
- 3.5. The Councils have a statutory ability to borrow from the PWLB on long-term preferential fixed-interest terms, typically below rates available in the wider market. Borrowing is subject to guidance and regulations to ensure appropriate assessment, overview and scrutiny, in relation to any borrowing activity.
- 3.6. The Councils approved the establishment of a Strategic Property Fund (SPF) in July 2015, following a report to JSC. Further SPF reports in July 2016 and July 2017 built upon the initial strategy, containing a series of approved contributions to increase the budget to the current £75M per Council.
- 3.7. The 31 May 2018 Joint Governance Committee report, “*Managing Investment opportunity and risk when investing in Commercial Property*”, details how both Councils are managing risk in the acquisition of property and the implications of the changes to both the regulatory framework and the associated guidance.
- 3.8. In July 2018, the Commercial Property Investment Strategy (CPIS) was approved by JSC, reflecting medium-term financial strategy objectives. The main body of the report provided guidance on governance, scrutiny and resourcing requirements to build and maintain a property investment portfolio. The Investment Strategy was included as an Appendix, detailing investment objectives, fund policy/structure, purchase guidelines, mechanisms to proactively manage risk and promote financial resilience. The strategy also provided mechanisms for strategic asset management, including annual reviews, KPIs. The purpose of this is to ensure ongoing proactive and strategic

management, to optimise performance, promoting capital values and maximising returns. This years Investment Strategy 2019/20 (**Appendix 1**), follows the same format.

3.9. In accordance with statutory requirements, as detailed below under Section 12, an investment strategy is to be produced annually. This 2019/20 CPIS report essentially follows the same format as last year's 2018/19 CPIS report, having been updated, proposing measures to manage the expanding portfolio, changing investment market and economic outlook.

3.10. It is proposed to continue building upon the successes to date, raising capital through the PWLB, to invest directly in the UK property market.

4. SPIF - Commercial Property Investment Fund - Current Position

Financial Position

4.1. Please note all capital values quoted in this report are based upon initial purchase price, excluding purchasers costs. The two portfolios' investment properties will be subject to market valuations, following the end of the 2018/19 year and annually thereafter.

4.2. At the end of the previous financial year on 31 March 2018, the commercial fund was as follows: -

- i) The Worthing Fund comprised four assets, valued at £11.935M, generating a net annual income, after borrowing costs, of £346,100.
- ii) The Adur Fund comprised one asset, valued at £10.93M, generating a net annual income, after borrowing costs, of £287,760.
- iii) The combined total commercial fund market value stood at £22.865M, generating a net annual income, after borrowing costs, of £633,860.

4.3. For the current financial year ending on 31 March 2019, the commercial fund has increased, to the end of February 2019, as follows: -

Worthing Fund

- i) three new commercial property purchases have been completed, amounting to an investment of £25.14M and a net annual income, after borrowing, of £522,210 per annum.
- ii) the total commercial fund now comprises seven assets, equating to £37.075M and a net annual income, after borrowing, of £868,300 per annum.

Adur Fund

- a) three new commercial property purchases have been completed, amounting to an investment of £24.98M and a net annual income, after borrowing, of £521,730 per annum.
- b) the total commercial fund now comprises four assets, equating to £35.91M and a net annual income, after borrowing, of £809,500 per annum.

4.4. The commercial funds for both Councils now comprises a combined total of £72.985M, an increase of 219% during 2018/19 financial year. The total net annual income, after borrowing, is £1,677,800 per annum.

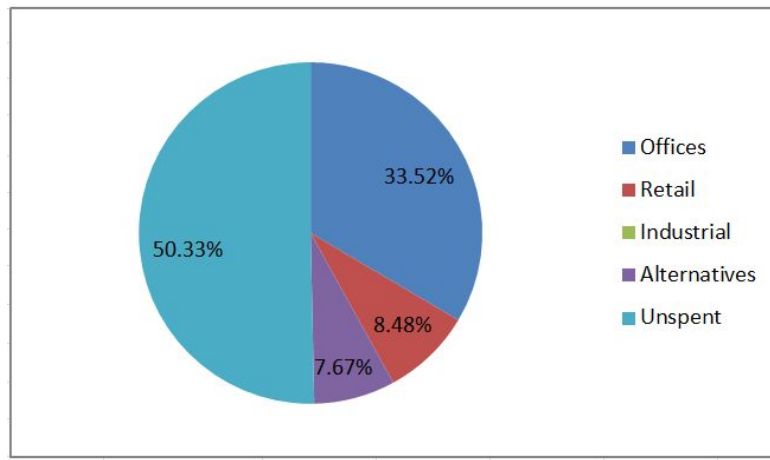
4.5. The 2018/19 net revenue target of £416,000 per council from new purchases has been exceeded for Worthing Council by 10.03%, whilst 98.19% of the Adur target has been achieved, to date. It is important to note that whilst the net income target of £416,000 per council for the 2018/19 year has been exceeded for both councils in terms of a full-year's income from new investments, due to the timing of individual purchases throughout the financial year, the apportioned net annual income from various purchase dates to year end, equates to a different figure for each council of £452,380 for Worthing, £408,460 for Adur.

Current Fund Structure

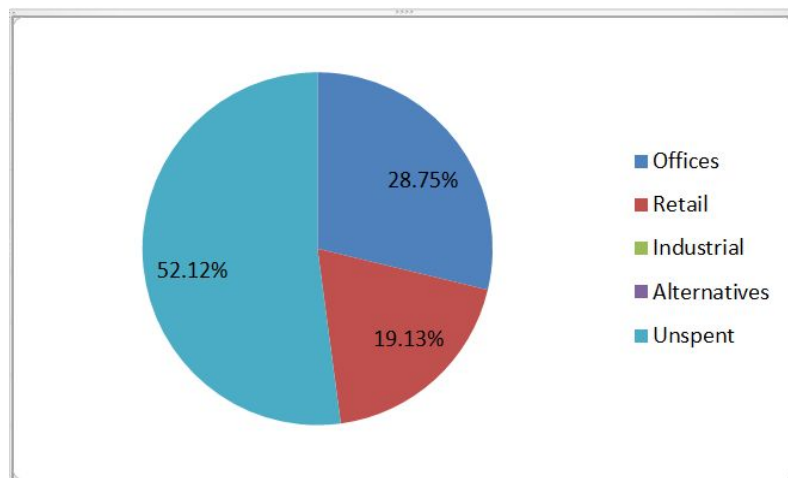
4.6. During the 2018/19 financial year, net initial yields in the region of 5-6% have typically been targeted, striking a balance between risk and return. Acquiring assets below 5% typically offers a limited return after the deduction of financing and operational/management costs and any such purchases require strong underpinning fundamentals illustrating positive future growth.

4.7. The pie charts below, detail the current weighting by sector of all purchases to date, based on the current total fund size of £75M per Council: -

Worthing



Adur



4.8. The above charts illustrate the heavy weighting into offices, for which a total investment in the region of 30% has been targeted during the 2018/19 year, essentially in the south east office market. This was expected, as stated in last year's strategy, "At the outset, the portfolios will be heavily weighted into certain sectors and classes, driven by opportunities and market performance". It is to be expected that a fully diversified fund is a longer term objective, whereas shorter term purchases will be heavily influenced by market performance and opportunity.

- 4.9. Purchases to date are summarised in Appendix 2. These have initially concentrated on Greater London, the South East and established regional centres, on the basis these are established mature markets that have typically experienced a longer term trend of lower voids and vacancies, when compared to the wider UK. Key considerations underpinning this approach are: -

Offices

- i) The office sector has been the subject of particular focus this year, driven by strong market performance, particularly in Greater London and south east office market. During 2018, take-up in the south east office market was above the 10-year average. During the 2018/19 year, the Councils have acquired four office buildings, making up a significant proportion of the year's investments. This is not unexpected, given the current challenges of retail and industrial market purchases, as detailed below.

Retail

- ii) The retail market has been facing some notable headwinds, with onerous business rates, the ever-expanding threat of online shopping and decreasing profit margins. This has seen weakening pricing and occupier uncertainty, with significant insolvency and Company Voluntary Arrangements (CVAs). The financial impact of a CVA-imposed rent reduction can be significant.

Certain retail investments have remained attractive to investors and we have made some cautious and limited investment into the retail sector. It is likely that prices will continue to soften into 2019, giving rise to some carefully chosen opportunities.

Industrial

- iii) The industrial market has been performing well, with strong occupier demand and the lack of stock in London and the south east continuing to drive rental growth across the region. As a result, prime stock is strongly priced, typically below 5% net initial yield, which equates to a nominal return, after accounting for financing and operational costs. As a result, acquiring suitable quality industrial stock remains challenging, particularly

in the south east. Looking ahead, regional centres may present some suitable opportunities and will therefore be considered.

Alternatives

- iv) Specialist alternative investments traditionally cover those assets not included within the traditional commercial property sectors of offices, retail and industrial. Alternative investments include hotels, healthcare, certain leisure facilities, student accommodation, car parks and petrol stations. Acquiring some alternatives supports overall fund diversity, which can diversify risk exposure, supporting overall fund performance. To date, a car park and a petrol station have been acquired in this sector, with both offering long leases with index linked reviews, which is attractive. Looking ahead, subject to judicious specialist advice, further alternative sector purchases may be recommended, particularly with index linked fixed uplifts.

5. SPIF - Commercial Property Investment Fund - Strategy Review

- 5.1. The funds have been steadily increased over the 2018/19 financial year, judiciously applying last year's strategy, to ensure fund development remains robust and the approach reflects the key Investment Strategy objective: -

“To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent in investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.”

- 5.2. The current portfolios have been comprehensively reviewed, in the context of the wider economy, to shape future fund direction. In addition to the annual in-house review, the endorsed CPIS principles of arms-length scrutiny and objectivity have been applied, commissioning a specialist consultancy report (SCR), whereby a private sector property consultancy firm has undertaken an arms-length independent review of the CPIS. Their report is attached as **Appendix 3** and was commissioned to answer three questions: -

- 1) to provide guidance on the optimal size and scale of The Fund in the context of financial needs and broader commercial property market conditions.
- 2) to provide recommendations for the preservation of some income derived from Fund revenue which should be set aside for irrecoverable expenditure, potential capital expenditure and incentives/rent free periods on re-letting of voids.
- 3) to recommend a number of initiatives which the Councils may wish to consider in order to develop a robust, liquid and diversified fund providing stable and predictable levels of income while aiming towards future rental and capital growth.

5.3. The SCR concludes there are no concerns regarding the commercial strategy checks and balances in place for developing and monitoring the funds, making the following recommendations: -

i) **Fund Size**

“the optimal size for a local authority investment fund is in the order of £250m”. (£125M per Council)

Recommended actions are detailed under 7.0 below

ii) **Prioritise Active Asset Management**

developing the ability to absorb changes to the rental income stream to enable lease re-gears.

Recommended actions are detailed under 7.3 below

iii) **Funding Spread Over Three Years**

The SCR suggests the inability to deploy more than £50M in any one year constitutes a potential weakness that may hinder acquisition of available assets meeting the Council’s criteria and hold back investment.

Recommended actions are detailed under 8.0 below

iv) **Resourcing**

The importance of resourcing is emphasised, the report stating:

“An in-house or independent investment advisor role is critical to ensure that local authority funds have sufficient resources in place to benchmark their portfolio and provide independent advice on acquisitions both before and during the period of ownership.”

And

“An active asset management function is crucial to unlocking future growth, revenue protection and enhancement”

Section 2 of the 2018/19 Investment Strategy (Appendix 1), details proactive risk and opportunity management mechanisms, including Asset Management principles for cash flows, capital expenditure forecasting, annual review and equivalent yield projection. The same principles apply this year. In addition, further measures to improve resourcing are recommended, as detailed under 9 Resource and Capacity, below.

6. Capital Reserves

- 6.1. To strengthen the financial resilience of the CPIS funds and protect core income revenue, which directly sustains service provision, it is necessary to allocate a percentage of income to a capital reserve. This reserve is a conventional mechanism that will be deployed against future voids, incentives (such as rent free periods) and capital expenditure (such as refurbishment/repair).
- 6.2. Capital reserves are an important risk management mechanism to meet forecast costs, that will be projected in cash flows, whilst also providing a buffer against unexpected costs. This provides a layer of protection against core income revenue disruption, increasing fund stability.
- 6.3. The SCR includes advice regarding a suitable level of income retention to meet costs. The SCR reviewed our investment strategy, providing an illustrative analysis of the estimated costs for three notional assets over a 10 year period to sit between 15-18%, excluding major refurbishment costs. Their report concludes that a 20% retention of revenue is acceptable.

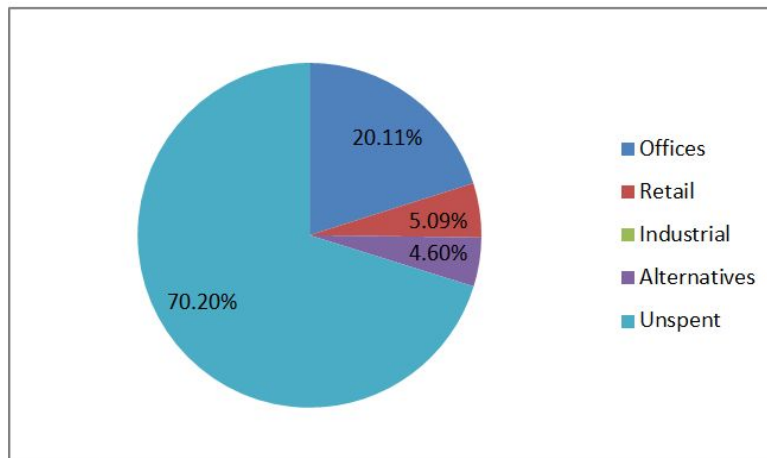
- 6.4. In consideration of the foregoing, this report recommends the capital reserve should remain unchanged at **20% retention of income revenue**. The precise mechanism to deliver this will be determined by finance who confirm that currently the Council has a policy of gradually increasing the amounts set aside from the rental streams for future revenue losses and capital maintenance requirements. The aim is to achieve a 20% annual set aside over a 5 year period. In the interim, any surplus commercial income over and above the budget will also be set aside.

7. Fund Size

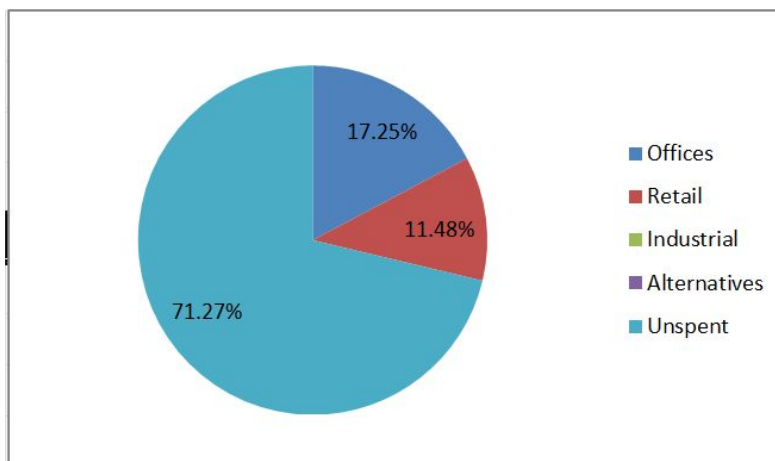
- 7.1. According to the Ministry of Housing, Communities and Local Government (MHCLG), local authorities invested £4 billion in land and buildings in the financial year to March 2018, of which £1.8 billion is considered to be property investment. It is estimated that this figure will rise slightly to £1.9 billion for the 2018 calendar year.
- 7.2. The currently approved fund sizes of £75m per council are small, when considered in context the wider property investment market fund sizes. Smaller funds will have less overall spread and diversity of assets, increasing volatility and exposure to the underperformance of any single asset. Smaller funds can also lack economies of scale, resulting in higher expenses running the funds, which can increase as the funds grow. A larger fund would enable a greater spread of investments, further diversifying overall risk and increasing fund resilience, providing the parameters detailed within the commercial strategy are applied.
- 7.3. Currently, the income revenue from property investments, after deduction of costs, is predominantly allocated to core revenue requirements for the provision of Council services. As a result, the Councils are unable to hit the target of a 20% retention of income revenue from property investments being put into capital reserves. Increasing the overall fund size, will, once further investment property purchases have been completed, generate an income that sufficiently exceeds the Councils' core revenue requirements, facilitating the growth of capital reserves.
- 7.4. The SCR advice on overall fund size recommends *"the optimal size for a local authority investment fund is in the order of £250m"* (£125M per Council).

- 7.5. There is clearly potential to further increase the returns available to the Councils through continued judicious investment in commercial property acquisitions. Given the opportunity this provides to balance the budget.
- 7.6. It is recommended to increase the fund's size to £125M per Council from 2019/20.
- 7.7. If the funds for each Council are approved for increase to £125M per Council, the current fund weightings by sector will reduce, to the following: -

Worthing



Adur



8. Funding Structure

- 8.1. Currently, available funds have been capped at £50m (£25m per Council) per financial year for 2018/19, 19/20 and 20/21. The inability to deploy more than £50m in any financial year constitutes a potential weakness in the funding structure that may hinder the acquisition of available assets which meet the Councils' criteria. Currently it is not possible to acquire existing portfolios, in whole or part, that come to market, which can provide economies of scale. Furthermore, when competing against other investors their ability to acquire multiple assets from a single portfolio, can make their offers more attractive to the vendors. It is, therefore, recommended that funds are made fully available, to support the acquisition of available appropriate assets.
- 8.2. The potential weakness detailed in 8.1 has been addressed by giving the Executive Member for Resources the authority to approve the drawdown of future years resources, subject to the approval of a business case.
- 8.3. This is supported by the SCR which recommends "*there is full and immediate access to remaining funding to ensure that all suitable investment opportunities can be investigated and acquired.*"

9. Resource and Capacity

- 9.1. The success of the Strategic Property Investment Fund 2019 (SPIF) Commercial Property Investment Strategy (CPIS) 2019/20 will have a direct impact on the Councils' finances. Ensuring the correct level of capacity to undertake diligent fund acquisition/disposal, asset management and wider market intelligence to shape fund direction and strategy, is crucial to overall success. The approach will need to be commercial, adopting normal 'private sector' principles for the day to day management of the investment portfolio. The growth of the investment funds necessitates additional resourcing. Currently limited resources are restricting overall capacity, which is becoming an increasing issue, as the funds grow. To address this, the following mechanisms are progressing: -
- i) Property management of the investment portfolio is currently being outsourced to a large RICS firm, to undertake the day to day management.

- ii) Property Officers are being upskilled to carry out some of the investment portfolio activities. We currently have two property officers undertaking the assessment of professional competence (APC), the training scheme that graduates need to complete, on the job, to qualify as Chartered Surveyors. In addition, a property support officer has been enrolled to complete a degree and his APC to become a Chartered Surveyor.
- iii) Where necessary, we engage external consultants to provide specialist market intelligence, surveys, valuations and advice/reporting.
- iv) Access has been purchased for online specialist property market research system, CoStar. This provides real time market research, insight, analysis and intelligence to property professionals.
- v) A new professional post has been created in the 2019/20 budget, for a dedicated property investment officer, following recommendations in last year's JSC approved commercial investment strategy. This role will drive SPIF acquisitions and disposal work This will either be an appropriately accredited specialist consultancy role, or an internal appointment. The establishment of this post is recommended in the SCR report, which states, *"In our opinion, an in-house or independent investment advisor role is critical to ensure that local authority funds have sufficient resources in place to benchmark their portfolio and provide independent advice on acquisitions both before and during the period of ownership."*

In addition it is recommended that: -

- vi) A new professional post is created for an Asset Portfolio Manager. This role will provide asset strategy, managing the SPIF properties, including forecasting cash flows, reviewing and identifying value add opportunities such as re-gearing and repurposing assets. The role will include an 'intelligent client' in-house function to monitor and oversee external managing agents, as well as reporting internally. The role will also review the councils non-operational portfolio to drive income generating opportunities, recommending operational and strategic actions. This is supported by the SCR report recommendation to seek a

“Greater focus on active asset management”, also stating that “An active asset management function will be crucial to unlocking future growth and ensuring that revenue is both protected and enhanced.”

- 9.2. In relation to both new posts detailed under v) and vi) above, these are important roles that will be key to fund performance. Appointees will need to be property professionals, ideally RICS, with demonstrable and extensive relevant knowledge and expertise, including significant private commercial property market experience.
- 9.3. In recognition of the increasing resourcing requirements as the SPIF expands, a business case will be prepared in due course, recommending appropriate additional resourcing is put into place during the 2020/21 budget round.
- 9.4. Last year’s Strategic Property Investment Fund (SPIF) Commercial Property Investment Strategy (CPIS) 2018/19 report, was approved by JSC, including the allocation of 5% of net investment income, for increasing capacity and resources within the Head of Major Projects and Investment team to create a property investment team. Included in the 2019/20 Budget is the creation of an investment surveyor post to support the implementation of the strategy. Proposed for the 2020/21 Budget, will be the creation of an asset strategy post, to support long term proactive management of the funds.

10. Councils’ Non-Operational Property Portfolio

- 10.1. The Councils’ non-operational property portfolios consist of retail/leisure units, offices, industrial units and an extensive range of low-value commercial interests situated across the district and borough. The portfolio generates a gross annual income of circa £3.03M across both councils.
- 10.2. Like many Councils, the majority of revenue is derived from a small number of assets, reflecting the diverse reasons they were acquired, and retained, by the Councils in the past. A significant proportion of the stock held currently for non-operational purposes is now aging and dilapidated, management intensive, poorly located, unfit for purpose and/or difficult to let. These factors impact upon the rental return and its corresponding capital value. To address this, an Asset Strategy is being prepared, initially to set a pathway for a comprehensive review of

the estate, with the view to identifying opportunities to increase efficiencies, generate income and achieve revenue savings.

11. SPIF - Commercial Property Investment Fund - Future Fund Direction

- 11.1. The current weighting of funds into offices has been driven over the last year in consideration of market performance. The current office weighting does not preclude further office investment, particularly if the overall fund sizes are approved for increase, which will reduce office investments as a proportion of the increased fund sizes. It does however highlight the rationale to increase the focus upon alternative sectors for opportunities during 2019/20.
- 11.2. The SCR recommends the following areas of investment focus during 2019/20:
- a) *Target investment opportunities which hold potential for additional revenue streams, i.e. retail parks with surplus parking for drive thru/car wash, prominent sites with signage options,*
 - b) *Adopt some exposure to well-let secondary assets with higher yield in the range of 7%-8%+, possibly through regional stock which preserves the required lease term. This will help to provide greater flexibility in the running yield for asset management initiatives.*
 - c) *RPI indexation within a proportion of the portfolio will generate more stable income in the Core category*
- 11.3. The advice from the SCR endorses the continuation of the current CPIS and Investment Strategy measures.

The following sections, 12 - 17, from Investment Evaluation to and including Scope of Investment, materially remain the same as detailed within last years 2018/19 CPIS, for which a link is provided under "Background Documents" below, with some nominal changes to layout and phrasing, to support transparency. For simplicity and ease of reference, they remain set out below.

12. Statutory Guidance

12.1. When investing in property, local authorities must comply with statutory guidance. This includes two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), in addition to, the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, “Statutory Guidance on Local Authority Investment Activity”. Copies of this guidance are attached to the CPIS 2018/19, for which there is a link under background documents at the end of this report.

12.2. This statutory guidance on investment strategy includes requirements for councils to: -

- prepare an annual investment strategy which must be approved before the start of the forthcoming financial year by full Council, or its closest equivalent.
- ideally present the strategy prior to the start of the financial year.
- ensure the Strategy is publicly available on a local authority’s website.
- disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority.
- include quantitative indicators within the strategy, that allow Councillors and the public to assess a local authority’s total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return.

The investment strategy must include:

- i) details of the processes used to ensure effective due diligence, defining the authority’s risk appetite, including proportionality in respect of overall resources.
- ii) qualify independent and expert advice and scrutiny arrangements.
- iii) disclose the contribution that investments make “towards the service delivery objectives and/or place making role of the local authority”.

iv) propose indicators that enable councillors and the public to assess the authority's investments and the decisions taken.

- The investment guidance is clear that Councils may not “borrow in advance of need” to profit from the investment of the sums borrowed. The definition of investment has recently been extended to include investment in property and the granting of loans to third parties.
- In recognition of the importance of commercial income to councils at a time when government funding is steeply declining, a council can choose to disregard the Prudential code and this part of the guidance. In this case, its investment strategy should set out why this is the case and what the council's relevant policies are.

12.3. The implications of the guidance are that in future the Councils will need to have at least one Investment Strategy (“the Strategy”) that meets all the disclosures and reporting requirements specified in the statutory guidance.

12.4. For Adur and Worthing Councils, there will be two separate elements to the Strategy:

- i) The annual treasury management investment strategy which covers all cash investments.
- ii) The annual SPIF commercial property investment strategy covers the Councils' approach to property investment.

The annual Treasury Management Investment Strategy was approved by the Councils in February 2019. This Business Case and also the Investment Strategy 2019/20, which is attached as **Appendix 1**, provide evaluation criteria for the assessment of investment properties, risk profiling, evaluation, resourcing and monitoring, accounting for the statutory guidance.

13. Investment Evaluation Process

13.1. Prospective investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of

Chartered Surveyors) professionals, in a risk matrix (**Appendix 4**). This risk matrix provides analysis of a set of key criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions. The risk matrix provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the portfolio. A minimum score threshold is set, below which it is not recommended to proceed. The score threshold is not an absolute, but set to guide decisions, reflecting the **Fund Structure** objectives, as detailed in the Investment Strategy (**Appendix 1**), which assumes a low risk profile. The process is further supported by the inclusion of a Strength, Weakness, Opportunities, Threat analysis (SWOT).

- 13.2. To ensure arms-length objectivity and scrutiny, external agents and consultants provide professional market analysis, specialist data and advice, to support the evaluation and internal reporting process.
- 13.3. Since tenant default is a significant threat to the performance of the property investment fund, in-house reports are undertaken by Credit Safe and/or Dun and Bradstreet, providing an assessment of tenant covenant strength and financial resilience. This is augmented by additional internal assessment of the tenants' covenant and likely future performance, where relevant.
- 13.4. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms with relevant market specialism.
- 13.5. To ensure independent and expert advice and scrutiny, all pre-sale technical due diligence is undertaken by arms-length external professional advisors, including as required: -
 - i) A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and supporting high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
 - ii) A Building Survey report, as part of the proposed purchase for investment purpose, including preparation of a Site

Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.

- iii) Environmental, services and any further surveys required to qualify the investment.
- iv) Specialist investment market advice, including, as required, occupational market context and financial modelling to qualify and forecast prospective investment performance.

13.6. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Investment and Major Projects, on whether to proceed.

13.7. The Head of Investment and Major Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process. In addition, it is also recommended that all members and officers involved in the decision process are provided with annual updates on the commercial investment market, including occupier activity and trends.

13.8. A separate paper will be presented in due course, detailing a proposal for a disposals strategy.

14. Property Investment Governance

14.1. Clear, robust and transparent governance is critical to the strategy, meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly and competitively, to investment opportunities in the market and avoid missing opportunities through delay.

14.2. The current Scheme of Delegations provides that the authority to acquire or dispose of land, is vested in the Head of Major Projects and Investment, and where the land is purchased through the Strategic Investment Fund, the delegation is only exercisable in consultation with the relevant Leader, Executive Member for Resources and the Chief Financial Officer.

- 14.3. It is proposed that a formalised staged governance approach is adopted in relation to Strategic Property Investment Fund (SPIF) purchases, as follows:

Stage 1

Asset Portfolio Manager/investment surveyor identifies suitable opportunity in the market, having undertaken appropriate investigative and due diligence assessment, in accordance with the above “Investment Evaluation Process”.

Stage 2

The opportunity is reported in writing, with all supporting information as detailed in the “Investment Evaluation Process”, to the Head of Major Projects and Investment, in consultation with the Chief Financial Officer/s151 officer, notifying the Head of Legal Services, Director for the Economy and Chief Executive.

The report will include: -

1. A risk matrix and SWOT analysis
2. A financial appraisal
3. A summary of the investment, including a request for authority to bind the Council to a range of terms and indicating an acceptable price point for acquisition.

If the proposal is supported, the potential acquisition will progress to Stage 3.

Stage 3

The Asset Portfolio Manager/investment surveyor, will progress negotiations, seeking to formally agree Heads of Terms with the vendor, including price and basis/terms of acquisition. If negotiations lead to the agreement of acceptable terms, final approval to proceed will be sought in accordance with Stage 4.

Stage 4

A recommendation will be reported in writing to the Head of Major Projects and Investment. In making any decision to purchase, the Head of Major Projects and Investment will carry out a consultation, as provided for in the Scheme of Officer Delegations, with the relevant Council Leader, Executive

Member for Resources and Chief Financial Officer.

The relevant Council for any acquisition will be determined, applying the principles in the Investment Strategy (**Appendix 1**) in relation to financial resilience and risk diversification requirements, to support the development of balanced portfolios.

Subject to approval, written authority to proceed, will be provided by the Head of Major Projects and Investment to the Asset Portfolio Manager/investment surveyor, who will then seek to acquire the asset, which will be subject to an external Red Book valuation, building and other necessary surveys and legal reports and conveyancing, providing pre-acquisition due diligence.

A decision notice will be completed and published in accordance with the Officer Decision Making Protocol, and such decisions will be subject to the call-in provisions.

Stage 5

Completed purchases will be reported to the next available Joint Strategic Committee meeting for noting.

Should any proposal to purchase prove abortive, this will also be reported to the next available Joint Strategic Committee meeting for noting.

15. Risk Management

- 15.1. Property investment will necessitate exposure to risk, whereby the total invested can exceed the Market Value. Prices are prone to fluctuation, particularly due to changes in locality, the general economic outlook, or asset specific risks, such as tenant failure. Furthermore, property investment is relatively illiquid, requiring a longer term approach. In the event of a market crash, property is much less liquid than other assets and can be hard to sell.
- 15.2. The Councils' exposure to risk equates to the total amount of capital invested, plus financing costs (such as interest due on loans), property operational running costs (management, vacant business rates, service

charges, professional fees etc.) and legislative compliance. The Councils' risk quantum will be defined as this total exposure, less the value of held assets.

15.3. Whilst risk is a natural, necessary, part of investment that cannot be eliminated, it can be proactively managed.

15.4. The Property Investment Strategy is built upon a series of conventional measures to manage risk, reflecting the key objective:

“To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent to investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.”

15.5. The Investment Strategy (Appendix 1) Fund Objectives and Fund Policy build upon this key objective, providing a series of controls to direct the Investment Strategy towards a prudent low risk fund with a cautious perspective on investment, limiting exposure to unnecessary capital risk, whilst generating a return.

15.6. Financing property investments is based upon utilising reserves, capital receipts and borrowing. Borrowing is currently available with fixed interest for the duration of any loan, via the Public Works Loan Board funding, mitigating the risk associated with exposure to interest rate fluctuations.

15.7. The Minimum Revenue Policy (part of the treasury management strategy statement) details the Council's position and deals with the Minimum Revenue Provisions (MRP) that must be made to mitigate that risk. The MRP is the amount the Councils must set aside each year from the annual revenue budget for the repayment of debt.

15.8. The Investment Strategy (Appendix 1) Financial Resilience section details a series of measures to guide decisions, based around spreading capital across a variety of asset classes, locations and sectors. This diversification reduces the risks of exposure to a single asset, tenant, or market failure.

15.9. Funds that are excessively concentrated in one particular sector or region increase risk, whilst a good spread of properties across retail,

office and industrial diversify sector-specific risks and varying the locality, reduces local market risk.

- 15.10. The average property size is a measure to ensure the fund does not only hold a very small number of large properties, which increases risk, such as a single large tenant failing. This measure also assumes a number of properties will be transferred into the fund from the existing asset portfolio, to create a sufficient number of properties within the fund to generate diversity.
- 15.11. The Council's exposure to investment risk can also be profiled by defining the acceptable parameters. The Investment Strategy (Appendix 1) Fund Structure details a series of different segments that provide a basis for dividing commercial property investments, based upon their position at differing points on a risk v return spectrum.
- 15.12. The fund has been structured to include some allocation toward more risk exposed investment. This will enable the fund to respond fluidly, should a suitable opportunity arise, particularly where there is an opportunity for socio-economic benefits to residents, repurposing or re-gearing assets, to generate income. The proposed Investment Strategy distribution of purchases across the above four categorisations is weighted heavily towards lower risk assets. This reflects the Investment Strategy (Appendix 1) Fund Objectives and Fund Policy targets to adhere to a cautious perspective on investment, generating a return, whilst, insofar as possible, limiting exposure to unnecessary capital risk.
- 15.13. The ability to vary the distribution of purchases between each of the above four categories, is a common portfolio investment tool. This provides flexibility to respond fluidly to opportunities and changes in the economy, market climate and differing performance across asset classes, as the fund evolves. Such agility is key to maximising operational efficiencies.
- 15.14. The proposed portfolio weighting offers a lower return, which reduces overall exposure to invested capital risk. This portfolio profile favours acquiring premises leased to strong covenant tenants in established markets, which are typically more attractive to investors, thus easier to sell if required, when compared to higher risk investments.

- 15.15. Whilst acquiring properties offering higher returns may appear attractive, the additional yield typically reflects higher risks such as tenant default, low liquidity, obsolescence and market risk. These increase the prospect of the investment generating an income and capital loss.
- 15.16. The Investment Strategy (Appendix 1) Annual Review sets out a series of measures to provide detailed analysis of investment performance. This is to ensure detailed periodic arms-length objective monitoring is undertaken, using conventional measures, as a means to identify any emerging hazards or opportunities. This will support proactive management, which is key to driving a successful strategy and managing risk.

16. Annual Performance Monitoring

- 16.1. Active management of the portfolio is key to proactively maintain the buildings to maximise value and monitor occupiers. Tenant covenant strength, compliance with lease obligations, such as repair and maintenance, management of the payment of rent and service charge needs to be actively managed. External Managing Agents are in the process of being appointed to manage investment portfolio properties and to support the Investment Strategy Annual Review (**Appendix 1**).
- 16.2. In addition to ongoing monitoring, the Investment Strategy (Appendix 1) details a series of measures to undertake a comprehensive annual re-evaluation, including detailed assessment of key performance indicators, to quantify, monitor and benchmark the portfolio operation and strategic direction.

17. Scope of Investment

- 17.1. A holistic approach to property income generation will be undertaken. In addition to acquiring investment property, the Councils are already successful commercial landlords and will build upon this: -
- Retaining existing assets where appropriate, to generate income, investing where necessary to enhance returns.
 - Re-evaluate the existing property portfolio to identify opportunities to maximise the financial benefit.

- The asset portfolio manager/Investment Surveyor will review the existing portfolio and report any of the existing property portfolio that fit the investment criteria, recommending transfer into the Property Investment Fund, whereby they will be funded and managed with an express focus upon income generation. This will support a more tailored approach for relevant premises that is proactive and focussed solely upon income, as opposed to wider socio-economics drivers, that apply to the existing estate.
 - Any capital return generated from the investment fund, will be ring fenced for future property investment, after deduction of financing costs and professional fees.
- 17.2. A Disposal Strategy will be provided as part of a separate report, subject to the adoption of the Property Investment Strategy and any conditions or amendments following consultation.

18. Corporate Implications

- 18.1. If the Councils had not taken the decision to invest, this would have led to an overall reduction in the capacity of the Councils to deliver, with cuts in services, particularly those we are not under a statutory duty to deliver.
- 18.2. The additional income delivered from CPIS investments, has contributed to the delivery of more robust and sustainable Revenue Budget for 2019/20 and the MTFP.
- 18.3. As part of this initiative, the councils will inevitably be taking on more risk. Consequently, a robust risk management strategy should be adopted, both in acquiring property and managing the portfolio for the future, to ensure that there is sufficient revenue income, to repay the debts the councils are acquiring and to continue to contribute to council's financial health.

19. Engagement and Communication

- 19.1. This report builds upon the previous Commercial Property Investment Strategy Report 2018/19, taken to JSC in July 2018

- 19.2. Consultations have taken place with legal and finance and their comments are contained within.
- 19.3. Consultation has taken place with private sector property investment firms and consultants report was commissioned (SCR Report), attached as Appendix 3.

20. Financial Implications

- 20.1 The Councils have in the past three years addressed significant budget shortfalls. The investment in commercial property has enabled the Councils to protect front line services and increase the level of spend in areas such as Housing Need.

	2017/18	2018/19	2019/20
Adur			
Level of annual savings	£1.089m	£1.333m	£0.757m
Net new annual income from new commercial property	£100,000	£493,000	£200,000
% of savings from commercial property income	9.2%	37%	26.4%
Worthing			
Level of annual savings	£1.669m	£1.853m	£1.367m
Net new annual income from new commercial property	£200,000	£420,000	£150,000
% of savings from commercial property income	12%	22.67%	11%

This investment continues to be an important strand of the budget strategy, helping balance the budget as the Council continues to address significant financial challenges, particularly in 2020/21.

- 20.2 The Councils have already approved an overall investment of £75m per Council which was allocated as follows:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Adur		11,579	25,000	25,000	13,421

Worthing	3,472	9,464	25,000	25,000	12,064
Total	3,472	21,043	50,000	50,000	25,485

The Executive Member for Resources can approve an accelerated spend in any given year subject to the provision of a business case to justify a higher level of spend.

- 20.3 The recent consultants report has highlighted the need to increase the overall portfolio size from £75m to £125m per council to enable the Councils to better manage risk. The report also recommends that the Councils set a higher maximum level of annual purchases so that opportunities to acquire suitable properties that meet the Councils' investment criteria are not missed. If the increase to the portfolio is approved the Council will need to amend the borrowing limits contained within the prudential indicators.
- 20.4 It is clear from the consultant's report that the Councils should seek to retain an average of 20% of rental income towards future expenditure on repairs, refurbishment, lettings incentives, and void periods. To achieve this the Council will take three measures:
- i) A regular contribution to earmarked reserves is to be created over the next 5 years to equate to 15 - 20% of annual rental income;
 - ii) Any over-achievement against the commercial income budget set will be placed into earmarked reserves at the year end;
 - iii) Where commercial properties are disposed of, all the surplus income in excess of any associated debt and the original purchase price, will be placed into a specific reserve for future capital reserve requirements. In the short term, this reflects the need to build reserves. In the medium term, it is envisaged these funds could also be released for reinvestment into the portfolios.

Finance Officer: Sarah Gobey

Date: 18th February 2019

21. Legal Implications

- 21.1. S.111 Local Government Act 1972 provides the Councils with the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.”
- 21.2. s.1 of the Localism Act 2011 provides the Councils with the general power of competence to do anything that an individual may do.
- 21.3. The Scheme of Officer Delegations includes the following delegation to the Head of Major Projects and Investment at paragraph 3.13.2: “To acquire land in connection with the Council’s functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council’s functions. (Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer).
- 21.4. The Officer Decision Making Protocol in each Council’s Constitutions provides a procedure for giving notice of key decisions, Officer Decision making, the publication of Decision Notices, and the procedure for Call-In of such decisions.
- 21.5. Any decisions made to acquire under the Strategic Investment Strategy are subject to scrutiny by the Council’s Joint Overview and Scrutiny Committee in accordance with the Joint Overview and Scrutiny Procedure Rules in each Council’s Constitutions.

Legal Officer: Susan Sale

Date:

Background Papers

CPIS and Investment Strategy, JSC Report July 2018

JSC Report 2 February 2016 - Strategic Property Investment Fund - Investment Strategy

Platforms for our Places - Platform 1 - Our Financial Economies. 1.4.2 Use the Councils' Strategic Property Investment Fund to deliver new revenue streams and support investment projects.

Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes The Prudential Code for Capital Finance in Local Authorities

Officer Contact Details:-

Name: Simon Moore
Role: Asset Portfolio Manager
Telephone: 07771 608 409
Email: simon.moore@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

The proposal forms part of the Council's Capital Strategy to produce additional income

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

This aligns with the Councils' Capital Strategy. Investment in good quality commercial property to produce additional income is part of a combined strategy in the Councils' approved budget strategy.

SECTION 1
THE INVESTMENT STRATEGY

SECTION 1 – The Investment Strategy

1. Objectives

The key objective:-

“To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent in investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.”

This key objective will be delivered through the application of the following principles: -

- ❖ To invest in commercial property to generate a sustainable income, with clear margins exceeding the costs of acquisition (including purchase costs), management and financing.
- ❖ To build financial resilience through the creation of a diversified portfolio, to spread and balance risk and return.
- ❖ To acquire established commercial properties generating an immediate stable income and preserve capital (notwithstanding market changes).
- ❖ Supporting economic growth within the District and Borough, where suitable opportunities arise, provided the return covers the costs of any associated financing.
- ❖ Re-evaluate the existing property portfolio to maximise the financial benefit.
- ❖ Retain/re-purpose/dispose of the existing property portfolio, where/when appropriate, to maximise long term revenue generation in consideration of wider market outlook and opportunity.

2. Fund Policy

- ❖ Retain existing assets, where appropriate, to generate income, investing where necessary to enhance returns.
- ❖ Review the benefits of an investment vehicle, such as a holding company, to retain acquired assets.
- ❖ Capital receipts from the sale of Strategic Investment Fund (SIF), or other council properties, to be considered for ring fencing to: -
 - Reinvestment in SIF property, to sustain income generation and maximise opportunities
 - Repayment of capital borrowing to improve the return on existing assets.
- ❖ Allocation of new prospective purchases to either Adur or Worthing Portfolios, will be driven by fund diversification and risk management considerations.

- ❖ We will not engage with occupiers who may present a significant unmitigated reputational risk.

SECTION 1 – The Investment Strategy

3. Financial Resilience

We will always undertake thorough due diligence to ensure risks associated with any proposed acquisition are understood and mitigated.

The following table details a series of guiding principles, employing conventional measures that are intended to assist decisions to create a balanced portfolio, by providing a basis to manage risk through diversification.

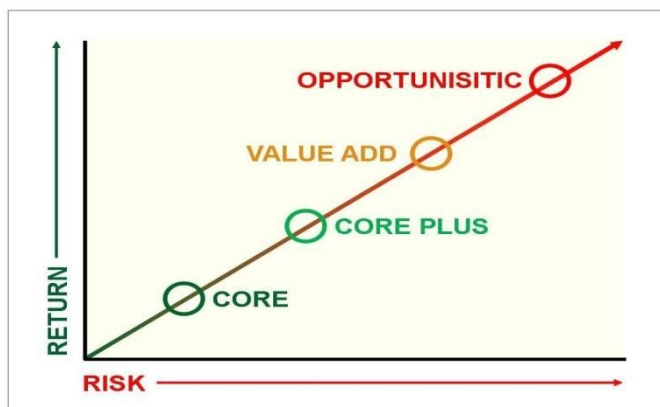
Risk Diversification		
Geographical Diversification	Maximum of 30% of the Target Fund size is invested in any single town.	Given the relatively small size of the funds, initially concentrating on outer London and the wider South East area, with consideration given to wider geographical diversification, as the funds grow and approach their target sizes.
Asset Class/Sector Mix	Industrial/Warehouse 25% Offices 30% Retail 20% Alternatives 25% (e.g. car parking)	To ensure a spread of risks, acquisition across office, retail and industrial sectors. At the outset, the portfolios will be heavily weighted into certain sectors and classes, driven by opportunities and market performance. It is expected weightings will progress towards targets as the portfolio matures in the longer term.
Average Property Size	Guide Size c.£5-15m	Assuming a combined fund size of £150M, this will support a spread of investments. Acquisition outside the guide sizes will be considered where they offer a good return, support diversity within the portfolios, do not create over exposure to a large single tenant/asset.
Leases Expiring within 5 years	Maximum 30%	Spread and diversity sought in future lease expiries across acquisitions to protect revenue streams
Target Return	A return exceeding the cost of borrowing	Initial return exceeding the cost of borrowing, preferably by 2%. Lower returns considered if there is a viable business case/portfolio fit.
Target Fund Size	£250M	In order to make a meaningful contribution to the financial challenge, the Councils has agreed to build a portfolio that will generate an initial yield of at least 5%.
Capital Reserve Fund	20% of the gross rental income	Held in a fund to provide a long term contingency to mitigate future d capital expenditure , maintenance, refurbishment etc.

It is important to acknowledge that the above principles are ongoing long term objectives and attaining balance will progress as the fund matures.

SECTION 1 – The Investment Strategy

4. Fund Structure

Commercial property investments can be divided into different segments, based upon their position at differing points on the risk v return spectrum.



The following guideline Fund Structure is the basis of investment, adopting a prudent, income focused, strategy: -

	%	
Core	50% (+/-20%)	Modern, or extensively refurbished buildings, fully let on long leases to good covenant tenants in major core markets.
Core plus	30% (+/-20%)	Single or multi-let buildings, with various lease lengths and tenant covenant. Opportunity to add value.
Value Add	Max 20%	
Opportunistic	Max 10%	Higher risk assets that can be repurposed to generate income.

SECTION 1 – The Investment Strategy

5. Purchase Guidelines

- ❖ Target area UK wide, with focus upon Greater London and the south east.
- ❖ Commercial real estate.
- ❖ Freehold, or long leasehold nominal rent purchases.
- ❖ Income producing properties, leased on conventional terms, secured against good covenant tenants.

SECTION 2 – Investment Portfolio Management

6. Annual Review

To monitor performance and ensure proactive risk and opportunity management, the Annual Review will consider: -

Portfolio

- ❖ Market update on activity and forecasts to identify any re-purposing of any asset(s)
- ❖ Review of the current investment strategy
- ❖ An external market valuation of the portfolio to monitor and benchmark performance, meeting financial requirements.
- ❖ An updated three to five year cash flow forecast
- ❖ An update of three to five year capital expenditure forecast
- ❖ A review of retain, sale, repurpose or re-gear of each asset
- ❖ Review of the previous year performance including any (Key Performance Indicators) KPIs
- ❖ Review of the underlying life cycle of the asset and refurbishment expectations.

Asset Management

Report to include: -

- ❖ Rent collection rates, arrears, service charge reconciliations.
- ❖ Advise on all critical lease matters including rent reviews, lease renewals, lease breaks, re-gearing opportunities.
- ❖ Dilapidations, health and safety, insurance claims.
- ❖ Capital expenditure over the preceding 12 month period.
- ❖ Forecast 5 to 10 year Capital Expenditure
- ❖ Forecast main plant, mechanical and electrical lifecycle and major refurbishment timeline and costs.

		ADUR	WORTHING	COMBINED TOTAL pa
INVESTMENT PROPERTY NEW PURCHASE PERFORMANCE 2018/19 financial year	INCOME TARGET			
	Net Income Target	£416,000	£416,000	£832,000
	Net Income Target - Surplus/ Deficit	£7,544	-£41,723	-£34,179
	Target Delivered to date (%)	98.19%	110.03%	
	PURCHASES			
	Completed 2018/19 (Purchase Price excl purchase costs)	£24,980,000	£25,140,000	£50,120,000
	Prev Years	£10,930,000	£11,935,000	
	Sub-Total	£35,910,000	£37,075,000	£50,120,000
	Committed Future Expenditure (under offer)	£5,600,000		£5,600,000
	Committed Future Expenditure (exchanged)			
	Total	£41,510,000	£37,075,000	£78,585,000
	NET INCOME (per annum after financing costs)			
	2018/19	£521,733	£522,207	£1,043,940
	Prev Years	£287,764	£346,097	£633,861
Total	£809,497	£868,304	£1,677,801	

	YEAR	Address	Description	Tenure	Rent Passing (per annum)	Purchase Price	Purchase Date	Gross Yield	Net Yield (purchase costs deducted @ assumed rate of 6.75%)	Net Income (per annum after financing costs)	Tenant (incl Company No)	
ADUR	Prev Years	Highdown House, Yeoman Way, Worthing, West Sussex BN99 3HH		Office with 359 car spaces, single tenant	Freehold	£700,000	£10,930,000	Jun-16	6.40%	6.00%	£287,764	Equiniti Ltd (06226088)
		Sub-Total					£700,000	£10,930,000				£287,764
	2018/2019 f/y	Portsbridge Service Station, Portsmouth Road, Cosham, Hants PO6 2SJ		Petrol Station with Morrisons convenience store	Freehold	£150,000	£2,700,000	Sep-18	5.56%	5.20%	£22,450	Rontect Service Station A1 Ltd (108480)
		One York Road, Uxbridge, UB8 1RN		Office with 72 car spaces, let to three tenants	Freehold	£736,966	£10,630,000	Sep-18	6.93%	6.49%	£292,136	Multi Let to: TM Lewin & Sons Ltd (00340508) NFON UK Ltd (08510507) London Square Ltd (07774351)
		Waitrose Altrincham WA14 5ZL		Waitrose supermarket and car parking	Freehold	£639,333	£11,650,000	Jan-19	5.49%	5.14%	£207,147	Waitrose Limited (00099405)
Sub-Total					£1,526,299	£24,980,000				£521,733		
Total					£2,226,299	£35,910,000				£809,497		

		Address	Description	Tenure	Rent Passing (per annum)	Purchase Price	Purchase Date	Gross Yield	Net Yield (purchase costs deducted @ assumed rate of 6.75%)	Net Income (per annum after financing costs)	Tenant (incl Company No)	
WORTHING	Prev Years	85-91 Montague Street, Worthing, BN11 3BN		Two High Street retail units, multi let to two tenants	Freehold	£190,000	£1,700,000	May-16	11.18%	10.47%	£100,634	Multi Let to: Burton/Dorothy Perkins Properties Ltd (04464946) Bon Marche Ltd (07909526)
		81-83 Montague St, Worthing, BN11 3BN		High Street retail unit, single tenant	Freehold	£115,000	£1,360,000	Aug-16	8.46%	7.92%	£60,950	Clarks (00099857)
		73-79 Montague St, Worthing, BN11 4BN		Two High Street retail units, multi let to two tenants	Freehold	£237,000	£3,300,000	May-17	7.18%	6.73%	£112,376	Multi Let to: Caversham Trading Limited ta Brighthouse (05396147) River Island Clothing Co Ltd (00636095)
		Union Place Car Park, Worthing, West Sussex, BN11 1LG		A large surface car park, leased to NCP, 178 spaces. Annual RPI uplift rent	Freehold	£306,335	£5,575,000	May-17	5.49%	5.15%	£72,137	National Car Parks Ltd (00253240)
	Sub-Total					£848,335	£11,935,000				£346,097	
	2018/2019 f/y	Matchtech, Building 1450, Solent Business Park, Fareham, Hampshire, PO15 7AF		Office with 99 car spaces, single tenant	Freehold	£275,141	£4,300,000	Nov-18	6.40%	5.99%	£95,904	Matchtech Group (UK) Ltd (04426336)
		Building One, Wyndyke Furlong, Abingdon, OX14 1UQ		Office with 121 car spaces, single tenant	Head lease 250yrs	£593,450	£9,600,000	Jul-18	6.18%	5.79%	£198,516	Gigaclear PLC (07476617)
		Beta Building, Reading RG1 3ES		Office with 41 parking spaces, single tenant	Virtual Freehold	£659,565	£11,240,000	Jan-19	5.87%	5.50%	£227,787	The Prudential Assurance Company Limited (15454)
Sub-Total					£1,528,156	£25,140,000				£522,207		
Total					£2,376,491	£37,075,000				£868,304		

Combined Total (Adur & Worthing)	Previous years		£1,548,335	£22,865,000	£633,861
	2018/19 financial year		£3,054,455	£50,120,000	£1,043,940
	Total Spend to Feb 2019		£4,602,790	£72,985,000	£1,677,801

**REPORT ON ADUR DISTRICT COUNCIL & WORTHING
BOROUGH COUNCIL'S STRATEGIC INVESTMENT FUND**

JANUARY 2019



REPORT PREPARED BY:

JEREMY GIDMAN BA (Hons) MSc MRICS

On behalf of

CITICENTRIC LTD

29th January 2019

This report has been written to advise Adur District Council and Worthing Borough Council (“The Council”) on the development of its commercial property investment fund (“The Fund”). Since the approval of its Investment Strategy in July 2018 the Council has purchased seven assets with a value on acquisition of £50.12m. Assets have been acquired both within the Council’s administrative district and in other areas within the South East of England. The overall combined fund now comprises 15 assets with an overall purchase value of £72.99m.

The purpose of this report is threefold. Firstly, it aims to provide guidance on the optimal size and scale of The Fund in the context of financial needs and broader commercial property market conditions.

Secondly, it provides recommendations for the preservation of some income derived from Fund revenue which should be set aside for irrecoverable expenditure, potential capital expenditure and incentives/rent free periods on re-letting of voids.

Finally, it recommends a number of initiatives which the Council may wish to consider in order to develop a robust, liquid and diversified fund providing stable and predictable levels of income while aiming towards future rental and capital growth.

1. Analysis of the size and nature of the UK commercial real estate investment market and its participants.

The Office for National Statistics (ONS) National Accounts “The Blue Book” gives the most comprehensive picture of the total stock of property assets in the UK. At the end of 2017, the Blue Book recorded a total of £8.8tn in property assets representing 87% of the total stock of fixed assets and 21% of the national wealth, including equities and bonds. The ONS estimates that commercial property stock in the UK accounts for £935bn of this total.

By floor area, industrial dominates with 56% of the total but, with rental values less than half the average for all commercial property and marginally higher yields, the sector accounts for only 24% of total value as against 38% for retail and 30% for offices.

From 2003 to 2017, the total value of commercial stock (including net additions to stock) has risen at an annual rate of 3.4%, slightly ahead of inflation at 2.9% although a fitted trend over the period indicates a lower underlying growth rate in value, at 2.1% per year. The table below shows the split of stock by investor type, with changes in market share over the last year and over a period of analysis dating back to 2003. Local authority activity is classified within ‘Other Owners’ and represents the major positive contributor to ownership during the 12 month period analysed.

Table 1 – Commercial investment stock by owner type

UK Investors	2017 £bn	2017 % share	Change in market share (%)	
			From 2016	From 2003
Insurance Direct & Funds	42	8	0.0	-12
Pension Funds	42	8	0.2	-2
Unlisted & Collective Schemes	83	16	0.0	7
Listed Companies & REITs	73	14	-0.8	0
Private Companies	58	11	-0.9	-6
Estates & Charities	23	5	-0.2	0
Private Investors	14	3	0.0	0
Other Owners	22	4	0.3	-1
Sub-total	357	70	-1.4	-14
Overseas Investors				
Unlisted & Collective Schemes	52	10	0.4	..
SWF & Government	29	6	0.2	..
Private Companies, Individuals	26	5	0.2	..
Listed Companies & REITs	14	3	0.1	..
Insurance & Pension Funds	12	2	0.1	..
Other Owners	18	4	0.1	..
Sub-total	152	30	1.2	15
Total	509	100		

Source: Own estimates from MSCI, RCA, PFR and other sources

2. Local Authority Activity in the Commercial Investment Market

According to the Ministry of Housing, Communities and Local Government, local authorities invested £4 billion in land and buildings in the financial year to March 2018, an increase of 43% from a year earlier. Officials believe that £1.8 billion of last year's total was for investment purposes, a six-fold increase from 2014. Expenditure on investment property by local authorities during the 2018 calendar year is estimated at £1.9bn.

Despite being historic, the table below highlights the growth in acquisitions during 2016/2017 but also the spread of transactions by lot size and value.

Table 2 – Investment transactions by local authorities 2016-2017

Investment Transactions by Local Authorities	2016			2017		
	No of Transactions	Value (£m)	Average Lot Size	No of Transactions	Value (£m)	Average Lot Size
>£100m	1	£387	£387	4	£561	£140
>£20m-<£100m	11	£494	£45	18	£680	£38
>£10m-<£20m	19	£249	£13	26	£389	£15
<£10m	47	£239	£5	39	£201	£5
Total	78	£1,369	£18	87	£1,831	£21
Inside Administrative Boundary	85%			75%		

Source: Ministry of Housing, Communities and Local Government/Property Data

The majority of local authorities have adopted similar strategies for acquiring well-secured investments on an income yield model targeting returns of between 5% and 6%. Where local authorities tend to diverge in strategy is over geographical focus, with a number of councils pursuing assets only within their administrative area whereas others are prepared to invest anywhere in the UK (see Table 3 below). Certain councils have a stated ambition to invest for town centre regeneration purposes only, e.g. Woking Borough Council, although councils such as these are now making opportunistic acquisitions of long term investment product in order to maintain their own place making criteria.

Table 3 – Alternative local authority investment strategies

Focus of investment	Features	Example
Within council area	<ul style="list-style-type: none"> Investment only within council boundaries Priority is investment in regeneration projects and meeting council's strategic objectives 	<ul style="list-style-type: none"> Bournemouth Borough Council Eastleigh Borough Council Lincolnshire County Council
Within 'economic area' as defined in the relevant investment policy	<ul style="list-style-type: none"> Investment within boundaries of council and adjoining local enterprise partnerships 	<ul style="list-style-type: none"> Scarborough Borough Council Torbay Council Northamptonshire County Council Three Rivers District Council
Outside council area	<ul style="list-style-type: none"> Investment only occurs outside area, or there is clear preference for such an investment strategy by council Policy of clear separation between day-to-day investment and day-to-day asset management Avoidance of local political interference in investment decisions 	<ul style="list-style-type: none"> Confidential – given sensitivity of investment out of area
Hierarchy of localities	<ul style="list-style-type: none"> Priorities for investment starting with council area, then region, county-wide, and eventually national 	<ul style="list-style-type: none"> Kettering Borough Council
Anywhere	<ul style="list-style-type: none"> Solely driven by financial assessment of opportunity 	<ul style="list-style-type: none"> Surrey County Council West Berkshire Council
Separation of objectives	<ul style="list-style-type: none"> One fund for investment and one for regeneration 	<ul style="list-style-type: none"> Torbay Council

Source: Real Estate Works/RICS

3. Guidance on diversification, fund size and structure

Property investments carry unique individual characteristics which means that the individual assets can perform differently, generating different return profiles. It is therefore important for any balanced fund to carefully assess portfolio structure, diversification and individual / aggregated lot sizes.

a) Portfolio Structure

Investment strategies typically allow for a mix of asset profile, and the Council has identified this within its Investment Strategy, targeting assets at both end of the risk spectrum, notably:-

Core – lower yielding, lower risk, with limited added value. For example a modern building led on FRI leases to national covenants for 15 years or more.

Core Plus - higher yields (risk) but with added value opportunities. Examples include regional office buildings let to a mixture of national and local covenants for a seven-year average lease term, or a multi-let industrial estate fully let to 10 or more tenants with five-year average lease terms.

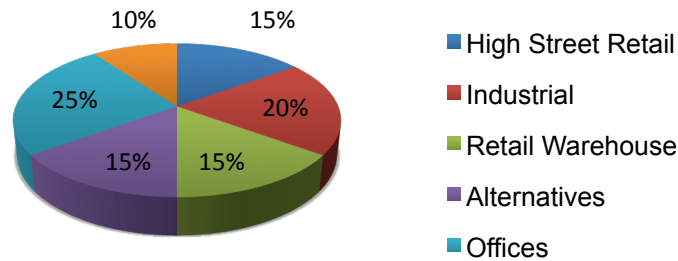
Value Add / Opportunistic - high-risk but greater reward often refurbishment led. An example might include part vacant office building in a Big Six office location with the opportunity to refurbish and re-let, or a single let retail shop in Bournemouth let to a single national tenant but with a underutilised upper floors capable of being relet or sold off for a higher value use through changes use planning.

Investors looking for income security and income growth will generally place greater weight to the core/core plus categories. Value Add and Opportunistic assets, however, play a part in a balanced portfolio as they can produce superior returns that are often capital intensive (development led) and generate a low income yield in the early years.

b) Portfolio Sector Balance

Property sectors also behave differently, driven by various economic influences, some micro, others more macro. An example is perhaps between retail and offices where we have seen a structural change in the retail consumer market, impacting on how people shop and the demand for retail premises, compared to the office sector which has seen a large reduction of total office stock through conversion to residential. Retail rents have declined whereas office rents have risen due to lack of stock. To provide the right balance between risk and return, a spread of sector exposure is required. Based upon our view of the current property market, a long-term aspirational sector split is shown in the table below.

Sample Portfolio - Asset Class Allocation



The term 'Alternatives' refers to assets such as student accommodation, hotels, petrol filling stations, car parks, data centres etc. Our reference to 'Other' means investment in infrastructure or indirect investment in assets / asset classes where direct access may not be possible due to lot size or scale.

The above allocations highlight a fairly balanced approach towards the retail, industrial and office sectors, but with the principal objective remaining a strong income return. Many larger funds have started to reduce their exposure to the retail sector (particularly the retail warehouse sub-sector) due to a weaker occupational outlook. However, we believe that retail assets remain an important element of a balanced portfolio, and indeed there are early signs that certain investors with retail expertise are now targeting re-priced retail assets. In short, we see retail as an opportunity sector for 2019/2020 with the potential for higher yielding income returns subject to careful stock selection.

It is important to stress that ideal fund balance and weightings will continue to change due to a number of factors, not least market conditions. The above model should therefore not be viewed as prescriptive in terms of fund policy.

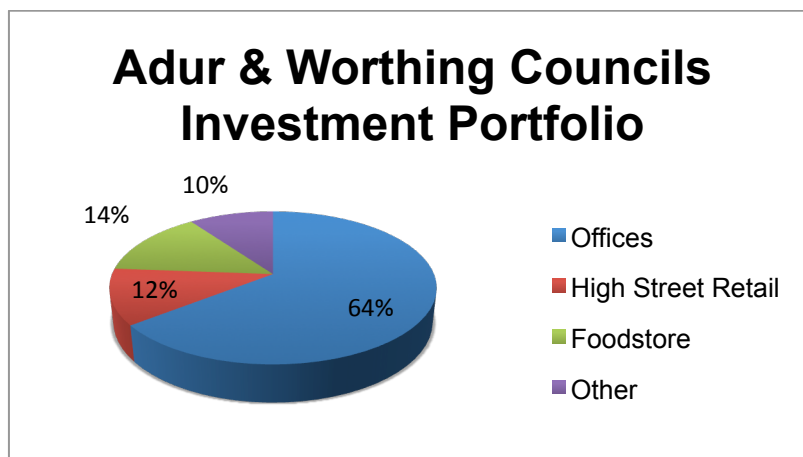
4. Observations on Adur & Worthing Councils' Investment Strategy and Fund.

In preparing this report we have had sight of the Council's Investment Strategy dated July 2018. Broadly speaking, this strategy is in keeping with a number of other local authority fund structures. It provides for investment generally outside of the administrative area with diversification policies in terms of geographical spread, asset class, lease term weightings, lot size and tenant exposure.

We understand that The Council has an endorsed investment fund of £150 million, operating effectively as two separate funds of £75 million pounds per council. Expenditure on assets to date has been £39.9 million by Adur District Council and £37.08 million by Worthing Borough Council. Funding has been via the Public Work Loans Board, typically on 40 year loans at interest rates of below 2% fixed. We are advised that the nature of the loan may be extended to 50 years from April 2019 in return for a higher fixed interest rate of 2.5%.

The investment portfolio currently comprises 11 assets producing a net rental income of £4,602,790 per annum. Based upon the original (but historic) purchase price of £72,985,000 this suggests a net initial yield of 5.91%. Pricing may well have changed on the more historic purchases and we would recommend a portfolio valuation within the next three months. It is noted that the fund has invested just over £50m within the last six months following the establishment of its investment strategy. Our understanding is that there are approvals in place for further acquisitions of £50m per year over the course of the next two years.

The portfolio is currently weighted heavily towards the office sector, with no present exposure to industrial or out of town retail assets. We suspect that it has proved challenging to acquire good quality industrial stock given the strong demand in the market for this sub-sector, placing inward pressure on yields. Many local authority funds are in a similar position.



To a large extent the scale of a Local Authority fund should be governed by its financial need for additional revenue and/or the requirement for investment into its administrative area (i.e. town centre regeneration). As noted within the Council’s investment strategy, statutory guidance makes clear that local authorities should not “borrow in advance of need.”

The Council has agreed a strategy to build a combined portfolio of £150m, with funding spread over three years at £50m per year. It is noted that £50m has been deployed in the six months from July 2018, suggesting that further investment may be held back by the agreed strategy and opportunities may be missed. In our view the main observations identified with the current fund size and structure are:-

Profile	Comment	Advantages	Challenges	Recommendation
Sector Weightings	Overweight in offices. Underweight in industrial.	Improved running yield.	Higher capital expenditure requirement.	Target good quality secondary industrial.
Geographical Spread	Recent purchases in strong South East locations.	Reduced void/re-letting risk. Improved income return.	High capital values / reduced number of assets.	No change
Tenant Risk	Predominantly single let acquisitions to strong covenants	Reduced management and tenant risk	Exposure to larger voids on expiry.	No change
Average Property Size	Average price of recent acquisitions £7.69m.	In line with Investment Strategy targeting £5m-£15m.	More assets = greater management resourcing	No change
Target Return	Running yield 5.91%	In excess of 5%+ strategy.	Income strategy restricts ability to regear leases / extend income.	Consider value add / opportunistic assets.
Funding Structure	£50m funding p.a.	Structured deployment of capital and allows for orderly management of assets.	Limits acquisition strategy and opportunistic purchases during Q1 2019	Ensure access to full funds is available to enable consideration of all investment opportunities.

Based on the above observations we have no immediate concerns regarding the agreed strategy being pursued by The Council. There is a potential weakness in the funding structure whereby the inability to deploy more than £50m in any financial year may hinder the acquisition of available assets which meet the Council’s criteria. We recommend that access to all committed funds is available to ensure that any appropriate investment opportunities can be fully considered as necessary, subject to the robust assessment, scrutiny and check systems which the Council already has in place.

In our view the optimal size for a local authority investment fund is in the order of £250m (in this case we refer to a combined figure for both councils), and we would recommend that, in due course, the size of the aggregated Fund is increased towards this level subject to monitoring of performance. Funds in excess of this threshold tend to adopt an income plus capital model, whereby value can be created through yield shift from lease extensions and regears, which is more of a challenge for income focused funds.

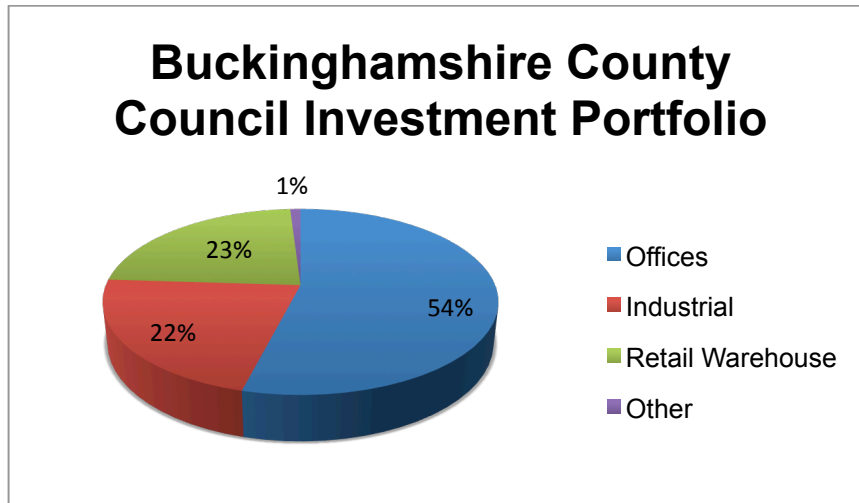
By expanding to a portfolio of this size in due course, the Council should be able to derive sufficient regular and predictable income in order to service the funding gap identified, while also allowing for greater diversification to enable a more effective recycling of capital in a measured and timely fashion when market conditions or opportunity arises.

It will also create greater flexibility and reserves to enable lease re-gears on assets such as Highdown House, where the tenant is willing to re-negotiate lease terms which should enhance asset value.

Case Study – Buckinghamshire County Council

In our experience, most local authorities have ventured into the commercial property investment market through funds of an initial size of £25 million to £50 million, before increasing their exposure on an incremental basis.

An example of this is Buckinghamshire County Council which established a £50m fund in 2016, purchasing two assets in county with a lot size of between £1.5m and £2.2m, before growing the Fund to £75m by the end of 2017 (purchases at £16m to £22m) and to £141m by the end of 2018 (recent lot sizes of £30m and £35m). Their fund currently comprises 8 assets with the following sector spread (by income):-



Buckinghamshire County Council have adopted a strategy of investing within County where possible, based upon a sensible sector allocation and targeting a running yield of 6%. They have found a reasonable level of stock at the desired lot size levels, assisted by their focus in-county which has led to a number of speculative/early approaches by vendors and agents. On the downside they are highly exposed to certain sub-markets such as Maidenhead offices (£75m of portfolio by value). There has also been CVA/insolvency activity affecting both of the retail parks held within the fund.

Buckinghamshire County Council has also experienced issues with sanctioning lease regears where tenants are prepared to commit to longer leases in return for an extended rent free period. These initiatives were identified at a time when the running yield on the portfolio was at just under 6% and the impact of rental income interruptions would have breached the commitment of the fund to maintain a running yield at close to 6%.

5. Market update including commentary on opportunities, current and future competition and market trends.

Despite the economic uncertainty surrounding Brexit, there remains strong demand from domestic and international investors for good quality, well secured investment stock within the UK. Investment transactional activity during 2018 is predicted to have reached just under £60bn which is consistent with the previous two years, despite Brexit uncertainty.

Prime yields have largely remained unchanged throughout 2018 with the exception of the retail sector, specifically out of town retail and shopping centres where pricing has weakened significantly (see below).

Table 4 – Prime Net Initial Yields

Sector	Dec-17	Dec-18	Sentiment
High Street Retail – Regional	4.25%	5.00%	Negative
Shopping Centres – Dominant Regional	5.50%	7.25%	Negative
Open A1 Retail Parks	4.50%	5.50%	Negative
Foodstores (RPI)	4.25%	4.25%	Positive
SE Industrial	4.25%	4.00%	Stable
SE Offices (Towns)	5.00%	5.00%	Stable
SE Offices (Business Parks)	5.00%	5.00%	Stable

The retail sector has suffered a challenging year with occupier uncertainty spreading from the high street to the out of town retail park market, principally due to the continued increase in online shopping, decreasing profit margins for retailers and the impact on business rates. We predict that there will be further CVA and insolvency activity during the first half of 2019 including further casualties in the travel and food and beverage sectors. As a consequence, yields on high street retail investments have softened by 50 to 75 bps over the course of 2018, with retail parks moving out by 100 bps. However, we are aware that some funds and property companies are beginning to view retail, particularly out of town retail, as good value and we believe that experienced retail investors will begin to acquire re-priced assets during the latter part of the year. Now would be a sensible time to evaluate this sector.

The industrial sector remains aggressively priced at 4%-4.25% NIY for prime stock in Greater London and the South East. Good quality regional stock offers better value at 5.50%-6% and should be considered as an opportunity to increase weightings in this sector. Regional office stock is currently trading at between 4.75% (Thames Valley) and 5.25%/5.75% for other Big Six office locations.

Factoring in capital growth, all property total returns during 2018 were 5.60%, with industrial being the star performer at 16.60% based principally on capital growth of 11.40%. The office sector has also outperformed with total returns of 6.20%.

6. Recommendations on a suitable level of income retention to deploy against future voids, capital expenditure, incentives etc.

The Council's investment strategy makes provision for the retention of 20% of income revenue to put towards future expenditure on repairs, refurbishment and letting incentives. In our experience this is a sensible proportion of income and many other local authorities are preserving much lower levels of 5%-10% of revenues for the purposes of replenishing interruptions in income.

The most effective method of predicting levels of irrecoverable expenditure and revenue interruptions is through the preparation of cash flows at the point of acquisition and at regular intervals as part of the asset management programme. Needless to say each asset will produce a different income and expenditure profile, but the following model may be helpful in testing whether appropriate cash reserves are being held.

The table below sets out the estimated costs of three notional assets over a 10 year hold period, assuming that during this period 50% of the accommodation will become void. It includes the cost of minor refurbishment, as opposed to major overhaul of services (net of dilapidations) together with overall costs of holding the asset while it is not income producing (i.e. non-received rent, business rates, service charge and insurance).

Table 5 – Indicative Expenditure on a 10 year hold basis

Asset	Void Costs	Refurbishment	Total	Proportion of Total Net Income p.a. over 10 years
Multi-let SE office building 30,000 sq ft	£675,000	£150,000	£825,000	18%
Multi-let SE industrial estate 40,000 sq ft	£260,000	£100,000	£360,000	15%
Multi-let SE retail park 45,000 sq ft	£1,031,000	£169,000	£1,200,000	18%

This is an overly simplistic model but based upon the assets being acquired by the Councils, we believe that a 20% retention of revenue is appropriate to prepare for potential irrecoverable expenditure. Where possible, we always recommend that a landlord client implements a planned preventative maintenance programme on multi-let assets in order to manage and predict building fabric and M&E/services expenditure.

7. Conclusion and Recommendations

Our experience of local authority investment shows that many councils are focused on maintaining a running yield and not giving due attention to active asset management opportunities either because of limited resources or because there is insufficient flexibility within the fund structure to allow for changes to income stream. This is a natural symptom of an investment model which focuses principally on income return.

We note that The Council has a strategy in place to appoint external property managers and valuers to support the Annual Review process. In our opinion, an in-house or independent investment advisor role is critical to ensure that local authority funds have sufficient resources in place to benchmark their portfolio and provide independent advice on acquisitions both before and during the period of ownership. We have experience of working with local authorities in this regard and can expand on this further if required.

The Council is at a stage where it has successfully seeded the Fund and it will naturally aim to balance the weightings through the next cycle of investment. Our recommendations for this next stage are:-

- a) Target investment opportunities which hold potential for additional revenue streams, i.e. retail parks with surplus parking for drive thru/car wash, prominent sites with signage options
- b) Adopt some exposure to well-let secondary assets with higher yield in the range of 7%-8%+, possibly through regional stock which preserves the required lease term. This will help to provide greater flexibility in the running yield for asset management initiatives.
- c) RPI indexation within a proportion of the portfolio will generate more stable income in the Core category
- d) Greater focus on active asset management and preparation for future recycling of capital
- e) Ensure that there is full and immediate access to remaining funding to ensure that all suitable investment opportunities can be investigated and acquired.

We have no concerns over the checks and balances which the Council has in place for developing the Fund. An active asset management function will be crucial to unlocking future growth and ensuring that revenue is both protected and enhanced.

In our opinion the decision by Adur & Worthing to target strong outer London and South East locations is sensible, and should provide confidence to grow the fund size as long as suitable diversification strategies are in place.

INVESTMENT PROPOSAL

Property Name/Location:
 Vendor:
 Tenure:
 Category:
 Price:
 Rent per annum:
 Rent Free:
 Initial Yield:
 VAT Election:
 EPC:
 Net Return After Borrowing

	Criteria	Criteria Description	Comments	Weighted Property Score	Score				
					Excellent	Good	Acceptable	Marginal	Poor
LOCATION	Location: Macro	Quality of the location (town, city, area) with regard to the property use		0					
	Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use		0					
	Building Quality	Quality of the building compared to the Industry standard Grade A for the property type		0					
OCCUPANCY	Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant		0					
	Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations		0					
	Lease Term	Length of the secured income.		0					
	Lease Structure	Tenant repairing obligations, rent review mechanisms		0					
	Rental Growth Prospects	Opportunity / Likelihood to increase passing rent/ ERV		0					
	Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate		0					
STRATEGY	Management Intensity	Complexity and cost of managing the property		0					
	Liquidity/Exit Strategy	The degree to which the property can be quickly sold in the market without affecting the price. Please provide specific commentary on exit strategy.		0					
	Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required		0					
	Asset Management Opportunities	Opportunities to add value to the property		0					
	Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector with a focus upon income v capital values at lease expiry		0					
	Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio		0					
Weighted Score		A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered within or to the county.		0					

Investment Decision Guide for fillingin matrix

example considerations

Criteria	Criteria Description	Maximum Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
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Score numerically between 1 and 5 for each row as follows.....

SCORE TO APPLY TO EACH COLUMN	5	4	3	2	1
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PLEASE SCORE 1 TO 5 IN THE TEMPLATE CORRESPONDING SCORES WITH THE ABOVE ILLUSTRATED NUMBERING

SCORING GUIDE			SCORING CONTROLS				
Location: Macro	Quality of the location (town, city, area) with regard to the property use	15	Major Prime	Prime	Major Secondary	Micro Secondary	Tertiary
Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use	15	Excellent transport / footfall				Location with limited benefit
Building Quality	Quality of the building compared to the Industry standard Grade A for the property type	15	New, modern or recently refurbished	Good quality- no spend required for 20 years+	Good quality but spend required in 10 years	Spend required in 5 years	Tired / Significant spend CapEx likely
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant	15	Excellent financial covenant	Strong financial covenant	Good financial covenant	Poor but improving covenant	Poor financial covenant
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations	10	Freehold	Long Leasehold 125 years + / peppercorn ground rent	Lease between 100 and 125 years / peppercorn ground rent	Lease between 50 and 100 years	Less than 50 years and/or high ground rent (10%+)
Lease Term	Length of the secured income.	15	Greater than 15 years	Between 10 and 15 years	Between 6 and 10 years	Between 2 and 5 years	Under 2 years / vacant
Lease Structure	Tenant repairing obligations, rent review mechanisms	15	Full repairing and insuring	Full repairing and insuring- partially recoverable	Internal repairing	Internal repairing- partially recoverable	Landlord responsible
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent	15	Fixed uplifts at frequent intervals				Significantly over-rented (tenant paying above the market)
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate	15	In demand from many tenants	Reasonable prospect of securing new tenants		Niche with limited demand	
Management Intensity	Complexity and cost of managing the property	10	Single Tenant			Multiple Tenants	
Liquidity/Exist Strategy	The degree to which the property can be quickly sold in the market without affecting the price	10	Lot size & sector attractive to investors				Attractive to niche purchasers only
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required	10	Favourable location / planning				No opportunity to change use
Asset Management Opportunities	Opportunities to add value to the property	5	Significant opportunity to add value				No opportunity
Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector.	20	Return higher than expected for sector / the risk profile				Return lower than expected for sector / risk profile
Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio	15	Under-represented sector	Client to fill in			Sector already heavily represented

Weighted Score		200	A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered within or to the county.				
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SWOT	
Strengths	Weaknesses
Opportunities	Threats



ADUR & WORTHING COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 8

Key Decision: No

Ward(s) Affected: All

easitADUR&WORTHING - transport discount scheme

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

- 1.1. To update members on progress with establishing 'easitADUR&WORTHING': the transport discount scheme for businesses and their staff working in Adur and Worthing.
- 1.2. easitADUR&WORTHING has been setup to help local businesses and council staff adopt sustainable transport behaviours, easing congestion, reducing pollution, and increasing staff satisfaction.

2. Recommendations

- 2.1. That members approve the proposed continuation of the easitADUR&WORTHING transport discount scheme and approve the award of the contract necessary to implement the scheme.

3. Context

- 3.1. A new sustainable transport discount network has been commissioned by Adur & Worthing Councils in partnership with [easit](#), a not for profit company based in Surrey. [easitADUR&WORTHING](#) has the potential to benefit large employers across Adur and Worthing as well as the councils', their staff and elected members.

- 3.2. easitAdur & Worthing offers a range of discounts and incentives to travel sustainably. These include
- 15% Southern Rail Discount (including peak travel)
 - 15% South Western Railway (including peak travel)
 - Brighton & Hove Bus discounts
 - Discount with Halfords on bikes and accessories (in-store only)
 - Electric and folding Bike Discounts
 - Access to a car share scheme: easitSHARE
 - Loan Bikes
 - Discounted electric vehicle charging units
 - Brompton Bike Hire
 - Free Co-wheels Car Club membership with driving credit
 - Savings and FREE driving credit with Enterprise Car Club
 - Carbon Neutral Car Benefit Scheme

Further discounts are being negotiated with local bus service providers. This area is progressing well and announcements are expected imminently.

- 3.3. There has been a very positive response from local employers. One month into the establishment of the network, the following businesses have already signed up:
- Mosaic Online Systems Ltd
 - Sussex Partnership NHS Foundation Trust
 - Worthing Hospital (Western Sussex Hospitals NHS Foundation Trust)
 - Pier 2 Pier Care Services Limited
 - The Proto Restaurant Group
 - AIG
 - Equiniti
 - Kreston Reeves
 - GSK

- 3.4. Establishing a transport discount scheme which shares benefits throughout the business community aligns well with the ethos of Platforms for our Places Platform 1: contributing to thriving places and communities and a supportive base for our financial economies.

- 3.5. The new network also supports delivery of Platform 3: Stewarding our Natural Resources which aims to increase sustainable transport, delivering sustainable travel initiatives and infrastructure, tackling air quality, reducing emissions, and increasing active travel such as cycling, walking and public transport use.

- 3.6. Sustainable AW, the councils' sustainability framework adopted in 2018, promotes improvements in sustainable travel and includes a specific action to set up a sustainable transport discount scheme.

Adur & Worthing Travel Action Plan

- 3.7. A Travel Action Plan (TAP) has been developed for the councils' as part of Sustainable AW. The TAP aims to:
- reduce the environmental impacts of commuting and business travel associated with council services and operations;
 - support the health and wellbeing of staff.
 - identify options to support staff given anticipated reductions in available on-site car parking at Worthing Civic Site resulting from the planned Health Hub on part of the existing staff car park.
- See Appendix 1 for the TAP Executive Summary.

- 3.8. In autumn 2018, the councils' undertook a travel survey of staff, councillors and tenants of civic buildings. It aimed to review current patterns for commuting and business travel, and identify barriers to travelling more sustainably. The survey was completed by 1 in 2 staff, and 1 in 3 councillors, giving a reliable representation of attitudes.

- 3.9. Key findings of the survey indicated there was great opportunity for supporting to staff to travel more sustainably:
- 59% of respondents live 5 miles or less from their workplace
 - 35% of respondents live within walking and cycling distance: under 3 miles from their workplace
 - 24% of respondents live at an easy cycling distance (3-5 miles) from their workplace
 - Single occupancy car journeys account for over half of all commutes
 - 62% of respondents staff are thinking of changing the way they travel to or at work for one or more of the sustainable travel modes (walking, cycling, public transport or car sharing).

- 3.10. Respondents stated that cost was the main barrier to greater public transport use. Accordingly, one of the TAP's 24 recommended actions is to provide public transport discounts to staff.

- 3.11. The proposals for a Health Hub development on Worthing Civic Car Park which will reduce council staff parking provision. Developing

easitADUR&WORTHING is seen as a way to support staff to shift away from car dependency.

easitNETWORKs

- 3.12. easitNETWORKs are set up and negotiated by not for profit social enterprise 'easit'. easit has become the benchmark for the Department for Transport when encouraging commuters to travel sustainably, and winning the Queen's Award for Enterprise and Sustainable Development.
- 3.13. easitNETWORKs are formed of major local employers that together generate a critical mass enabling discounts and initiatives to be created. Since launching in 2004, easitNETWORKs have grown to represent over 200 businesses employing over 1,500,000 staff across 18 networks. Locally, easitNETWORKs exist in Mid Sussex, Crawley, Chichester and Brighton & Hove.
- 3.14. Packages of discounts for employees are negotiated with a network of transport operators retailers, and made available via membership. The discounts incentivise employees to commute sustainably, and can be used for leisure and business use. Providing access to public transport and other discounts, this scheme is a key element of encouraging people to walk, cycle and reduce car usage.

4. Engagement and Communication

- 4.1. Internal consultation prior to commissioning the scheme was undertaken with the Directors, Place & Economy Team, Environmental Health, Communications, HR, and Finance, Environment Portfolio holders and Council Leaders. Feedback was unilaterally positive.
- 4.2. Membership of easitADUR&WORTHING will be promoted internally through roadshow at Portland House on March 19th and Commerce Way (date in April to be confirmed), through the staff/Cllr newsletter, intranet and induction materials.
- 4.3. Externally the scheme has been promoted via: Sustainable Business Partnership Business Breakfast 8th Feb; Better Business Show 13th Feb; Personal and email introductions via Sustainability and Place & Economy Team to large employers; AW Business Partnership Newsletter; Business Portal; and will be promoted at the Ways Ahead Business Conference in May.

- 4.4. The first of a series of quarterly easitADUR&WORTHING network meetings for member organisations will be held on March 19th 2019.

5. Financial Implications

- 5.1. There is a one off setup cost for new easit networks after which the scheme is financed through membership fees paid by the organisations of the network. The set up cost for easitADUR&Worthing was £40,000. This was funded by S106 developer contributions made specifically for sustainable transport. Approximately £22,000 was provided by Worthing contributions, and £18,000 from Adur contributions.
- 5.2. The set up fee pays for the negotiations with local providers, discounts with retailers and public transport providers, and recruitment of businesses into the network. The first year's membership is free to businesses. Once established there is an annual cost to be part of the network of up to £2,000 per organisation, depending on size. For Adur & Worthing Councils, this will be met from existing budgets.

6. Legal Implications

- 6.1** 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.
- 6.2** S1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.
- 6.3** In awarding a contract pursuant to the proposed Scheme the Council must have regard to the procedures set out in its Contract Standing Orders found at Part 4 of the Constitution.

Background Papers

- [Platforms for our Places](#)
- [Sustainable AW](#)

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Sustainability & Risk Assessment

- Transport contributes the greatest greenhouse gas emissions of any sector in the UK at 28%. easitADUR&WORTHING has been setup to help local businesses and council staff adopt more sustainable transport behaviours, reducing emissions, local pollution, and easing congestion.

1. Economic

- The easitNETWORK has potential to benefit businesses and staff across Adur and Worthing; strengthening partnership working; and sharing benefits between the public and business sectors.

2. Social

2.1 Social Value

- EasitADUR&WORTHING will assist employees across Adur & Worthing to travel sustainably while reducing costs to do so.

2.2 Equality Issues

- EasitADUR&WORTHING will assist cheaper sustainable travel for all. The councils' Travel Action Plan revealed that costs was a barrier to greater use of public transport, and this initiative aims alleviate this barrier.

2.3 Community Safety Issues (Section 17)

- No identified issues.

2.4 Human Rights Issues

No identified issues.

3. Environmental

- Transport contributes the greatest greenhouse gas emissions of any sector in the UK at 28%. easitADUR&WORTHING has been setup to help local businesses and council staff adopt sustainable transport behaviours, easing reducing emissions, local pollution, and congestion.

4. Governance

- Establishment of easitADUR&WORTHING aligns with Platforms for our Places 1 and 3; Sustainable AW; Adur & Worthing Public Health Delivery Plan; Adur District and Worthing Borough Councils' Air Quality Action Plans; Adur & Worthing Councils' Corporate Social Responsibility; Adur & Worthing Councils' Health and Wellbeing policy; Adur & Worthing Activities Strategy (forthcoming).

Executive Summary

Adur & Worthing Council Travel Action Plan

delivered by Sustrans January 2019



ADUR & WORTHING
COUNCILS



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1. Executive Summary

Sustrans was commissioned by Adur & Worthing Councils (AWC) to deliver a Travel Action Plan (TAP). The TAP aims to identify current staff travel patterns, barriers to using more sustainable modes of travel, and suggest ways to support staff to change their travel behaviours towards more active and sustainable modes.

The key objectives behind the Councils' TAP are:

- 1) To review current staff and Councillor patterns for commuting and business travel, and identify barriers to travelling more sustainably.
- 2) To reduce the environmental impacts of commuting and business travel associated with Adur & Worthing Councils services and operations
- 3) To support the health and wellbeing of staff.
- 4) To identify options to support staff given anticipated reductions in available on-site car parking at Worthing Civic Site as a result of the planned new Health Hub on part of the existing staff car park.
- 5) To support delivery of *Sustainable AW, Platforms for our Places Platform 3: Stewarding our Natural Resources*, and the *Public Health Strategy*.



The Travel Action Plan

The Councils' Travel Action Plan covers all staff, Councillors and tenants at civic buildings. Four sites were audited in detail: Worthing Town Hall, Portland House (Worthing), The Shoreham Centre (Shoreham-by-Sea) and Commerce Way (Lancing) (see 1.1).

The information used to compile this document was obtained in a number of ways, including: site audits, review of the Councils' policies and procedures, meetings and conversations with staff at travel roadshows and a travel survey that was completed by 453 (60%) employees, 19 (29%) of councillors plus tenants in the Councils' buildings in the locations under review.

Key findings and actions

Key overall findings were that

- 59.1% Of the workforce live 5 miles or under from their place of work
- 35.5% of respondents live within walking and cycling distance, under 3 miles, from their workplace
- 23.6% of respondents live at an easy cycling distance (3-5 miles) from their main place of work
- Single occupancy car journeys account for more than half of all commutes
- Active travel accounts for just a quarter of commutes (13.1% walking, 11.6% cycling)
- Only 10% of staff travel by public transport as their main form of travel
- 62% of staff are in the 'contemplation' stage, thinking of changing the way they travel to or at work for one or more of the sustainable travel modes (walking, cycling, public transport or car sharing) –

The main things that could persuade respondents to cycle are:

- safer cycling routes (19%)
- improved shower/changing facilities (12%)
- secure bike parking (10%),
- lockers (10%)
- loans for the purchase of cycles and related equipment (8%)

Respondents indicated walking could be encouraged by improved changing and storage facilities on site.

The main barriers to using public transport are:

- cost (27%),
- frequency and reliability (18%) and
- overcrowding (8%).

The most significant barrier for car sharing is a way of finding people who live nearby to share with (23%).

In relation to flexible working:

- Only 22% of respondents stated they worked from home
- 53% Work flexible hours once or more per week.
- Only 12.6% of people stated that teleconferencing was available to them
- Only 8.5% stated videoconferencing was available to them

In relation to business travel:

- The majority of staff are occasional business travel users.
- The three main modes of business travel are single occupancy in a personal car, walking and using Enterprise Car Club vehicles.
- Solo occupancy personal car trips of three miles and under account for 90 trips a month making it the second most used form of business travel.
- Enterprise Car Club vehicles account for only 6% of car parking spaces (at the Worthing Civic site) but account for 26% of car based business travel and 17% of total business trips. A move from personal car to Enterprise Car Club,

particularly for occasional car based business travel could reduce the amount of parking spaces required to facilitate the same number of daily business trips.

- The total cost of Essential Car Users (ECU) payments from September 2017 to August 2018 was £70,065. For the same period, the total staff mileage (Essential and Casual Car Users) cost £66,855. By switching more business trips to active travel modes and the car club, the council could make significant savings.
- No one currently uses the Hiya-car scheme for business trips.

A range of suggested actions have been recommended, as detailed in Section 7. The identified opportunities are provided under the following headings:

Policy and working practices

- Enable more staff to benefit from flexible and home working in order to support them actively commuting more or not having to physically commute as regularly, while, staggering rush hours.
- Review current ECU policy and payments.
- Annually review ECU allocations to ensure criteria continue to be met and staff qualify.
- Revise business travel policy to encourage greater use of the Enterprise Car Club and cycling for business travel.
- Reducing car mileage payments and commuter car trips.
- Remove the barrier around cycle helmet wearing for commute and business
- Review existing Cycle to Work scheme to ensure it meets the needs of staff
- Investigate and implement a reward scheme for the active and environmentally conscious in order to boost buy in from staff.
- Review and amend the existing parking permit scheme in the Civic site car park. Ensure car parking is based on a needs basis and encourages sustainable travel.

Communication and promotion of sustainable travel & related offers

- Provide Public Transport discounts to reduce the cost of travel.
- Update information for staff on what's available to them and how to access it.
- Set up of a Bike User Group (BUG) which staff can be directed to for support and advice, and who can feedback to management on behalf of staff cyclists.
- Provide bicycle training to build road confidence and teach staff to cycle.
- Develop a more inclusive and active culture that supports staff becoming fitter and healthier, helping more staff being physically able to travel actively.

Facilities and Infrastructure

- Work with West Sussex County Council to improve the local cycle network to allow staff to feel safe when cycling.
- Implement a pool bike scheme for business travel making shorter business trips quicker and more active.
- Close down the Hiyacar scheme.
- Expand Enterprise Car Club to allow an increase in usage to cover more of the car based business travel.
- Proactively promote Liftshare.com as a car share scheme facilitating staff to easily and intuitively find others to share with.

- Explore potential to provide a formal park and stride facility to the north of Worthing to make finding a parking space easier for staff and reducing congestion in town, while encouraging some level of multimodal active travel.
- Explore potential to provide a formal park and ride facility out of town with a bus pick up and drop off service, bike hire and secure bike storage on site.
- Preferential onsite parking for staff who car share to incentivise staff to share.
- Increase secure bike storage with security ID card access. Adding a level of uniformity across sites and removing many of the barriers associated with currently cycling to and from the different sites.
- Improve shower, changing and drying facilities at all sites to facilitate more active travel.
- Provide lockers for regular hot-desking staff at the Shoreham Centre to store a change of clothes, laptops etc. to make active travel easier.
- Investigate and introduce provision of protective clothing for cycling and walking.
- Explore opportunities to widen out the car club so it can be accessed by the community such as residents, organisations, charities and businesses.



ADUR & WORTHING COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 9

Key Decision: Yes
Ward(s) Affected: All

Investing in Domestic Abuse support and increasing physical activity

Report by the Director for Communities

Executive Summary

1. Purpose

1.1 This report informs Members about:

- A successful external funding bid, to provide support for our communities around Domestic Abuse.
- An opportunity to work with our partners to co-invest in a new innovative programme that builds intergenerational activity in our communities.

1.2 Members are asked to approve the amendment of the budget to allow this funding to be accepted and approve authority to spend.

2. Recommendations

2.1 It is recommended that the Joint Strategic Committee:

- i) Approve the amendment of the budgets to include the supporting victims of Domestic Abuse projects funded by the Ministry of Housing, Communities and Local Government (MHCLG) (£303,268 in 18/19 and £99,838 in 19/20);
- ii) Approve an amendment of the budgets of £144,000 for Beat the Street which is part funded by the Councils (£35,000) and with additional funding of £109,000 from other partners including West Sussex County Council and Arun District Council; and

iii) Delegate authority to the Director for Communities to let any contracts associated with these projects.

3. Context

3.1 The Communities and Wellbeing Team has recently been successful in securing funding to expand its programme of work to deliver initiatives that promote health, wellbeing and safety in our communities.

4. External funding bids

4.1 Ministry of Housing Communities and Local Government Funding for Domestic Abuse

4.1.1 Domestic Abuse continues to be one of the highest volume crime types nationally, impacting not just on the victims but on whole families. In response to this, the Ministry of Housing, Communities and Local Government (MHCLG) announced funding of £22 million that local authorities could apply for to address this issue.

4.1.2 In August 2018, the Councils applied to the MHCLG Domestic Abuse Fund. The purpose of the fund is to increase support for victims of domestic abuse, including refuge and outreach, in partnership with Safe In Sussex.

4.1.3 Adur and Worthing Councils submitted a bid for £403,106 (£303,268 in 18/19 and £99,838 in 19/20) to provide outreach support, increase support within Safe in Sussex refuges and recruit a Black and Minority Ethnic Support Worker. As required for this grant process, Safe in Sussex was identified as the provider of these services.

4.1.4 Members are asked to note that although Adur and Worthing Councils are the Accountable Body for this grant award, the project will be delivered across West Sussex. Adur and Worthing took on the role of lead organisation for the bid, as officers have a good relationship with both the MHCLG and Safe in Sussex.

4.1.5 In December 2018, we received notification that we had been successful in the grant application process. We have been allocated the full amount, to be split as follows; £303,268 for 18/19 and £99,838 for 19/20.

4.2 Funding for Beat the Street

- 4.2.1 The UK is one of the least active nations in the world and the implications of this on our health and wellbeing is significant. Inactivity is linked with high rates of childhood and adult obesity, as well as a whole host of health conditions that impede our ability to live well. The evidence demonstrates the need to “start well” with our young people, in the context of families and generations to make the desire to be active and well a family and community affair. Generations of children, parents, grandparents - and the wider community - can be a major influencing factor on each other around activity rates.
- 4.2.2 Alongside a growing evidence base around the physical health benefits of outdoor activity, connecting this to our natural green places and spaces can have a significant impact on our mood and wellbeing. This contributes to a number of our [Five Ways to Wellbeing](#): **Connecting** (with others) and **Taking Notice** (nature), by encouraging our communities to go out and experience new places (New Economics Foundation). Of course, the knock on effect of this on our desire to walk and therefore reduce our reliance on vehicles, also helps promote other public health benefits and sustainability.
- 4.2.3 **Beat the Streets** is an award winning behaviour change intervention, which improves wellbeing, physical activity and active travel whilst reducing health inequalities across communities. Supported by a wealth of evidence, it brings about sustainable behaviour change and reaches the most deprived communities. This project, led by Intelligent Health, uses gamification (Beat Boxes attached to street furniture, that are scanned by participants) to mobilise large numbers of children, parents, grandparents and communities, creating a social norm around walking, cycling and running.
- 4.2.4 There are 3 stages to the project: preparation, experience and sustain and these are shown in the diagram below:



- 4.2.5 It is planned that the preparation stage will start in March 2019 and last 3 months. This will involve developing of a multi-agency steering group that will be key to the success and sustainability of the project. This group will identify methods to engage and activities to offer individuals and groups who participate in the game. They will also help design and implement the sustainability of Beat the Street by working together.
- 4.2.6 The experience stage will take place in June/July 2019 when Beat Boxes will be placed across a defined area. Anyone can take part - they just need to pick up a card from distribution points. Participants are encouraged to tap Beat Boxes to gain points that will win them and their schools prizes. For the schools this will be a monetary value and for individuals and groups this will be tickets to local attractions, activities and venues. The prizes incentivise initial involvement and keep people motivated. A communication plan will be developed to create a compelling story to keep participants engaged based on finding new ways to enjoy their area and spend time with friends and family.
- 4.2.7 The sustain phase continues for 7 months (August 2019 - Feb 2020) after the Beat the Street game to support people to stay active. During this phase local providers, activities and events continue to be promoted to participants. They are encouraged to maintain their habits of walking and cycling and are

signposted to more structured activity including recreational and sporting opportunities, active travel and use of green spaces.

4.2.8 Other schemes that have taken place across the country have seen improvements that were sustained for at least a year as shown in the chart below. Each scheme returned the following year and those who registered for both showed a marked increase in activity. Those doing 0-1 day of activity a week were selected and followed up showing that they were then achieving at least 3 days of activity a week,



4.2.6 Officers from Adur, Worthing and Arun Councils, along with West Sussex Public Health have developed a proposal to deliver a Beat the Street programme across the coastal strip (Adur, Arun and Worthing).

4.2.5 Adur and Worthing Councils will be the lead partner for this project. Funds have been committed by Arun District Council and West Sussex Public Health to contribute to this project. Funding is also being sought from the Coastal West Sussex Clinical Commissioning Group (CCG), however, this has not yet been confirmed.

5. Issues for consideration

- 5.1 Members are asked to approve the budget amendments to accept these additional funds into the budget and give a delegation to the Director of Communities to let any associated contracts.

6. Engagement and Communication

- 6.1 With the Safe in Sussex project, all District and Boroughs were involved in developing and supporting the partnership work developed for this bid and will be involved with the ongoing delivery and monitoring of this work. The BME Officer will help create stronger links with the BME community.
- 6.2 Arun District Council and West Sussex Public Health have been involved in developing the Beat the Street programme. Children and families will be engaged through local schools to promote the programme. Local providers of leisure activities will also be involved in developing opportunities for those participating in Beat the Street to try other activities.

7. Financial Implications

- 7.1 The Council has been successful in attracting external funding for two specific projects:
- i) Supporting the victims of domestic abuse (£303,270 in 18/19 and £99,840 in 19/20)
 - ii) Beat the Streets (£109,000) (18/19-19/20)
- 7.2 The cost of Beat the Street is £144,000. Adur and Worthing Councils will be the lead partner for this project and have committed £35,000 out of existing budgets towards the cost of this initiative. Additional funds of £109,000 have been committed by Arun District Council and West Sussex Public Health to contribute to this project. Funding is also being sought from the CCG, however this has not yet been confirmed.
- 7.3 Under the Councils' constitutions, the Joint Strategic Committee can amend the budgets to include items fully funded by external funding. Amending the budgets will give authority to let contracts to deliver these programmes of work.

8. Legal Implications

- 8.1 Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 8.2 The Councils must have regard to the procedures set out in its Contract Standing Orders found at Part 4 of the Constitution when they award any contracts.

Background Papers

None

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Sustainability & Risk Assessment

1. Economic

2. Social

2.1 Social Value

- This funding strengthens the Councils ability to support the community to be active and safe

2.2 Equality Issues

- This funding increases access to services and opportunities.

2.3 Community Safety Issues (Section 17)

This funding contributes to reduction of crime and disorder by increasing support to victims of crime.

2.4 Human Rights Issues

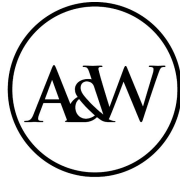
- N/A

3. Environmental

- Beat the Streets funding will lead to increased use of our public spaces

4. Governance

- This funding supports several of the councils' priorities and strengthens local partnerships with the community and voluntary sector and neighbouring authorities.



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 10

Key Decision [Yes/~~No~~]

Ward(s) Affected: N/A

Waste & Street Cleansing Vehicle Replacements

Report by the Director for Communities

Executive Summary

1. Purpose

The purpose of this report, is to seek the consent of the Joint Strategic Committee, to proceed with the purchase of waste and street cleansing vehicles. The budget for these vehicles is included in the 2018/19 Capital Investment Programme.

2. Recommendations

2.1 Recommendation One

- The Joint Strategic Committee is recommended to approve the acquisition of the waste and street cleansing vehicles included in the 2018/19 Capital Investment Programmes as set out in this report.

3. Context

3.1 Each year a number of the council's fleet vehicles used for frontline services reach the end of their initial working lives. To facilitate replacements, a rolling programme is provided by the Transport section and financed via the Capital Investment Programmes.

3.2 Despite a scheduled approach, vehicles are not replaced as a matter of course, each vehicle undergoes a comprehensive assessment of its physical condition as well as its ongoing suitability to perform the task to which it is deployed. This assists in managing costs and maximising returns from our vehicle assets.

4. Issues for consideration

4.1 It is proposed that 5 vehicles are procured in the financial year 2018/19, all are like for like replacement vehicles. The vehicles for replacement are listed below:

- 1 x 18 tonne twin compartment refuse vehicle
- 1 x 15 tonne road sweeper
- 1 x 3.5 tonne road sweeper
- 1 x 7.5 tonne flatbed tipper with tail lift
- 1 x 3.5 tonne graffiti removal vehicle

All of these vehicles have come to the end of their economically useful life. Replacement at this time will negate escalating repair costs and will maintain the reliability of the available fleet.

5. Engagement and Communication

5.1 The fleet user sections whose vehicles are due for replacement are fully consulted throughout the procurement process.

6. Financial Implications

6.1 The 2018/19 Capital Investment Programmes for Adur and Worthing Councils include a total provision of £449,500 for the purchase of vehicles detailed in the report. The apportionment of costs for the joint recycling and refuse service is agreed as Adur 36.4% and Worthing 63.6%. For the joint street cleansing service it is Adur 39.4% and Worthing 60.6%. Details of budgets and estimated costs are shown in the following table.

Vehicles	Adur Capital Budget £	Worthing Capital Budget £	Total Capital Budget £
1 x 15 tonne refuse vehicle	61,880	108,120	170,000
2 x street sweeping vehicles	76,440	117,560	194,000
1 x 7.5 tonne flatbed tipper	17,930	27,570	45,500
1 x graffiti removal vehicle	15,760	24,240	40,000
Totals	172,000	277,500	449,500

6.2 An option appraisal has been completed for each proposed vehicle acquisition which compared the cost of two financing options, these being, Finance Lease OPV and Borrowing OPV. The cash outlays for each option were further discounted to Overall Present Values (OPV) to reflect the relative timing effects on the value of money, which is regarded as a more appropriate indicator of overall cost. The results are summarised in the Table below.

6.3 On an OPV basis, outright purchase by borrowing from the PWLB is the cheapest option for all of the proposed vehicle acquisitions. For this to be the case, prudential borrowing with the principal repaid in full on maturity after 9 years has been applied. This is due to the Councils being able to borrow at a lower interest rate(1.87%) than offered by the leasing companies(2.98%) and the discounting effect of the timing of cash flows. Another advantage of purchase is the opportunity to keep the vehicles in service longer than this term if economically viable, without paying additional lease extension costs.

	Option 1 Finance Lease £	Option 2 Borrowing £
Cost of Principal & Interest		
Vehicles		
18 tonne Twin Compartment	166,216	157,400
15 tonne Road Sweeper	113,245	107,227
3.5 tonne Road Sweeper	75,970	71,921
7.5 tonne Flatbed Tipper	44,089	41,724
3.5 tonne Graffiti Removal	38,694	36,614
Total Vehicle Cost	438,214	414,886

7. Legal Implications

- 7.1 As a waste collection authority, the councils are obliged to have waste collection facilities.
- 7.2 Under section 89 of the Environmental Protection Act, 1990 the Councils are required to keep land under their direct control, which is open to the air and is land (but not a highway) and to which the public are entitled or permitted to have access with or without payment, so far as is practicable, clear from litter and refuse.
- 7.3 The councils have power under section 111 of the Local Government Act, 1972, to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. The procurement of vehicles is ancillary to the above functions
- 7.4 Section 1 of the Localism Act 2011 gives local authorities power to do anything an individual can do provided there is no express provision to the contrary.
- 7.5 The procurement of the vehicles must be carried out in accordance with the councils' contract standing order and the relevant procurement rules.

Background Papers

Capital Investment Programme 2018/19

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Sustainability & Risk Assessment

1. Economic

An option appraisal was carried out which has determined that outright purchasing through capital borrowing is the cheapest option for both Councils.

2. Social

Matter considered and no issues identified

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)

Reducing the amount of street litter and keeping the streets clean helps to contribute to the reduction in crime and anti - social behaviour.

2.4 Human Rights Issues

Matter considered and no issues identified

3. Environmental

Newer vehicles typically have more fuel efficient engines with lower polluting exhaust emissions.

4. Governance

Matter considered and no issues identified



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 11

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

The Future of Public Space Protection Orders for Dogs

Report by the Director for Communities

Executive Summary

1. Purpose

- On 18 December 2019, two Public Space Protection Orders (PSPO) for Dogs will expire.
- The orders can be extended or amended for a further 3 years if certain conditions are met.
- This report outlines the conditions for extending or amending the orders, the process and the timeline that needs to be followed if members wish to extend or amend the orders and recommendations as to next steps.

2. Recommendations

2.1 Joint Strategic Committee is recommended to resolve to recommend to Adur District Council and Worthing Borough Council that :

- (a) Adur District Council PSPO No.1 Dogs, is amended and extended in its revised form for a further three years until 18 December 2022.

(b) Worthing Borough Council PSPO No.4 Dogs, is amended and extended in its revised form for a further three years until 18 December 2022.

3. Context

- 3.1 The Anti Social Behaviour, Crime and Policing Act 2014 provides a power to local authorities to implement Public Space Protection Orders (PSPOs) in specified locations to prevent a particular nuisance or problems in a specified area that is detrimental to the local community's quality of life.
- 3.2 A PSPO is designed to deal with a particular nuisance or problem by placing conditions on the use of the area and providing sanctions for those that do not comply. The breach of a PSPO is a criminal offence for which a fixed penalty notice can be issued and on summary conviction, a fine of up to £1,000 can be imposed. The fixed penalty can be up to £100. At the time of implementation in 2016, Adur and Worthing Councils set the fixed penalty for breach of a PSPO at £50.
- 3.3 On 19 December 2016, Adur District Council and Worthing Borough Council implemented the following two Public Space Protection Orders (PSPOs), using the powers contained within the Anti Social Behaviour, Crime and Policing Act 2014. These PSPOs were a conversion from pre-existing Dog Control Orders. The following PSPOs were proposed and agreed:
- Adur District Council PSPO No.1 Dogs.
Worthing Borough Council PSPO No.4 Dogs.
- 3.4 Under the terms of the Anti Social Behaviour, Crime and Policing Act 2014, the maximum term of the orders is 3 years. The current orders will all expire on 18 December 2019.
- 3.5 Local Authorities are able to extend a Public Space Protection Order under Section 60 (2) of the Anti Social Behaviour, Crime and Policing Act if it believes that the order is necessary to to prevent occurrence or recurrence of the activities identified in the order or, an increase in frequency or seriousness of those activities.
- 3.6 If Members decide to extend the orders unchanged for a further 3 years, there is a requirement to consult relevant stakeholders. This would include the local police and any other community representatives thought appropriate.

- 3.7 If Members however, decide to vary or amend any or all of the orders, the proposed changes to the conditions will also require to be consulted upon.
- 3.8 Consultation was previously undertaken in 2016 and the same process will need to be followed if the orders are to be amended. This will comprise:
- A Public consultation survey on Adur and Worthing Councils' website
 - Surveys with local residents who make use of areas affected by the PSPO's.
 - Notices placed at key entrances to areas affected by the PSPO's proposed changes such as parks, open spaces and foreshores where applicable.

There is also a requirement to consult with the Police Crime Commissioner and the Chief Officer of Police, appropriate community representatives and if applicable the owner or occupier of land within restricted areas.

- 3.9 The timeline for the consultation process is displayed in the table below.

Action	Date
Report to JSC - decision to extend or amend current orders	March 2019
Consultation Period - consult stakeholders, online survey, focus groups, face to face surveys, social media	June/ July 2019
Return to JSC with results of consultation and agree to implement orders as per terms consulted on	September 2019
Full Council - Ratify extension	October 2019

4. Issues for consideration

- 4.1 Public Space Protection Orders must be evidence based. It is therefore necessary for decision makers to be satisfied, on reasonable grounds, that the following two conditions are met, should they wish the orders to continue.

Condition 1

Activities carried out in a public space within the local authority's area have had detrimental effect on those in the locality, or it is likely that activities carried out in a public place will have such an effect.

Condition 2

The effect or likely effect of the activities is, or is likely to be, of a persistent and continuing nature and is, or is likely to be such as to make these activities unreasonable, and this justifies the restrictions imposed by the notice.

- 4.2 In order to extend the two orders, members should be satisfied that the above two conditions are met. The following information regarding the two PSPO's is included in order to support this decision making process.

4.3 Adur District Council PSPO No.1 Dogs

- 4.3.1 This order covers all of the Adur district and allows authorised officers to enforce the PSPO when breaches of the order are witnessed, either directly or through a member of the public providing a suitable statement of witness.

Breaches are as follows, failure to remove dog faeces, failure to put a dog on a lead if directed to do so, failure to have a dog on a lead in a 'dogs on lead' area, taking a dog onto a dog exclusion area and a person being in charge of more than 6 dogs at any one time.

- 4.3.2 The current PSPO was converted from a pre-existing Dog Control Order in 2016. The PSPO is an essential tool incorporating itself as part of the dog control service. The service deals with collection of straying dogs, returning stray dogs home, rehoming abandoned dogs through various animal charity organisations, responding to noise complaints and utilising Community Protection Notices to tackle persistent cases of a range of nuisances caused by dogs and irresponsible dog owners, investigating Animal Welfare cases and inspecting animal licensable establishments. The PSPO provides a balanced system for dogs and their owners to enjoy the freedom to exercise their dogs but also for the general public to enjoy particular environments such as specified beaches in summer without the presence of dogs. It should be mentioned that most dog owners abide by these set rules, however the ability to issue fixed penalty notices is reserved for dog owners who flout the rules.

4.3.3 The table below depicts the number of fixed penalty notices (FPN) issued during the current PSPO period.

Year	2017	2018
FPN's issued	7	1

4.3.4 The table below depicts what category a FPN was issued under and the Outcome.

Category	Year	Number	Outcome
Failure to remove dog faeces	2017	7	7 fines paid
Failure to remove dog faeces	2018	1	1 fine paid

4.3.5 There has been a drop in the number of FPN's issued between 2017 and 2018. The Dog Control Service transferred to Public Health & Regulation Section on 1 May 2018 and has undergone a reshaping of the service. One of the main changes was in the dealing with complex cases surrounding anti social behaviour displayed by irresponsible dog ownership and nuisance dogs and the utilising of Community Protection Notices for the first time, in order to deal more effectively with these types of cases. This requires resources to be directed elsewhere and may also have reduced the the time committed to routine patrols. Going forward however this should rebalance to allow for patrols to be conducted.

Other reasons for the drop in FPNs may be the need for an authorised officer to witness an offence being committed or receiving a valid witness statement from a member of the public who has witnessed such an event and gaining their permission to be involved in legal proceedings if required. Also, the public may be more aware of their requirement to comply with the PSPO and an overall reduction in the number of offences being committed hence no FPN's being issued.

4.4. Options for Adur District Council PSPO No.1 Dogs

4.4.1 The Committee is asked to consider the options of

1. Continuing with the PSPO as it is;
2. Amending the PSPO; or
3. Removing the PSPO.

4.4.2 As previously stated, we must be satisfied that there is an evidenced need to retain the powers contained in the PSPO and that Conditions 1 and 2 are met.

4.4.3 Dog fouling complaints continue to be received at higher levels by the Public Health & Regulation Section. From April 2017 to March 2018, **84 complaints** of dog foul were received and from April 2018 to December 2018, **34 complaints** of dog foul were received. These figures show a decrease between 2017 and 2018, however 2018 covers 9 months only.

4.4.4 Complaints received help us to focus on 'hot spots' for dog fouling and to focus patrols in these areas, hence the provision or issuing fixed penalty notices is required. It is considered that the two conditions highlighted above are met.

4.4.5 The fine for a fixed penalty notice is currently £50, however the legislation allows for fines up to £100. In comparison, neighbouring authorities such as Arun District Council, Horsham District Council and Brighton & Hove City Council's fines range between £75 and £100.

4.5 Recommendation for Adur District Council PSPO No.1 Dogs

4.5.1 It is recommended that Adur District Council PSPO No.1 Dogs is amended from its current form in order to consider matters previously mentioned at 4.4.5. A consultation process as described at 3.9 will be required.

4.5.2 In order to assist in cost recovery and to be more of a deterrent it is recommended to consult with a view to increase the fine to £100.

4.6 Worthing Borough Council PSPO No.4 Dogs

4.6.1 This order covers all of the Worthing borough and allows authorised officers to

enforce the PSPO when breaches of the order are witnessed, either directly or through a member of the public providing a suitable statement of witness.

Breaches are as follows, failure to remove dog faeces, failure to put a dog on

a

lead if directed to do so, failure to have a dog on a lead in a 'dogs on lead' area, taking a dog onto a dog exclusion area and a person being in charge of more than 6 dogs at any one time.

4.6.2 The current PSPO was converted from a pre-existing Dog Control Order in 2016. The PSPO is an essential tool incorporating itself as part of the dog control service. The service deals with collection of straying dogs, returning stray dogs home, rehoming abandoned dogs through various animal charity organisations, responding to noise complaints and utilising Community Protection Notices to tackle persistent cases of a range of nuisances caused by dogs and irresponsible dog owners, investigating Animal Welfare cases and inspecting animal licensable establishments. The PSPO provides a balanced system for dogs and their owners to enjoy the freedom to exercise their dogs but also for the general public to enjoy particular environments such as specified beaches in summer without the presence of dogs. It should be mentioned that most dog owners abide by these set rules, however the ability to issue fixed penalty notices is reserved for dog owners who flout the rules.

4.6.3 The table below depicts the number of fixed penalty notices (FPN's) issued during the current PSPO period.

Year	2017	2018
FPN's issued	33	3

4.6.4 The table below depicts what category a FPN was issued under and the Outcome.

Category	Year	Number	Outcome
Failure to remove dog faeces	2017	27	24 fines paid 1 FPN rescinded 1 referred to legal- not proceed 1 referred to legal- successful prosecution
Failure to have a dog	2017	5	5 fines paid

on a lead			
Dog in an exclusion area	2017	1	1 FPN rescinded
Failure to remove dog faeces	2018	2	2 fines paid
Dog in an exclusion area	2018	1	Legal proceedings pending

4.6.5 As discussed at 4.3.5 the Dog Control Service was transferred to the Public Health & Regulation Section on 1 May 2018 and has undergone a reshaping of the service. It should be noted that 5 of the FPN's in 2017 were issued by Parks and Foreshore staff, however none were issued in 2018. There may also be a requirement to utilise the expertise of these staff and refocus attention in surveillance of offences under the PSPO and if necessary the issue of FPNs.

4.7 Options for Worthing Borough Council PSPO No.4 Dogs

4.7.1 The Committee is asked to consider the options of:

- Continuing with the PSPO as it is;
- Amending the PSPO; or
- Removing the PSPO.

4.7.2 As previously stated, we must be satisfied that there is an evidenced need to retain the powers contained in the PSPO and that Conditions 1 and 2 are met.

4.7.3 Dog fouling complaints continue to be received at higher levels by the Public Health & Regulation Section. From April 2017 to March 2018, **106 complaints** of dog foul were received and from April 2018 to December 2018, **44 complaints** of dog foul were received. These figures show a decrease between 2017 and 2018, however 2018 covers 9 months only.

4.7.4 Complaints received help us to focus on 'hot spots' for dog fouling and to focus patrols in these areas, hence the provision or issuing fixed penalty notices is required. It is considered that the two conditions highlighted above are met.

4.7.5 The fine for a fixed penalty notice is currently £50, however the legislation allows for fines up to £100. In comparison, neighbouring authorities such as Arun District Council, Horsham District Council and Brighton & Hove City Council's fines range between £75 and £100.

4.7.6 The Council is currently working in partnership with Southern Water's Bathing Water Enhancement Program and Southern Water have requested that the current exclusion zone on Worthing Beach (Warwick Road to Heene Road) be

extended westerly to Marine Gardens. The rationale for this is to continue to improve the bathing water quality by excluding dogs and any potential fouling on the beach area during the exclusion time period 1 May until 30 September.

4.8 Recommendation for Worthing Borough Council PSPO No.4 Dogs

4.8.1 It is recommended that Worthing Borough Council PSPO No.4 Dogs is amended from its current form in order to consider matters previously mentioned at 4.7.5 and 4.7.6. A consultation process as described at 3.9 will be required.

4.8.2 In order to assist in cost recovery and to be more of a deterrent it is recommended to consult with a view to increase the fine to £100.

4.8.3 To consider extending the exclusion area at Worthing Beach as described at 4.7.6 with a view to assisting in improving the bathing water quality.

5. Engagement and Communication

5.1 Should members decide to amend any of the Orders going forward the Council will be required to undertake a similar process of full consultation as described at 3.9.

6. Financial Implications

6.1 There will be costs involved with a consultation process such as administration for surveys and posting notices at key areas as described at 3.8.

6.2 It is proposed to increase the fines from £50.00 to £100.00. The fees from fines are used to fund the enforcement costs.

7. Legal Implications

- Under Section 111 of the Local Government Act 1972, the Council has the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.
- Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- The Anti-social Behaviour, Crime and Policing Act 2014 (“the Act”) came into effect on 20 October 2014. Section 59 of The Act gives local authorities the power to make PSPOs which are intended to deal with ASB and nuisance in a particular area that is detrimental to the local community’s quality of life by imposing conditions on the use of that area.
- Before making a PSPO, councils must consult with the local police (section 72(3) and 72(4) of the Act). The Act also stipulates that councils must consult with the local community on any proposed PSPO.
- Anyone who lives in or regularly works or visits the area can appeal a PSPO in the High Court within six weeks of issue. The PSPO should be publicised locally. Signage will not be erected until after the six week period or, if an appeal is lodged, after any High Court ruling.
- Section 61 of the Act makes provision to review a PSPO which is in force and to vary the terms of the order which can be based upon the review findings. Furthermore, the maximum duration of a PSPO is three years, so proposals to undertake a full review prior to its expiry would be appropriate.
- A review of the PSPO can be assessed before the end of the fixed period, to assess impact and allow any required variations to the PSPO to be made in response to consultation with stakeholders.

Background Papers

- Anti Social Behaviour, Crime and Policing Act 2014
- Previous Report
<https://www.adur-worthing.gov.uk/media/media,141609,en.pdf>

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Sustainability & Risk Assessment

1. Economic

The use of all ASB tools and powers contributes to the perception of Adur and Worthing as safe and clean spaces to invest and spend time in. Public Space Protection Orders allow opportunities for engagement and low level intervention, often reducing the need for more resource intensive intervention.

2. Social

2.1 Social Value

Communities will benefit from safer and cleaner spaces.

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Public Space Protection Orders are a valuable tool in reducing anti social behaviour and promoting safe use of public spaces. By extending these powers, we are retaining an enforcement tool to tackle irresponsible dog owners.

2.4 Human Rights Issues

The Council must ensure that the powers afforded by the PSPO is used responsibly and proportionately, and only where necessary to protect the public.

3. Environmental

The orders help prevent misuse of our public spaces including the green spaces and foreshores by irresponsible dog owners.

4. Governance

Public Space Protection Orders support Platforms for our Places strands ; Our Social Economies and Stewarding our Natural Resources.



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 12

Key Decision: Yes

Ward(s) Affected: All

Worthing Theatres & Museum - The Future of Culture for Worthing

Report by the Director for the Economy

Executive Summary

1. Purpose

1.1 To report on the outcome of the procurement exercise for the provision of cultural services and award the contract to the successful bidder.

2. Recommendations

2.1 That the Joint Strategic Committee resolves to delegate Worthing Borough Council's Executive function of Cultural Services to an Independent Trust.

2.2 That the Joint Strategic Committee supports the creation of a new Independent Trust for the delivery of Cultural Services and delegates the authority to establish the Trust vehicle to the Director for the Economy, subject to compliance with the relevant governance, legal and financial advice.

2.3 The Joint Strategic Committee approves the award of the Cultural Services contract to the Council's in house team, and delegates to the Director for the Economy the authority to approve and execute the contract

with the newly formed Trust, subject to an agreed contract consistent with the provisions of this report.

2.4 The Joint Strategic Committee resolves to transfer the employment contracts of relevant Council Officers to the Independent Trust and delegates authority to the Director of Digital and Resources to make necessary arrangements.

3. Background and Context

3.1 At their meeting of 10th July 2018 members of the Committee approved a procurement exercise for the operation of the Theatres and Museum and agreed to receive a further report following the outcome of that exercise to outline the next steps.

3.2 The 10th July 2018 report (Worthing Theatres & Museum Strategic Future Options) reflected the significance of 3 key factors:

- 1) The vital role that a strong cultural offer plays in successful places; its increasing importance to the national economy; and a number of wider benefits, notably:
 - Acting as an attractor for visitors and businesses;
 - Revitalising localities;
 - Improving health and well-being;
 - Encouraging volunteering and civic participation

Allowing for a local multiplier, culture is worth more than £5m to the Worthing economy, based on the average spend of customers.

- 2) There has been a transformation in the cultural offer for Worthing in recent years, delivered by high quality, innovative programming; the introduction of new acts and genres; and investment in our venues.

Over the period 2013/14 to 2016/17:

- Theatre Ticket sales increased by 26% and revenues increased by 34%
 - Family theatre revenue increased by 77% and pantomime by 42%
 - Film revenue increased by 65% and live screening by 12%
 - The direct costs managed by Worthing Theatres have been driven down from £837,000 to £423,000
- 3) The Council's 'Platforms for our Places' commitments highlight the opportunity to develop the Worthing cultural offer and to continue to grow our national and regional reputation and audience base; as well as lever in additional investment of money, networks and talent. 'Platforms' commits us to being genuine civic entrepreneurs, exploring new partnerships to find the right solutions for the long-term benefit of our places.

3.3 With these key factors in mind, members of the Committee agreed to pursue an option to lease some or all of the cultural venues to an independent Trust or similar body prepared to reinvest back into the local community. It was felt that a bespoke 'Worthing' Cultural Trust would offer the prospect of a single focus on delivering a cultural offer for the town. Operating in a commercial environment a Trust would have greater freedom to generate new income streams and to drive new relationships with its audience base, funding bodies and commercial sponsors. Similar Trusts follow the model of establishing a 100% owned subsidiary Trading Company, the profits of which are recycled back into the Charity's operations.

4. The Procurement Process

4.1 An Invitation to Tender (Appendix 1) was published on the 30th November 2018 with a deadline for formal submissions of 12pm, Monday 28th January 2019.

4.2 The Invitation to Tender (ITT) provided the relevant context; a detailed specification with 20 core requirements; instructions for the bidders and the method statement for evaluating the bids. The core requirements expressed the importance of a diverse, multi-arts programme that responds to Worthing's changing demographic, ensuring it remains fresh and dynamic. Bidders were asked to present clear proposals for partnership working and articulate how they would develop the 'cultural landscape' in Worthing.

4.3 The ITT highlighted the need for a well-balanced programme including film, theatre, dance, comedy and seasonal programming; together with the fullest exposure of the Museum collections with a focus on engaging young people; supporting academic research; and delivering high profile exhibitions. Throughout the ITT there is a focus on supporting local promoters and artists; fostering positive relationships with local communities; and nurturing talent. Ticketing arrangements were required to be fair and appropriate to the programme with emphasis placed on ensuring that a first-class customer experience is provided.

4.4 The key stages of the procurement exercise were:

Date	Action
16th October 2018	Prior Information Notice (PIN) Advertised
30th November 2018	Invitation to Tender (ITT) Release
19th December 2018	Bidders Tour
28th January 2019	Invitation to Tender Deadline for Responses
14th February 2019	Moderation of Bids (Finance Panel)
15th February 2019	Moderation of Bids (Quality Panel)

4.5 The tender opportunity generated significant interest with a number of organisations submitting an Expression of Interest in response to the PIN. Following the release of the formal ITT, the Project Team prepared for the Bidders Tour. This intervention was included to allow all applicants the chance to experience, and ask questions about, the venues first hand. This took place on 19th December 2018.

4.6 Following the ITT deadline, 1 bidder formally submitted an application in response to the ITT. This was the in-house team who are proposing to establish a new organisation - charitable company limited by guarantee - identified as 'Chalk & Clay'. The in-house team's business case contained 101 representations of support.

4.7 The full tender process was independently constructed and managed through the Orbis partnership, thus providing an open, transparent and robust approach throughout. The process met OJEU procurement guidelines.

4.8 'Quality' and 'finance' panels (collectively, the 'evaluation panel') reviewed the application. Due to the significance of the contract, the evaluation panel included an independent industry expert, to bring additional assurance to the process.

5. Evaluating the Tender Submission

5.1 The importance of place is clear from the in-house team's submission which sets out a commitment to, 'surprising and delighting audiences; supporting artistic excellence; and tailoring a programme to best meet local communities aspirations'. Creativity and inclusion are running themes throughout the bid; and the business case recognises the importance of, 'building the reputation of Worthing as an innovative and vibrant place to live, work and visit'.

5.2 Artistic Quality and the Cultural Offer

The in-house team's submission is ambitious and builds upon the work of recent years that has driven a higher quality cultural offer for Worthing.

The submission highlights a strong commitment to forming new partnerships; developing relationships with other theatre companies and co-producing new works with partners. The bid contains solid evidence of a sound understanding of what it takes to participate effectively with others and cites as evidence a second successive year of partnering with the Brighton Festival, together with the links that the Museum has established with other museums at a national level.

5.3 Indicative Programme

The in-house team have provided a strong commitment to delivering a multi-arts programme which highlights several elements of added value. The bid specifies the number of performances for each of the required genres and identifies a commitment to screening work by local film makers and support for local music promoters to enable 'risk free programming'. The bid includes a commitment to a new large-scale summer musical and 60 screenings each year including those from The Royal Opera House, National Theatre and English National Opera. At least 15% of all live comedy will be programmed for female comedians; and the bid includes a commitment to live performances being brought to the Museum.

5.4 Audience Development

The submission set out a comprehensive vision for audience development which includes the use of audience agency segments to inform marketing campaigns and evaluation reports. The bid included a commitment to reach new audiences with a programme of interest to the wider sub-region. The bid places a high priority on securing a diverse audience and using social data to measure impact. Evidence is submitted that reflects on the current team's achievements which include use of a Customer Relationship Management system to support marketing; the use of feedback surveys for all events and individual events for local communities.

5.5 Exposure of Collections

The bid commits to extending the opening hours of the Museum to include opening on a Sunday; a move which was particularly welcomed by the evaluation panel. The bid sets out ambitious target of displaying 30% of the current collection, significantly above the current 5%. An opportunity is included for advanced research; greater exposure of the fine art collection; and projects that link with the universities.

The submission extends the commitment to securing Heritage Lottery Funding to support the delivery of the 'Let the Light in' project which would significantly improve accessibility to the collection and transform the Museum and Art Gallery spaces.

5.6 Social value - Cultural Participation

The team have set out a strong commitment to working with local community and not for profit organisations. The submission highlights an emphasis on ensuring that performances and events respond positively to audience requirements and includes: signed and audio described screenings; touch tours; autism friendly screenings; 'silver' screenings, family events; a youth theatre programme; and work to support local charities.

Participation extends to broadening the range of venue hire opportunities and broadening the programming reach. The inclusion of initiatives to engage different communities shows a clear commitment to diversify the offer.

5.7 Economic Impact

The submission demonstrates a good understanding of the wider importance of culture to the local economy; and this is reflected in a number and breadth of the expressions of support submitted with the bid. Examples are included in the submission of the impact that spending has on other businesses in Worthing. The submission also includes a commitment to supporting local procurement and developing opportunities for internships and apprenticeships for students from our local schools and colleges.

5.8 Business Planning and Organisational Development

With particular reference to business planning, the submission demonstrates a strong sense of purpose and the involvement of a number of key external players to provide a solid platform of governance and focus on strategy, performance and continuous improvement.

The organisational development programme identifies a Finance Director; VAT specialist and a project officer specialising in securing external funding. The approach was welcomed, although the evaluation panel commented that it would like additional clarification that the bid was not overly reliant on some of the identified individual officers or external funding bids.

The bid sets out a detailed financial strategy complemented by a 5 year external funding plan that would include a series of funding applications submitted for capital works; sponsorship for new galleries at the Museum; digitising the costume collection; and support for new artists and development of a 'Made in Worthing' brand. The bid outlines the opportunity to maximise income from the 4 venues and the development of new income streams related to aspects such as optimising online sales; additional live events; venue hire for events such as conferences; filming revenue; music hire and trade fairs.

The panel welcomed this approach but commented that it would like additional clarification on the sustainability of the 5-year plan, and matters such as cash flow management.

5.9 Custodianship

The bid demonstrates a good understanding of the importance of maintaining the fabric of the venues associated with the cultural services. It includes an appreciation of the level of responsibility associated with the venues, which is

articulated through quality assured health and safety protocols. The panel felt that it needed further clarification in relation to the respective roles and responsibilities of the Trust and the Council's Technical Services Team.

Care of the Museum collection is central to the approach, including storage, display, exhibitions, loans and research. Assurance was provided that all conservation will be carried out by trained professionals in line with the ACE Accreditation and Museum Association Code of Ethics.

6. The Outcome

6.1 The outcome of the process is to award, subject to contract, to our in-house team and, in accordance with their submission, this will necessitate the creation of a Trust.

6.2 The evaluation panel recognised the considerable amount of work that had gone into the preparation of the bid and also recognised the skill, innovation and talent of the submission. There are notable additional benefits including the introduction of new seasonal programming and the imaginative 'mixing' of events and collections with the potential to inspire attendees and deliver significant economic benefits. Mindful of the evaluation panel's findings during the procurement process further clarifications will be sought in line with recommendation 2.3.

7. Financial Implications

7.1 The budget for the Theatres and Museum for 2019/20 is £1.9m which can be broken down as follows:

2019/20 budget:	Theatres	Museum	Total
	£	£	£
Employees	1,781,780	181,300	1,963,080
Direct recharges - Head of Culture	71,560	22,820	94,380
Premises	460,040	102,020	562,060
Transport	10,740	1,080	11,820
Supplies and Services	2,111,650	44,120	2,155,770
Total direct expenditure	4,435,770	351,340	4,787,110
Less: Income	-3,625,790	-67,520	-3,693,310

Net direct income	809,980	283,820	1,093,800
Departmental recharges	13,860	4,420	18,280
Corporate costs and Support services	376,290	76,210	452,500
Capital charges	311,740	57,210	368,950
Total cost	1,511,870	421,660	1,933,530

In addition the Council has allowed for £200,000 additional costs arising from the recommissioning exercise (£100,000 in 2019/20 rising to £200,000 in 2020/21) which is expected to reduce down over the first 5 years operation of the new contract.

7.2 Following the procurement exercise, indications are that the potential contract can be largely funded from the overall budget set aside for cultural services. Although this will need to be confirmed as part of the contract negotiations and approval of the 5-year business plan.

7.3 The budget released by the Council, as part of the 10th July 2018 JSC report, has funded the drafting of the contract, conditions surveys, and the actuarial advice needed by any potential contractor, all of which are required in preparation for the new contract. Of the £100,000 released, £15,000 remains unspent which will be used to support the ongoing process.

8. Legal Implications

8.1 Section 145 Local Government Act 1972 empowers a local authority to provide entertainment, arts and crafts, theatres, concerts and other similar activities, and to either provide them itself, or arrange for the provision by a third party and then contribute towards the expenses of the third party, or to do anything necessary or expedient for the delivery of entertainment or the arts.

8.2 Section 12 Local Government Act 1964 relates to the local authority's powers in respect of museums and provides that they may do all such things as may be necessary or expedient for or in connection with the provision or maintenance of museums and further, may make contributions towards the expenses incurred by any person providing a museum or art gallery.

8.3 Cultural Services is an Executive Function under the Local Authorities (Functions and Responsibilities)(England) Regulations and therefore the Joint Strategic Committee has the power to make arrangements for the delivery of the function. The Worthing Borough Council constitution provides power for the Executive to delegate any of its functions to another body in accordance with contractual arrangements. Section 111 Local Government Act 1972 provides that the Local Authority has the power to do anything which is incidental to the discharge of their functions.

8.4 Should the Joint Strategic Committee make resolutions in accordance with the recommendations in this report, there will be some necessary consequential amendments to the governance arrangements relating to cultural services in the Worthing Borough Council constitution. The Monitoring Officer has delegated authority to make such consequential amendments to the constitution.

8.5 Should the Joint Strategic Committee make resolutions in accordance with the recommendations in this report, Council Officers may be required to transfer to the new undertaking. The Executive has the power in part 3 of the Worthing Borough Council constitution to appoint Officers to an office other than an Office where they are employed by the Council, to the extent that such appointments are to outside bodies in connection with Executive functions.

8.6 S1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

8.7 S1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

8.8 Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £181,302 (or for works contracts £4,551,413 any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and a failure to do so may be declared upon receipt of a procurement challenge, anti-competitive and in breach of the Regulations. The requirement to comply with the Regulations continues to apply after the proposed Award (subject to contract) and during the term of the Contract.

8.9 In addition to the Public Contract Regulations 2015 the Council must have regard to the procedures set out in its Contract Standing Orders found at Part 4 of the Constitution.

8.10 Any modifications to the in-house business case must not be in conflict with the Council's original tender specification and budget so as to uphold the requirements for transparency and equal treatment required under the Regulations.

Background Papers

- Worthing Theatres & Museum Strategic Future Options - JSC Paper 10th July 2018

Officer Contact Details:-

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Director for the Economy

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Sustainability & Risk Assessment

1. Economic

- Culture is a fundamental part of the local economy; it is estimated that culture contributes £5m per annum. Furthermore, 200 FTE jobs (directly and indirectly) are employed to manage and animate our venues. The report sets out a sustainable and ongoing model benefiting our economy and communities.
- The report demonstrates a commitment to supporting local procurement and develop opportunities for internships and apprenticeships for students from our local schools and colleges, thus ensuring talent is retained in the town.

2. Social

2.1 Social Value

- The report shows a strong commitment to working with, and supporting, our local communities. This includes the positive social outcomes that are associated to culture and arts, community cohesion, education attainment and social interaction.
- Participation extends to broadening the range of venue hire opportunities and broadening the programming reach. The inclusion of a range of initiatives showcases the importance to engage different communities.

2.2 Equality Issues

- This report proposals will ensure ongoing access to the arts for all members of our community and allow for the diversity of our community to be shared and celebrated.
- These are recognised and understood as part of the current provision makeup. The result indicates a comprehensive and professional commitment to equality and diversity opportunities. This is primarily highlighted in the Diversity & Equality Policy, as part of the submission.

2.3 Community Safety Issues (Section 17)

- Matter considered and none identified.

2.4 Human Rights Issues

- Matter considered and none identified.

3. Environmental

- Matter considered and none identified.

4. Governance

- Subject to award, this result will see a change in the governance surrounding culture services, in particular the creation of an independent Trust (charitable company limited by guarantee).
- The creation of a Trust will lead to a new working relationship between the Council and the current in-house team, governed by the contractual terms. This has been considered, and assessed, in accordance with the community interests in the delivery of a quality cultural offer and the use of heritage assets.

Appendices

1. Invitation to Tender (ITT)



WORTHING BOROUGH
C O U N C I L

INVITATION TO TENDER

FOR

Worthing Cultural Services

All responses **MUST** be submitted by
Monday 28 January 2019 - 12 noon

Contact Officer
Fiona Burn

All correspondence and clarification questions relating to this tender must be
submitted via the Councils e-tendering portal

<https://in-tendhost.co.uk/adur-worthing.aspx/Home>

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Section 1 - Introduction

Introduction

The region

Adur District Council and Worthing Borough Council cover a combined area of approximately 75km² housing a population of approximately 165,000 residents (2011 Census). Located on the West Sussex coastal plain approximately 10 miles west of Brighton both councils are served by good connections across the South-east with major road and rail links to Portsmouth (40 miles), Brighton, London (60 miles) and Gatwick airport.

Surrounded by the South Downs National Park to the north and English Channel to the south the region has had a rich history of human habitation dating back to at least 4000BC. The region was primarily an agricultural and fishing based economy until the end of the 18th century when the south coast became popular with wealthy tourists resulting in small coastal villages growing into the towns we see today. Whilst tourism remains important for the region newer industries such as engineering, creative and digital services are also becoming important economic contributors.

The Councils

In 2007, Adur District Council and Worthing Borough Council took the decision to work in partnership. This innovative, groundbreaking project, the first of its kind nationally, started with the creation of a single senior officer team in April 2008 and since that date most services have become joint teams providing services to the people of Adur and Worthing, delivering significant savings and efficiencies through reduction in senior management positions, joint procurement initiatives, service reviews and service re-design.

In December 2016 the Councils adopted new corporate objectives, [Platforms for our Places](#), which seeks to create foundations (platforms) to enable our residents and local communities to grow. There are five Platforms:

- *Our Financial Economies* – working with the commercial sector to build infrastructure, capabilities (e.g. employee skills, apprenticeships, etc.), encouraging inward investment, and developing markets;
- *Our Social Economies* – understanding the needs and aspirations of our communities, targeting our services towards the prevention of problems, encouraging non-financial resources (e.g. social value initiatives) to deliver economic and community value for our places;
- *Stewarding our Natural Resources* – protecting our natural environments, doing more with less, future-proofing the assets we use;
- *Services and Solutions for our places* – make our services easy to obtain and easy to use, designing around the interests of communities, embrace digital services, pursue income generation opportunities and deliver greater procurement savings;
- *Leadership of our Places* – ensuring our democratic processes remain relevant, creating great networks, open and shared data;

A new *Sustainable Procurement Strategy*, adopted in June 2017, sets out the vision to transform the Councils procurement and embed the corporate objectives in [Platforms for our Places](#) into day to day procurement activities.

Sustainability and Social Value

The Public Services (Social Value) Act 2012, places a statutory duty on local authorities to consider for all service contracts over the EU threshold how the proposed procurement activity can improve the economic, social and environmental wellbeing of an area.

One of the Councils key corporate objectives in [Platforms for our Places](#) is to meet the needs and aspirations of our residents and communities. The Council intends to achieve this by increasing the emphasis on sustainability and social value criteria by adopting more whole life costing principles within procurement exercises and where social value may be considered on all of its procurement exercises including goods, works and services (irrespective of value) as long as it is relevant and proportionate to the procurement.

The Council is keen to work in partnership with suppliers with a similar ethos, to help deliver these social benefits through the goods, works and services provided and through developing good ongoing relationships with suppliers through our supplier relationship management programme.

The Councils

For the purposes of this contract “the Council” will be Worthing Borough Council.

The Requirements

Background on existing service

Worthing Theatres are made up of four well managed, supported and maintained performance/cinema venues including Connaught Theatre & Studio, Assembly Hall and Pavillion Theatre.

Also situated in the town centre, Worthing Museum is a vibrant heritage offer including custodianship of collections of national importance.

A recent social impact study quantified the wider benefits and contribution of Worthing’s cultural services as the following

- Worthing theatres supports 129 full-time equivalent jobs in the local Worthing economy and this might rise to 162 jobs once a multiplier is adopted.
- The total direct impact on the economy is estimated to be £6m, based on the spend of customers, local purchasing and staff and this could rise to £9.6m once a local multiplier is applied.
- The economic impact (£6m) provides a return on the council’s investments of almost 7.5:1
- Worthing Theatres are a clear catalyst for additional spending in other parts of the economy with around £3.1m of spending in restaurants, shops, hospitality, travel by theatre-goers who visit Worthing from outside the Borough.
- 53% of visitors attending Worthing Theatres live in Worthing and Adur. Not only do Worthing Theatres provide an important social and community function, existence means that cultural spending is retained in the local area.

The cultural offer in Worthing has been transformed in recent years through high quality, innovative programming, the introduction of new genres and investment in our venues. Audiences have grown

considerably and remained remarkable loyal, attending events in Worthing an average of 4 times a year. Culture is one of the elements that encourages people to visit Worthing and come and settle here.

Over the period 2013/14 to 2016/17:

- Theatre Ticket sales increase by 26% and revenues increased by 34%
- Family theatre revenue increased by 77% and pantomime by 42%
- Film revenue increased by 65% and live screening by 12%
- The direct costs managed by Worthing Theatres have been driven down from £837,000 to £423,000

The introduction of Summer of Circus has drawn national and even international praise for Worthing and successive Pantomime ticket sales have broken all box office records.

Corporate and social value objectives

As noted above, the Councils have adopted new corporate objectives with a strong focus on delivering better social, environmental and economic outcomes for residents, communities and businesses within the area.

This service area has been identified as one which can potentially contribute towards improving Social Value and Sustainability across the councils, and bidders are encouraged to outline in their submission how they can assist the Council in delivery of better outcomes. Some examples of potential Social Value and Sustainability opportunities are reproduced below (this is a non-exhaustive list and more details can be found within the Responsible Procurement Charter attached as Schedule 19):

- Local employment opportunities
- Other employment opportunities and staff benefits (e.g. supporting “back to work” schemes for the unemployed); part-time/flexible working practices;
- Staff welfare schemes and volunteering opportunities;
- Opportunities for local groups to use the facilities (e.g Worthing Symphony Orchestra and local schools)

It is expected that the venues will regularly host events aimed at younger people and as such we would expect the bidder to have considered the risks associated with safeguarding.

Our requirements

The Council is inviting suitably qualified and experienced organisations to tender for the contract to manage Worthing Theatres and Worthing Museum; jointly referred to as Worthing’s Cultural Services.

The contract is formed of leasehold and management contracts, thereby transferring the business of the council’s Cultural Services and all its activities to an external party. The council believes a long-term commitment with a suitable partnership with an experienced company, organisation or trust that combines prudent business planning as well as artistic vision and innovation. It is imperative that Worthing’s Cultural Services continue to develop and thrive for the benefit of our local economy and will play a vital, front-facing, role in Worthing’s future.

The Worthing Theatres & Museum Strategic Future Options was presented on 10th July 2018 to the Joint Strategic Committee, a copy of the report is included at appendix 26

The initial term of the contracts shall be a 25 year funding agreement.

The detailed requirements may be found in the Specification in section 2 below..

Conditions for modifying the contract

The scope of this contract may include all activities required to undertake the service as detailed within the specification.

During the term of this contract there shall be provision to modify the services by adding or removing whole facilities. The Council may potentially extend the contract to it's partner organisation Adur District Council offering the contractor the opportunity to manage an additional facility.

Additional Information

Index: Invitation to Tender & Supporting Schedules

CSP Legal Appendices Bundle

- Appendix 1 - Management Agreement (draft)
- Appendix 2a - Lease Agreement - Head (draft) - **to follow w/c 3 December 2018**
- Appendix 2b - Lease Agreement Connaught (draft) - **to follow w/c 3 December 2018**
- Appendix 3 - Lease Agreement Assembly Hall (draft) - **to follow w/c 3 December 2018**
- Appendix 4 - Lease Agreement Pavillion (draft) - **to follow w/c 3 December 2018**
- Appendix 5 - Lease Agreement Worthing Museum (draft) - **to follow w/c 3 December 2018**
- Appendix 6 - Lease Agreement Chapel Store (draft) - **to follow w/c 3 December 2018**
- Appendix 7 - Division of Maintenance Responsibilities/Repairs Matrix (draft)
- Appendix 8 - Outline Plan Connaught
- Appendix 9 - Outline Plan Assembly Hall
- Appendix 10 - Outline Plan Pavillion
- Appendix 11 - Outline Plan Worthing Museum
- Appendix 12 - Outline Plan Chapel Store
- Appendix 13 - Connaught Floor Plan (area available for sublet)
- Appendix 14 - Assembly Hall Floor Plan (area available for sublet)
- Appendix 15 - Pavillion Floor Plan (area available for sublet)
- Appendix 16 - Heads of Terms (draft)
- Appendix 17- Service Contract List
- Appendix 18 - Museum Assets List
- Appendix 19 - Technical Services Contracts
- Appendix 20 - Cinema Inventory
- Appendix 21 - Catering Assets
- Appendix 22 - Culture IT Assets
- Appendix 23 - Technical Assets
- Appendix 24 - Confidentiality Agreement

CSP Tender Documents & Schedules

Cultural Services Tender Submission Schedule

Appendix 25 - Cultural Services Financial Summary Return

Appendix 26 - Worthing Theatres & Museum Strategic Future Options - JSC Report

Schedule 1 - Venues Town Centre Map

Schedule 2 - Venues Energy Efficiency Certificates

Schedule 3 - Venues Energy Costs and Usage

Schedule 4 - Schedule of Room Hire Charges 17/18

Schedule 5 - Schedule of Theatre Hire Charges 17/18

Schedule 6 to 15 - Seasonal Brochures WT(5) & WM(5)

Schedule 16 - Performance Programme Split 17/18 & 18/19

Schedule 17 - Overview of Worthing Museum Collections

Schedule 18 - WBC Cultural Dept Management Accounts 17/18

Schedule 19 - Responsible Procurement Charter

Schedule 20 - WSCC Actuary Report on Pensions

Schedule 21 - Building Condition Surveys - **to follow w/c 3 December 2018**

HR & TUPE Documentation

Schedule 22. Sickness Management Policy

Schedule 23. Disciplinary Policy

Schedule 24. Grievance Policy

Schedule 25. Flexible Working Policy

Schedule 26. Performance Support Policy

Schedule 27. Code of Conduct for Employees

Schedule 28. Business Travel Policy

Schedule 29. Unison Recognition Policy

Schedule 30. Using Email at Work Policy

Schedule 31. Smoking at Work Policy

Schedule 32. Pay and Reward Policy

Schedule 33. Managing People Change Policy

Schedule 34. Internet Access Policy

Schedule 35. Cultural Department structure & grades

Schedule 36. Adur & Worthing Councils Pay Scales with add-ons 18/19

Schedule 37. Cultural Organisational Chart, Posts & Grades - Sept 2018

Schedule 38. Culture Staff Team - TUPE Commitment Detail *to be provided on receipt of completed confidentiality agreement (Appendix 24)*

Minimum requirements to participate

Full details of these minimum requirements can be found in Parts 2 and 3 of the Tender Submission Schedule.

The minimum requirements to participate are that Bidders are as follows:

- confirm that none of the Mandatory or Discretionary grounds for exclusion listed in **Part 2** of the **Tender Submission Schedule** apply;
- to be of sound financial and commercial standing demonstrated by having at least two years of accounts and an annual turnover of two times the annual value of the contract for which they are bidding (e.g. if the annual value of the contract is £50,000, the Councils would expect the Bidder to have a company turnover of at least £100,000) **OR** evidenced by other means detailed in **Part 3 (Section 4)** of the **Tender Submission Schedule**;
- be able to demonstrate sufficient skills and trading experience in undertaking the services for which they are bidding and be able to provide suitable references in the services for which they are bidding as detailed in **Part 3 (Section 6)** of the **Tender Submission Schedule**;
- confirm they will have the minimum levels of Insurance cover in place by the commencement of the contract as detailed in **Part 3 (Section 8)** of the **Tender Submission Schedule**.

Please note Bidders need only self-declare that they can comply with these requirements, **no documentary evidence is required at this stage**. This evidence will only be requested from the Preferred Bidder prior to Contract Award.

Use of Sub-contractors

The Bidders are required to include a list of any Sub-Contractors they intend to use for this project and details of the services to be provided by these Sub-Contractors. It is the Council expectation that any Sub-Contractors to be used to fulfil a significant part of the contract requirement shall also meet the minimum criteria listed above.

It shall be the responsibility of the Bidder to undertake this assessment and the ongoing supervision and monitoring of Sub-Contractor performance. The Council accepts no responsibility whatsoever for the performance of any Sub-Contractors employed on this contract. The Council reserve the right to reject any of the proposed Sub-Contractors at any time.

Terms of Payment

The Council have committed to pay all undisputed invoices with 30 days of presentation to the Council. The Council expectations are these payment terms should be mirrored by our Bidders in payments to any sub-contractors employed by them to provide goods, works or services to or on behalf of the Council.

Budget

The Council has an anticipated budget for the services of £37.8m over the life of the 25 year contract. In the first year of the contract, the expected contract payment will be no more than £1.3m. Please note that these figures are provided for guidance purposes only and in no way represent any guaranteed level of business.

It is expected that the Bidder will provide a full breakdown of the costs for the services. If the costs exceed this figure then the Council would wish to see a breakdown of what could be achieved within the quoted figure and what if any, additional cost would cover. Bidders should clearly indicate in the fee proposal any tasks that are optional or are additional to those specified. All costs quoted should be in £ sterling and Value Added Tax (VAT) should be shown separately.

Prices tendered shall remain fixed for 180 days and thereafter amended in accordance with the terms and conditions of the contract.

Value for Money

The Council does not bind or oblige itself to accept the lowest or any tender and will take into consideration such other factors, for example, previous experience, quality and other - in determining the appointment of a supplier.

Transfer of Undertaking (Protection of Employment) (TUPE)

It is the Council's preliminary view that the Transfer of Undertaking (Protection of Employment) Regulations 2006 (TUPE), as amended 2014, may apply to this contract. Tenderers should satisfy themselves as to the application of TUPE.

TUPE information has been requested from incumbent service providers will be provided to Bidders upon receipt of the completed **Confidentiality Agreement (Appendix 24)**

Variant Bids

The Councils will not accept Variant Bids in regards this tender requirement.

Section 2 - Specification

The Specification

2.1 Definitions

Abbreviations table

A&W	Adur and Worthing
WBC	Worthing Borough Council
WT & MW	Worthing Theatres and Worthing Museum
TUPE	Transfer of Undertakings (Protection of Employment)
KPIs	Key Performance Indicators
GDPR	General Data Protection Regulation
POS	Point of Sale
PLI	Public Liability Insurance
FOH	Front of House
ICT	Information and Communications Technology
ENTE	Evening and Night-time Economy
HR	Human Resources

2.2 Overview

2.2.1 Summary

Worthing Borough Council is inviting suitably qualified and experienced organisations to tender for the contract to manage Worthing Theatres and Worthing Museum; jointly referred to as Worthing’s Cultural Services. The contract is formed of leasehold and management contracts, thereby transferring the business of the council’s Cultural Services and all its activities to an external party. The council is seeking a long-term commitment with a suitable partnership with an experienced company, organisation or trust that combines prudent business planning as well as artistic vision and innovation. It is imperative that Worthing’s Cultural Services continue to develop and thrive for the benefit of our communities and the local economy.

WBC recognises that Worthing's cultural and heritage offer plays a significant role in promoting Worthing as place to live, work, invest, and visit.

Research undertaken to inform the councils' Economic Strategy 2018 - 2023 highlights that our population is forecast to grow by 21% by 2039. A larger population and a younger demographic demands a vibrant, multi-genre artistic provision to support the on-going cultural development of Worthing.

2.2.2 Potential Opportunities

In Autumn 2018 A&W Councils, in partnership with West Sussex County Council and CityFibre, commenced the installation of a city wide future proof, full fibre network with unlimited bandwidth and Gigabit speed connectivity. The Connaught Theatre and Pavillion Theatre will both benefit from being primary internet connection points.

The Council has been working on a new Museum project called 'Let the Light In' which will improve the customer offering, and potentially a new café, the Council is presently working towards submitting a funding bid for the project. The new operator must commit to support the Council with the bid and agree to work collaboratively with the Council to achieve the objectives of the this exciting scheme.

The re-development of Union Place, to the east of the Connaught Theatre, provides a potential opportunity to extend the Theatre or provide a complementary facility as part of any proposed scheme.

2.3 Service Requirements

2.3.1. Cultural Excellence

Requirement 1 - The provision of a multi art-form diverse programme suitable for live performance venues.

As part of this requirement, the Operator shall:

- a) ensure that the live performance programme for all performance spaces in Cultural Services maintain high production values and reflect the best available product at all times;
- b) maintain a well-balanced performance programme including a broad mix of all genres, including theatre, live music of all kinds including, but not limited to, music, dance, film, comedy, theatre, children's theatre, seasonal programming;
- c) in each year of the contract term, conduct an annual review of the genre mix of the programme to ensure the Cultural Services are always catering for the changing demographic, this review will form part of the annual report to the council as detailed in 2.4 Quality and Standards;
- d) Nurture artistic networks to attract international and high profile acts to Worthing, so as to enhance the public profile of the town, subsequently evidenced in the theatres' and museum seasonal programmes
- e) share and discuss the planned future programme with the council in accordance with the service KPIs as detailed in 2.4 Quality and Standards;

Requirement 2 - Coordination of the fullest possible exposure to the Museum Collections.

As part of this requirement, the operator shall:

- a) provide an annual, age appropriate, educational programme to engage young people through liaison with schools and colleges; the educational programme to be included in the Annual Report to the council as detailed in 2.4 Quality and Standards;
- b) deliver an annual programme of exhibitions featuring items from the Museum's collections, ensuring a quality experience to the public through engaging and accessible interpretation; the feedback from the exhibitions to be included in the annual customer survey;
- c) make available, on reasonable request, the museum's collection for academic research;
- d) maintain links to nationally recognised museums and collections to attract high profile exhibitions and artifacts to Worthing.

Requirement 3 - The creation and implementation of audience development strategies

As part of this requirement, the operator shall:

- a) on an annual basis create and review an audience engagement and development strategy, informed by all available information, including national and Arts Council England lead initiatives.

2.3.2. Social Value

Requirement 4 - Cultural Services as a focal point for participation

As part of this requirement, the operator shall:

- a) ensure (and demonstrate) that the Cultural Services uses its position as the council's focal point for cultural provision to enhance access to arts and heritage through a supportive participatory programme;
- b) engage with local community and not-for-profit organisations, building strong and supportive working relationships;
- c) ensure that the performance and non-performance spaces within the Cultural Services venues are made available at a price at least 10% less than commercial hirers and promoters.

Requirement 5 - Developing the cultural landscape and Partnership Working

As part of this requirement, the operator shall:

- a) support emerging performing arts companies and artists through residences and in-kind provision;
- b) engage with local promoters and artists to input into the programme for Cultural Services;
- c) develop and maintain local networks, fostering positive relationships with other cultural organisations; working in partnership to ensure best value and best practice for the region;

Requirement 6 - Ticketing

As part of this requirement, the operator shall:

- a) ensure the fair and appropriate setting of ticket prices, comparable to venues of a similar size and artistic programme;
- b) ensure that all standard tickets over £10 are accompanied by a concessionary price of no less than 5% of the standard price;
- c) that a transparent policy on concessionary pricing is advertised and well communicated to all customers and visitors; concessionary pricing to apply but are not limited to, Children (2 years – 15 years inclusive for live events & 2 years – 14 years inclusive for film and screen arts), Students (Any person in full time education), Seniors (60 years and over), Customers with a Disability, any person in receipt of universal credit;
- d) share and discuss annual ticket yield information with the council in line with the service level KPIs.

2.3.3. Economic Impact

Requirement 7 - Worthing Borough as a great place to live, work, invest and visit

As part of this requirement, the operator shall:

- a) engage with the council in support of the role of the Cultural Services in Worthing's visitor economy;
- b) engage with the council's in support of the role of the Cultural Services in Worthing's evening and night-time economy in initiatives such as Purple Flag, the national accreditation for the ENTE;
- c) engage with the council's visitor experience officers through quarterly meetings, exploring and delivering joint promotional opportunities and allowing print and screen advertising in Cultural Services venues, as detailed in the service level KPIs;
- d) support employment pathways for local people, including apprenticeships, work experience placements, volunteer opportunities to maximise local employment and develop local supply chains;
- e) conduct supplier and services procurement in line with the Responsible Procurement Charter, detail of the charter are included in Schedule 19.

2.3.4. Organisational Development

Requirement 8 - Maintain accurate financial records and operational budgets

As part of this requirement, the operator shall:

- a) ensure all financial information relating to the business activity is accurately documented and externally audited;
- b) ensure VAT payable and all other tax returns are completed and submitted within HMRC organisational deadlines;

- c) ensure prompt payment of invoices;
- d) ensure prompt, regular and accurate payroll provision for all Cultural Services staff;
- e) create and review annual management accounts and operational budgets in line with service level KPIs;
- f) Produce annual audited accounts for the operation within 6 months of the year end.

Requirement 9 - To effectively promote the Cultural Services in Worthing and regionally.

As part of this requirement, the operator shall:

- a) on an annual basis create and review a detailed marketing strategy which addresses all promotional aspects of the service operation using measurable targets and action planning,
- b) share and discuss this strategy with the council in line with service level KPIs
- c) develop and maintain a strong and identifiable, Worthing-centric, brand for Cultural Services,
- d) make available through a variety of marketing tools (including but not limited to social media, print, organisation website and media advertising) up to date information on the artistic and
- e) museum's programmes, commercial opportunities and other cultural projects or initiatives,
- f) include on all Cultural Services promotional material the current WBC Councils' logo accompanied by the words 'Supported by' in accordance with WBC corporate style guides.

Requirement 10 - Professional and transparent governance

As part of this requirement, the operator shall:

- a) ensure legislative and governmental compliance with related regulations applicable to the governance model adopted by the Cultural Services operator;
- b) provide observer status to an officer of Worthing Borough Council and one council member of Worthing Borough Council (the officer and the council member will be allocated annually by Worthing Borough Council);

Requirement 11 - Business Planning

As part of this requirement, the operator shall:

- a) provide to the council a five year business plan, reviewed in the fifth year on a rolling basis;
- b) actively seek external funding for the purpose of added value to the Cultural Services;
- c) communicate such funding applications and bids to the council to prevent funding application duplication;
- d) actively seek corporate sponsorship for the purpose of added value to the Cultural Services.

2.3.5. Deliverability

Requirement 12 - Operational infrastructure, staff and senior management training and retention

As part of this requirement, the operator shall:

- a) ensure staffing levels sufficient for the proficient management and operation of the Cultural Services;
- b) retain a robust, experienced and competent senior management team;
- c) exercise good leadership, employing proficient operational management strategies and adhering to industry standard procedures;
- d) ensure outsourced service provision within the organisational infrastructure is accredited and qualified to a professional standard;
- e) ensure the team staff are trained to a level commensurate with the duties asked of them, their progress assessed and recorded, with a view to continued professional development and a skilled workforce.

Requirement 13 - Ensuring a first class customer experience across the operation of the Cultural Services

As part of this requirement, the operator shall:

- a) create and regularly review a customer service strategy which ensures that all customers and visitors to Cultural Services venues receive first class customer service at all times; measurable through annual Customer survey and customer experience feedback log;
- b) ensure that all staff and volunteers are trained in customer service so as to deliver this strategy;
- c) ensure that all staff and volunteers are training in equality awareness and its implications for customer services;
- d) conduct annual, measurable customer surveys to gauge levels of satisfaction and inform improvements as per the service level KPIs;
- e) share and discuss these strategies, survey results and reviews with the council;
- f) employ best practice in the management of volunteers and cultural ambassadors;
- g) ensure that all public spaces, auditoria and toilet facilities are kept clean and orderly with a minimum of daily cleaning, adhering to the levels as defined within the Facilities Management Agreement;
- h) ensure FOH concessions and POS areas, bars, restaurants and cafe facilities are open consistently and that opening hours are publicly advertised and adhered to;
- i) ensure the Pavillion Cafe opening hours reflect seasonal change and provide an offer which supports Worthing's wider ENTE;
- j) ensure the cultural venues adhere, as a minimum requirement, to the core hours as detailed in the Facilities Management Agreement.

Requirement 14 - Transition

As part of this requirement, the operator shall:

- a) manage a seamless exchange of associated premises licenses and ensure subsequent compliance with premises license conditions;
- a) build an ongoing, positive and close working relationship with A&W councils;
- b) manage a seamless TUPE process, keeping employees informed and consulted at all times;

- c) ensure a seamless and compliant pension process, keeping employees informed and consulted at all times;
- d) ensure the smooth novation of supplier contracts in partnership with A&W Councils
- e) honour existing contractual commitments for future artistic programming (including live screenings) touring exhibitions, collection loans and venue/performance hires.

2.3.6. Custodianship

Requirement 15 - The operator is responsible for the care, conservation and maintenance of the collections throughout the term of the lease.

As part of this requirement, the operator shall:

- a) ensure the museum's collections inventory is maintained and accurate;
- b) ensure that additions to the museum's collections are researched, identified and procured;
- c) ensure all lending from the museum is done so in accordance with Worthing Borough Council policies and with council permissions;
- d) ensure the Museum attains and maintains Arts Council England Museum Accreditation.
- e) ensure museum staff and volunteers are trained in the safe and secure handling of collections, maintaining secure and temperate conditions;
- f) ensure that professional 'nail to nail' provision is managed and risk assessed in the bringing in of items on loan to the Cultural Services.

Requirement 16 - Cultural Services Venue Use and Repair

As part of this requirement, the operator shall:

- a) ensure that the Connaught Theatre & Studio, Pavillion Theatre and Assembly Hall promote and host a regular programme of performances and activity and that all venues are utilised regularly, throughout the year;
- b) adhere to the landlord/tenant repair and maintenance matrix in the protection of the Cultural Services venues;
- c) ensure that all advertising frames and advertising fixtures (attached to external walls) are maintained, clean, secure and kept in working order.

Requirement 17 - Implement robust procedures to ensure that all equipment, fixtures and fittings are well maintained.

As part of this requirement, the operator shall:

- a) create and review all operations procedures, method statements and policies related to the maintenance and upkeep of the Cultural Services venues fixtures and fittings that are appropriate to ensure best practice and that all legislative, manufacturer's recommendations and contractual requirements are adhered to at all times;

- b) ensure that all staff, hirers and subcontractors are appropriately qualified and trained so as to be able to deliver effectively and complete the tasks outlined in the documents referred to in the paragraph a) above;
- c) ensure regular visual checks and maintenance of safety equipment, including fire safety and protection as referenced in the Division of Maintenance and Repair Matrix Appendix 7;
- d) maintain an adequate log of all work carried out in the Cultural Services venues, along with documented evidence of all maintenance and certification and ensuring that all documentation is made available to all users and the council;
- e) ensure that all venues fixtures and fittings are in good working order and fit for purpose at all times;

2.3.7. Legal standards and Information Governance

Requirement 18 - GDPR

As part of this requirement, the operator shall:

- a) ensure that all data related to the selling of tickets, marketing promotion and contracting is GDPR compliant;
- b) systematically maintain an up to date box office system, ensuring SGDP compliance.

Requirement 19 - Safe working practice

As part of this requirement, the operator shall:

- a) create and appropriately review all operational procedures, method statements and policies across all Cultural Services activity to ensure best practice and to ensure the all Health and Safety legislation and contractual requirements are adhered to;
- b) ensure that all staff, hirers and/or subcontractors are appropriately qualified and trained so as to be able to effectively complete the tasks required by the documents outlined in a) above;
- c) ensure that all the procedures referred to in paragraph a) above are monitored and tested to ensure that they are effective and are complied with by staff, hirers and subcontractors and relevant third parties;
- d) ensure that all staff are appropriately trained, to maintain health and safety compliance and competency.
- e) ensure that all staff, hirers and subcontractors are appropriately briefed and trained in the use venue fire safety equipment and emergency evacuation;
- f) ensure that all the documentation outlined in a) above is up to date and readily available at all times; and
- g) share and discuss these operational procedures, method statements, results of monitoring and policies with the council.

Requirement 20 - Environmental impact of the Cultural Service

As part of this requirement, the operator shall:

- a) ensure that all operation procedures, method statements and policies related to the operation of the Cultural Services contribute to the environmental impact being mitigated as far as is practicable.

2.4 Quality and Standards

At the inception meeting the Service Level KPIs will be assigned with base level figures or higher as agreed by both parties. These levels will be formed using historical data from the Council's Cultural Department and regional, industry standard levels.

2.4.1. Key Performance Indicators (KPIs) Quarterly

Meeting quarterly with WBC officers the contractor is required to provide qualitative evidence and quantitative measurements in relation to the following Key Performance Indicators.

The KPIs below are the minimum service levels recorded, over the course of the contract term the information required may be added to or amended by the council.

Service Requirement	KPI	Measure by	Base Level
Cultural Excellence (3)	Total monthly attendance	Number	No less than 18,000 per month
Cultural Excellence (2)	Total % occupancy rate on available ticketing per performance	Percentage	No less than 55%
Cultural Excellence (1)	Report on seasonal genre split	Percentage	No less than 6 genres
Social Value (4)	Professional Programme v venue hire %	Percentage	Max venue hire 42%
Cultural Service Venue Use and Repair (16)	Venue utilisation (number of performances)	Number	No less than 290 per annum across all venues
Cultural Excellence (2)	Exhibitions and events featuring the Worthing Museum collections	Number/Programme	No less than 4
Cultural Excellence (1)	Share and discuss the planned future programme	Qualitative	Evidence
Cultural Excellence (2)	Exhibitions featuring national touring collections and artifacts	Number/Programme	2 per annum
Cultural Excellence (1)	Film screenings per season, including live film screenings	Number	No less than 500

Social Value (4)	Community use, including Organ Trust, Worthing Symphony Orchestra and Worthing Philharmonic Orchestra	Number	No less than 25% of total performance %
Deliverability (13)	Front of House income against targets and secondary spend initiatives	Financial records	no less than £650,000
Economic Impact (7)	Liaison between council departments/officers and the operator (e.g. visitor experience officers and the operator's Head of Marketing)	Meetings	Once Quarterly
Organisational Development (8)	Monthly management accounts	Financial	Monthly accounts presented Quarterly
Custodianship (16) Custodianship (17)	Maintenance and repair log	Meetings	Once Quarterly
Organisational Development (11)	Level of external funding activity, including applications and determinations	Meetings	Once Quarterly

2.4.2 Cultural Services Annual Report

The contractor is required to compile an annual report highlighting the following service level indicators and including the following operational, financial and business plans as per the Council's Requirements above.

WBC Annual Report

The Annual Report criteria below is the minimum expected written annual reporting, over the course of the contract term the information required may be added to or amended by the council.

Annual Report Criteria	Measure by
Cultural Services highlights & challenges	Written evidence
Previous year's audience attendances against targets	Number
Previous year's genre percentages against target	Number/percentages
Previous year's annual ticket yield information against target	Price

Conduct an annual review of the genre mix of the programme to ensure the Cultural Services are always catering for the changing demographic	Written evidence
Provision in supporting Worthing's Cultural offer	Written evidence
Financial review and budgeting of management accountants and operational budgets	Financial records
Evidence supporting Social Benefit	Written evidence
Evidence supporting Economic Impact	Written evidence supported by financial indicators
Review of the customer service strategy including details and results from an annual customer survey	Written evidence & numbers/percentages
Review cultural services participation programme, educational activity and visitor interpretation initiatives	Number, written evidence
Review of the Cultural Services Buildings & Maintenance Log and buildings certifications	Certifications and Log Book evidence
Evaluation against the five year business plan including the additional 'rolling' year	Number, financial, percentage, written evidence
Review the Cultural Services marketing strategy	Number, written evidence
Review the audience engagement and development strategy	Number and written evidence
Report on operational staffing structure, staff training and personal development	Written evidence and staffing structure
Supply Audited Accounts (within 6 months of FYE)	Financial records
Report on skills development, work experience placements, internships and apprenticeships,	Number and written evidence
ACORN, market segmentation and demographic analysis	Number and written evidence

2.4.3. Governance

It is a requirement that observer status be allocated to one officer of Worthing Borough Council and one elected member of Worthing Borough Council. The council Officer and the elected member will be allocated by Worthing Borough Council and confirmed in writing annually.

2.4.4. Reporting

In line with the council's requirements it is expected that the operator will meet with council officers quarterly to review agreed Service Level KPIs.

In line with the council's requirements it is expected that the contractor will complete a written annual report to review the previous year's progress and outline plans for the Cultural Services' artistic, financial organisational development.

From time to time the operator may be requested by the council to commission specific service related surveys. These requests to be made during the Quarterly Service Level meetings by council officers.

From time to time the operator may be requested by the council to discuss service provision and the cultural offer with Worthing Borough Council members. These requests to be made during the Quarterly Service Level meetings by council officers.

Section 3 – Instructions to Bidders

This section provides Bidders with information about the procurement timetable and the tender submission and evaluation processes.

Provisional Procurement Timetable

Below is the proposed timetable that may be subject to change at the discretion of the council. Bidders will be advised of any significant changes to this timetable.

Process	Date
Invitation to Tender Documents accessible on portal	Friday 30 November 2018
Site Visits	Wednesday 19 December 2018
Deadline for receiving Bidder's questions	10am Monday 21 January 2019
Deadline Council will respond to questions	5 pm, 23 January 2019
Tender Return Date	12pm, Monday 28 January 2019
Evaluation of Submitted Tenders	February 2019
Presentations (if required)	Monday 25 February 2019 - Monday 4 March 2019
Clarification meetings (if required)	Monday 4 March 2019 - 11 March 2019
Preferred Bidder to provide documentary evidence to confirm Supplier Self-Declaration Checklist is correct	Wednesday 13 March 2019
Notification of Intention to make a Contract Award	Monday 18 March 2019
Award of the Contract	Thursday 29 March 2019
Contract Implementation/Inception Meeting	w/c 2nd April 2019
Contract Start Date	Tuesday 1 October 2019

Site Visits at Councils and Other Premises

Interested parties are invited to attend venues tours by arrangement on Wednesday 19 December 2018 9am – 1pm.

For information on the tour and to book your place please contact us through the Councils e-tendering portal, <https://in-tendhost.co.uk/adur-worthing.aspx/Home> Once this instruction is received the Council will reply with specific details with regards to format, times and venue for these visits.

Bidders should note that the maximum amount of attendees representing their organisation is limited to FOUR.

All questions and answers from the site visit will be posted on the Council’s e-tendering portal by the deadline for the Council to respond to questions as stated within the timetable in section 3.

Evaluation of Tenders

The evaluation of your tender submission will be conducted in accordance with the evaluation criteria given below.

Bidders should note that regardless of a bid’s overall merits, in the event that evaluating officers (acting reasonably) consider there to be a fundamental weakness likely to impact adversely upon the intended outcome, then grounds will exist to exclude the bid from further consideration.

Stage of process		How it is assessed	Scoring method
Stage 1 – Selection Criteria Self-Declaration		Bidder to confirm that they meet the minimum criteria as per Self-Declaration Checklist	PASS/FAIL
Stage 2 - Award	Quality	Evaluation of responses to Method Statements	60%
	Financial	Evaluation of Finance Schedule	40 %
Stage 3 - Verification		Selection Criteria checklist evidence – preferred bidder only	PASS/ FAIL

Stage 1 - Selection Criteria – Self Declaration

For this particular requirement the Council shall expect the successful Bidder (s) to be able to meet the minimum criteria as detailed in Part 2 and 3 of the Tender Submission Schedule. The Councils require the Bidder to initially confirm (self-declaration) in the Supplier Self- Declaration and Form of Tender that you are able to comply with the Councils minimum requirements.

Documentary evidence will only be sought from the preferred Bidder prior to any formal contract award. Further information about the documentary evidence required can be found in the Self Declaration table.

Stage 2 – Award

Once tenders have been returned, submissions will be evaluated on the basis of the Most Economically Advantageous Tender (MEAT) combining price and quality criteria using a whole life costing methodology. The Bidder/s with the highest score will be deemed the ‘Preferred Bidder’/s.

Tenders will be evaluated against the following evaluation criteria. It is important to note that the evaluation weighting is as follows:

Quality – 60 %
Financial – 40%

Evaluation Criteria	Sub- Criteria	Weighting %
<i>General Quality Assessment</i>		60%
1. Cultural Excellence	A.i. Artistic Quality Definition	1%
	A.ii. Artistic Quality & Cultural Offer	5%
	B. Audience Development	3%
	C. Indicative Programme	6%
	D. Collections exposure & interpretation	3%
2. Social Value	A. Cultural Participation	4%
	B. Cultural Partnerships and Support	3%
3. Economic Impact	A. Steps to maximize economic impact + examples	5%
4. Organisational Development	A. Business Planning, measurement and reporting	12%
5. Deliverability	A. Organisational management & infrastructure	5%
	B. Customer Satisfaction	6%
	C. Six Month Transition	1%
6. Custodianship	A. Care and conservation of collections	3%
	B. Building use & protection	3%
<i>Financial Assessment</i>		40%
Sustainability over the period of the lease including meeting all contractual obligations (20% Total)	Income assumptions reasonable and complete (including inflation).	3%
	Operational costs assumptions reasonable and complete (including inflation and tax assumptions)	3%
	Fees and overheads costs are proportionate and consistent with market	2%
	Cash flow projections as a whole is realistic and reflects the cost and income assumptions	3%
	Comprehensive cost plan for capital investment that identifies all likely costs and funding	2%
	External funding is in place and confirmed by partners	2%
	Financial sustainability reasonably demonstrated and consistent with Business Case	5%
Level of contract payment due to or from the Council	Total to be paid over the first 5 years	20%

Quality (Technical) Assessment – Method Statements

Your technical submission will be assessed based on your responses to a series of method statement questions as detailed in part 4 of the Tender Submission Schedule. Each method statement has a different weighting which is shown in the right hand column next to each question.

The response to each question will be evaluated by each member of the evaluation team in accordance with the assessment guidance in the table below. Final scores will be agreed following a moderation meeting and these scores will be weighted according to the weightings listed within the table above on page 26 to produce the total score for each question. Due to the nature of the scope of this tender there will be an element of subjectivity within the quality evaluation.

The total maximum score for the Method Statement is 60%..

The quality assessment will be assessed using the Council’s criteria in the table below:

SCORE	DEFINITION
0	No submission was made.
1	Response is incomplete, non compliant, fails to meet any minimum requirements, lacks and evidence base or is unlawful.
2	Response is in part incomplete, non compliant, fails to meet any minimum requirements or lacks an evidence base.
3	Response is complete but fails to satisfy all minimum requirements or fails to provide adequate evidence that these requirements can be satisfied.
4	Response is complete but fails to provide adequate evidence that all minimum requirements can be satisfied.
5	Response is complete and meets all minimum requirements, and provides appropriate evidence.
6	Response is complete and meets all minimum requirements while providing appropriate evidence to support these together with a higher level of confidence.
7	Response meets all requirements with a good evidence base and some added benefits.
8	Response meets all requirements with a good evidence base and some added benefits together with higher level of confidence.
9	Response meets all requirements while providing fully evidenced additional value and benefits and a high level of confidence.
10	Response exceeds requirements, is fully evidenced, adds value and benefits and demonstrates practical innovation and tangible creativity to business solutions, with full confidence in capability to deliver.

The formula used to calculate the weighted scores for each of the sub-Criteria is the score given to each sub Criteria multiplied by the weighting factor shown for that sub Criteria i.e.

$$\text{Method Statement weighted Score (\%)} = (\text{Bidders score}/10) \times \text{Method Statement Weighting}$$

Worked Example:

If a Method Statement has a weighting of 5 and is deemed a 'Fair' response then that response will be awarded 2%.

- Method Statement weighting = 5
- Bidders Method Statement response score = Fair (4)
- Score = $(4 / 10) \times 5 = 2\%$

Financial Assessment – Financial Schedule

The Financial Criteria contained within the Cultural Services Financial Summary Return will be assessed for financial sustainability over the period of the lease including meeting all contractual obligations. The sub-criteria will be scored by the Finance members of the evaluation team according to the table on page 26. Final scores will be agreed following a moderation meeting, and these scores will then be weighted according to the weightings listed within the table on page 26.

Any offer which in the Council's opinion may be regarded as an Abnormally Low Bid shall be treated in accordance with Regulation 69 of the Public Contracts Regulations 2015.

There are two elements to the financial assessment:

1. Sustainability of the offer (20%)

This will be scored using the 5 year business plan submitted as Appendix 25 Cultural Services Financial Summary Return and the outline business case utilising the same quality assessment as detailed above:

The mark for each sub-criteria category will be calculated as follows:

$$\text{Maximum mark allocated to category} \times \text{score awarded}/10$$

2. Level of contract payment due to or from the Council (20%)

This financial element of the tender evaluation is an assessment of the Bidder's financial submission contained in the Appendix 26 Cultural Services Financial Summary Return at cell H82 (highlighted in blue). The assessment will be undertaken using a whole life costing methodology.

The Bidder who submits the lowest **overall sustainable** price will receive the full 20%.

All other bids received will be scored according to their relation to the lowest offer. In this tender, the following formula will be used:

$(\text{Tender Price} - \text{Lowest price tender}) / (\text{Highest Tender Price} - \text{lowest tender price}) \times 20\%$

For example $(£1000 - £500) / (£1500 - £500) \times 20\% = (500/1000) \times 20\% = 10\%$

Moderation Meetings

Initial evaluations will be undertaken by individual evaluation panel members (from the project team). Following that a 'Moderation' meeting may be held where the scores and observations are discussed.

The group will come to a consensus, agreeing the strengths and weaknesses of the submissions and agreeing a single, more objective group score for each bidder's response to each method statement question.

It is this 'moderated' score that is then used as the final score for the Method Statement assessment.

Presentations

The Council reserves the right to request bidders to present their Business Case to Members with up to the top 3 ranking bidders been invited. The presentations are just for information only and will not be used to adjust the scores awarded to your bid. .

Clarification Interviews

The Council reserves the right to undertake interviews with up to the top 3 ranking bidders in order to validate the scores awarded to your bid. In the eventuality that following these clarification interviews there are changing to the ranking order and another bid become top ranking that bidder will also be invited to interview.

Stage 3 - Verification

Identification of Preferred Bidder

Once the Quality and Price assessments have been concluded the scores will be added together and the highest combined score will be the preferred bidder.

The Council will contact the Preferred Bidder to seek documentary evidence to confirm that the information provided by the Bidder in the Supplier Self-Declaration Checklist is correct. If an assessment of the Preferred Bidder's financial information is to be undertaken the methodology to be followed will be detailed in the Tender Submission Schedule.

Any Bidder found not to meet the minimum criteria at this stage will be discounted. In these circumstances the Council will then go to the next highest ranking tenderer in succession.

Notification of Intention to make a Contract Award and Standstill Period

When the Council is ready to publish its notification of intention to award letter, the Council will notify all Bidders, both successful and unsuccessful, in writing, of the outcome and will allow for the provision of a 10 day mandatory standstill period.

Upon completion of the standstill period, without challenge the Council will progress the contract award procedure with the successful Bidder and undertake debriefing meetings with unsuccessful Bidders, if requested, as soon as reasonably practicable.

Preparation and Submission of Tenders

Any correspondence or clarification questions **MUST** be sent through the In-Tend Portal by the deadline stipulated. Failure to comply may lead to exclusion.

All questions will be responded to by the date shown in the table above. All Bidders will receive the answers to all questions submitted, unless the question asked is deemed commercially sensitive to the organisation who submitted it.

Tender Submissions

Bidders should ensure the appropriate information detailed in the documents is completed and submitted electronically via the In-Tend Portal by the closing date specified in the tender project. All forms and documents **MUST** be sent through the In-Tend Portal:

<https://in-tendhost.co.uk/adur-worthing/asp/Home>

Under no circumstances should any tenders be submitted by any other means to the Council.

Bidders are advised to make themselves familiar with the process for submitting tenders on the Council's e-tendering system in good time before the deadline date. All advice on the system should be sought from In-Tend- contact details shall be found on the Portal itself.

Do not leave your response to the last minutes/hours before the deadline (if you experience connection problems you will miss the deadline and your response may be deemed non-compliant and rejected). Always upload early to avoid last minute pressure.

Tenders submitted after the time and date shown may be rejected by the Council unless there is clear evidence available to demonstrate that the tender was submitted via the Council's e-tendering system before the deadline.

Form of Agreement and Conditions of Contract

Before contracting the successful Bidder must read and accept the Conditions of Contract, detailed in CSP Legal Appendices Bundle included as part of the tender documents.

The Council agrees that some negotiation on final contract terms may take place, providing always that those negotiations do not affect the value or materially change the nature of the contract, but in exercising its discretion to amend the Contract terms the Council's decision shall be final.

Section 4 – Conditions of Tender

Bidders Responsibility to be fully informed

It is the Bidders responsibility to ensure that he and his Sub-Contractors are fully informed in all matters relating to his submission and any resulting contract. The Bidder shall ensure that he is fully acquainted with all the location sites listed in this document and that he is fully conversant with the contract conditions, specifications, and any special requirements at sites for which he intends to bid.

Bidders should consider only the information contained within this Information for Bidders or associated Tender Documents when making their offer. The Council will not accept any additional charges under this clause once the contract has been agreed.

Information supplied by the Council (whether in this document or otherwise) is supplied for general guidance in the preparation of tenders. The Bidder shall be deemed to have informed and satisfied himself fully as to the Council's specified requirements and the Conditions of Contract. No claims for additional payment will be allowed on the grounds of misinterpretation of any matters relating to the Contract, the specified requirements or those conditions on which the Bidder could have reasonably satisfied himself by reference to the Council or by such others means as may be appropriate.

Information supplied by the Council (whether in this document or otherwise) is supplied for general guidance in the preparation of tenders. Bidders must satisfy themselves by their own investigations with regard to the accuracy of such information. The Council cannot accept responsibility for any inaccurate information obtained by Bidders.

By submitting a tender you are also agreeing for any information supplied by you to be made available to any regulatory body.

Representations

Any representations made by Council Officers or contractors that appear to change materially any portion of the Tender shall not be relied upon unless ratified by a written amendment to the Council.

Disqualifications

Any Bidder who directly or indirectly canvasses any Council Members or Officers or Council Representatives concerning the award of the contract or who directly or indirectly obtains or attempts to obtain information from such Member, Official, Representative or any of our employees concerning any other Tender is likely to be disqualified.

All information supplied by us in or in connection with this Invitation to Tender shall be regarded as confidential to us and must not be disclosed to a third party without express permission in writing. Unauthorised disclosure will disqualify both you and those to whom you have passed the information.

Any Bidder who:

- (i) Fixes or adjusts the amount of his Tender by or in accordance with any agreement or arrangement with any other person; or
- (ii) Communicates to any person other than the Council the amount or approximate amount of his proposed Tender (except where such disclosure is made in confidence in order to obtain quotations necessary for the preparation of the Tender for insurance) ; or
- (iii) Enters into any agreement or arrangement with any other person that he shall refrain from tendering or as to the amount of any Tender to be submitted; or
- (iv) Offers or agrees to pay or give or does pay or give any sum of money, inducement or valuable consideration directly or indirectly to any person for doing or having done or causing or having cause to be done in relation to any other Tender or proposed Tender for this Contract any act of omission, will, (without prejudice to any other civil remedies available to the Council and without prejudice to any criminal liability which such conduct by a Tenderer may attract) be disqualified.

Freedom of Information

The Councils are subject to the provisions of Freedom of Information (FOI) Act and Environment Information Regulations (EIR). Under the Act, members of the public or any interested party may make a request for information to the Councils in respect of any part of the provision of these services.

If any information in this tender submission is considered commercially sensitive or is a trade secret, the onus is on the Bidder to ensure that this information has been clearly identified to the Council. In order that the Council may give due consideration applicants should use the 'Exemption to Freedom of Information Act Form' provided in the Form of Tender to identify any information contained in their tender submission regarded by them as commercially sensitive information and / or a trade secret. A blanket confidentiality statement will **not** be accepted.

Notwithstanding the provision made in (ii), the Council may still have to disclose requests for certain information if it is considered to be in the public interest. In such cases the Council will advise the Bidder beforehand.

To confirm the above paragraph, the Council (s) confirms that data will be published on the Council's website in accordance with the Local Government Transparency Code which makes it an essential part of business for public sector bodies to release, on the Council website, details of all items of expenditure and all contracts above £500. The information provided excludes VAT and payments to individuals such as council tax refunds, benefits payments and other non-invoice related payments. The data is updated monthly.

Councils not bound

The commencement of this tender process does not create any contractual obligation between the parties. The Council is not obliged to accept any tender and reserves the right to withdraw or abandon the tender process entirely at its own discretion for any reason and at any stage up to the execution of a written contract. The Council shall not be liable for any tender costs, expenditure, work or effort

incurred by a Bidder in proceeding with, or participating in this procurement, including if the procurement process is terminated or amended by the Council. The Council also reserves the right to recommence the tender process and call for fresh tenders without any financial liability to any Bidder howsoever incurred.

Therefore, the Council does not bind itself to accept the lowest or any tender or bear any expense incurred by any company, person, or persons in the preparation thereof. A letter notifying the successful Bidder of an Intention to Award a contract shall not create a binding contract until the contract is executed and all necessary credit checks, financial accounts, insurances, approvals and official sanctions have been obtained, and any Performance Bond (where applicable) has been approved and properly executed by the Council.

Format of Proposals

Bidders should ensure that ALL schedules and documents are completed and all requested information is provided.

The Form of Tender document requires a signature and must be printed out, completed and signed in ink and;

- a) where the Bidder is an individual, by that individual;
- b) where the Bidder is a partnership, by two duly authorised partners;
- c) where the Bidder is a company, by two directors or by a director and the secretary of that company, such persons being duly authorised for that purpose.
- d) where the Bidder is a company, by director who is also the secretary of the company, such person being duly authorised for that purpose.

Validity

Tenders must be written in English and unless specifically withdrawn in writing, tenders shall remain open for acceptance for a period of 180 days from the return date. A tender valid for a shorter period of time may be rejected.

Assignment & Sub-Letting

The Bidder shall not assign, pledge, transfer or sublet the Contract or any part thereof without the prior written consent of the Council.

Regardless of the employment status of those undertaking any aspect of the Contract on behalf of the Bidder, responsibility and liability under the Contract will lie with and remain with the Bidder, who should at all times maintain and exercise adequate supervision and control.

The Council will not enter into any discussions or negotiations with the Bidders nominated or appointed Sub-Suppliers or suppliers with regard to any delays or disputes that may arise but will hold the Bidder solely responsible for any such delays or problems that may occur and for their successful resolution within an acceptable and agreed period of time.

Publicity

Neither the Bidder nor their Sub-Contractors shall, without the prior written consent of the Council, advertise or publicly announce that they are undertaking work on behalf of the Council.



ADUR & WORTHING
COUNCILS

Key Decision [Yes/No]

Ward(s) Affected

Delivering our Sports and Activity Strategy - Opportunities for Worthing Leisure Site

Report by the Director for the Economy & the Director for Communities

Executive Summary

1. Purpose

1.1 The purpose of this report is to

- Update the Committee on progress to develop a Sports and Activity Strategy for Adur and Worthing.
- Set out the Strategic Case for investment in the development of a detailed feasibility study and accompanying business case for the redevelopment of the Worthing Leisure Centre site.

1.2 The report contains a number of recommendations which support the development of an overarching Sports and Activity Strategy that,

- Helps to inform the emerging Worthing Local Plan
- Will help to inform a Sport and Leisure Asset and Capital Strategy to ensure the best long term plans for Council owned sites reviewing capital investment and an options appraisal of funding strategies;
- Enables the Councils to apply for Sport and Leisure related grants e.g. from Sport England, Football Foundation and the Football Association and
- Develops a site specific proposal for Worthing Leisure Centre.

2. Recommendations

- 2.1. To note that the Director for Communities will lead the development of a Sport and Activity Strategy. This work will be coordinated by an officer group called the Sports and Activity Panel with representation from both Adur and Worthing including the two Leisure Trusts, led by the Director.
- 2.2. To agree to appoint a master-planner for the Worthing Leisure centre site to develop a range of options for consultation as to how the site could be developed, to include leisure use, public open space and housing.
- 2.3. To agree to the preparation of a detailed feasibility study and business case for the redevelopment of the Worthing Leisure Centre, informed by those options developed by the masterplan.
- 2.4. To note the allocation of up to £150,000 from the Major Projects revenue budget in the 2019/20 financial year for the preparation of the detailed feasibility study and accompanying business case to support the proposal outlined in recommendation 2.3.
- 2.5. To delegate to the Director for Communities the ability to award any contract required to carry out the above recommendations in consultation with procurement and legal services.
- 2.6. To request a report back on the feasibility study and business case for the Worthing Leisure site which details the options available and releases any associated funding.

3. Context

- 3.1. The Council's strategic direction outlined in Platforms for our Places, aims to unlock the power of people, communities and, local geographies for both Adur and Worthing. The ambition described is that our Councils enable people, communities and businesses to achieve their aspirations.
- 3.2. The Sport and Activity Strategy and the redevelopment of the Worthing Leisure Centre site in particular, will contribute to these ambitions by providing a long term approach for our leisure facilities and assets. This will also take into account the needs and demands of our communities, that will deliver economic and social benefits for our residents, delivered in ways that support our ambitions to be sustainable.
- 3.3. Across Adur and Worthing we have a number of sporting facilities which have been in use for many years and some are now reaching the end of their design life. Replacement will be required within the coming years in order to avoid having to close facilities for expensive maintenance and patching.

- 3.4. In particular this report refers to Worthing Leisure Centre, which was built 47 years ago, and is now nearing the end of its useful economic life. Therefore, it is proposed to develop a feasibility assessment and business case for the redevelopment of the whole site, and re-provision of the leisure centre. This will mitigate escalating revenue and capital costs and provide for the long term needs of our communities. Any new facilities would need to be built on another part of the site, to allow the continuation of services throughout any development phase. Doing nothing would ultimately cost more than taking action.
- 3.5. Given the range of facilities across our places and ambition to develop not only a strategy for our leisure facilities, but also a wide ranging strategy that improves the health and wellbeing of our communities by promoting activity of all types, there is a need to coordinate and align this work. Clearly it is in the interests of both Councils to operate as efficiently and commercially as possible; and, must coordinate all community and partner engagements.
- 3.6. Across Adur and Worthing our demography is changing and there is a need to ensure that the Councils adapt to changing sport and recreational needs. There is a need to have up to date evidence to inform our provision and support our future investment in our sports and leisure facilities. The National Planning Policy Framework (NPPF) states that,

'Access to a network of high quality open spaces and opportunities for sport and physical activity is important for the health and well-being of communities. Planning policies should be based on robust and up-to-date assessments of the need for open space, sport and recreation facilities (including quantitative or qualitative deficits or surpluses) and opportunities for new provision. Information gained from the assessments should be used to determine what open space, sport and recreational provision is needed, which plans should then seek to accommodate.'

- 3.7. Sport England recommends that for these assessments to be considered up to date they should be renewed every 3 years. The Councils current Open Space, Sport and Recreation Strategy is now out of date (published in March 2014). To inform the emerging Worthing Local Plan and to provide the basis for both Councils to have a robust Strategy for our sport and recreation provision, the Council has commissioned Consultants, Ethos to undertake a thorough review of all sport, open space and recreation facilities across both Councils. This will involve engagement with all sporting National Governing Bodies (NGB's), local clubs and organisations and public consultation. The work will be take 9 months and involve both qualitative and quantitative assessments of all facilities. To help inform this work the Council is also in the process of commissioning condition surveys of all our built facilities.
- 3.8. This will provide an audit of existing sites and accommodation and make recommendations for future requirements, which will enable us to create a

framework to guide future planning decisions across Adur and Worthing, particularly in relation to sports pitches, playing fields and built facilities.

- 3.9. In order to follow best practise guidance from Sport England the work currently underway to develop a new sport and recreation strategy, the Council is required to adopt very specific governance arrangements (particularly the Playing Pitch Strategy) and there is a requirement for a Steering Group. Whilst, there are specific requirements for National Governing Bodies to attend this Steering Group, it is considered that the different work streams of the sport and recreation studies should report to an overarching Sport and Activity Panel. The Panel would include key stakeholders including the two Trusts delivering sport and leisure provision across both Councils (South Downs Leisure in Worthing and Impulse Leisure in Adur).
- 3.10. The Council have also commenced work on a new Activity Strategy, led within the Communities and Wellbeing Team, building upon a range of activity to improve the health and wellbeing of our communities, and this project will fall within this programme of work. This strategy will focus on getting inactive people active and Intelligent Health are supporting its development

4. Developing Proposals for Worthing Leisure Centre

- 4.1. Given the age of the Leisure Centre, the changing needs of our communities and the timescales it will take to deliver any new facilities from inception to completion, action is required now to understand the potential for the Worthing Leisure Centre site and position Worthing Borough Council in the strongest possible place to secure funding from all sources for any redevelopment. It will be important that this work runs in parallel with the development of our Sports Strategy and can help inform the work being undertaken by our Consultants, Ethos.

5. Issues for Consideration

- 5.1. The issues for consideration are set out below in relation to each recommendation.
- 5.2. **Recommendation 2.1:** To note that the Director for Communities will lead the development of a formally approved Sports and Activity strategy in order to provide a clear and consistently applied strategic framework across Adur and Worthing. This will inform asset and capital planning for our sports and leisure facilities across Council departments.
- 5.3. The proposed strategy will be informed by a single and coordinated evidence base, that will in large be provided by review of our Open Space, Sports and Recreation Strategy that is in train. In addition the Councils will seek to

engage with key stakeholder and communities as required, when developing and delivering aspects of this Strategy. The Sport and Activity panel will oversee this work.

- 5.4. One of the deliverables of this Strategy is a masterplan for the Worthing Leisure Centre site that includes a new replacement leisure centre and considers options for housing and open spaces. This site has been prioritised given the age of the centre and the opportunities presented at the site for redevelopment. The development of the Worthing Local Plan and the Sports and Leisure Strategy, provide the ideal context and timing in which to develop options for evaluation.
- 5.5. Further to the recommendations being approved, Officers will commence with developing the feasibility study, full business case and options for the site, informed by relevant engagement. It is currently an ambition, to begin early construction potentially by the end of 2020 and a new Worthing Leisure Centre opening in the second half of 2021. These timescales however are indicative only and will be reviewed as the feasibility study is developed.
- 5.6. **Recommendation 2.2** to procure a master-planner for the Worthing Leisure centre site with urban design experience. To develop a range of options for consultation as to how the site could be developed, to include leisure use, public open space and housing.
 - 5.6.1. The current Worthing Leisure Centre site includes a local park, some allotments, a works depot and a range of sporting facilities, car parking and is bounded by the train line to the North, a highway bridge to the West and housing to the South and East. This urban green open space setting bounded by buildings of various heights and shapes, requires careful consideration as has potential for development and improvement as an amenity, as well as an opportunity to meet other economic growth outcomes such as housing.
 - 5.6.2. The Local Plan consultation at the end of last year acknowledges the need for a replacement leisure centre and stated that, *'The existing leisure centre needs significant investment and ideally replacement. The redevelopment of this site, which could include a level of enabling development, will be informed by a review of the borough's playing pitches and built facilities.'*
- 5.7. In terms of development requirements the Consultation Draft of the Local Plan stated that any development should,
 - ❑ provide for a mixed development of leisure and residential uses to include the provision of a new and enhanced leisure centre, swimming pools, fitness studio, sports hall, crèche, café and community uses;

- ❑ consider the comprehensive redevelopment of the whole site rather than a piecemeal development approach;
- ❑ address provision for suitable access/egress Shaftesbury Avenue;
- ❑ mitigate any impacts of noise and vibration resulting from the presence of the railway line to the north of the site;
- ❑ ensure that any contaminated land issues are appropriately assessed and managed;
- ❑ consider the opportunity to provide alternative access connections into the site;
- ❑ consider the opportunity to improve West Park Recreation Ground.

5.8. In response to the Local Plan consultation six representations were submitted that were generally supportive of the redevelopment of the site and the delivery of a new leisure centre (some supported provision of a new pool). However, several representations raised concerns relating to: the impact on local congestion; access arrangements; provision of infrastructure; loss of open space / playing fields / running track; and ensuring adequate parking provision. Comments were also received suggesting that there should be a cohesive plan for all sites in this area and that development should not have a negative impact on neighbouring occupiers.

5.9. In parallel with the current review of sports provision and recreational space the appointment of a Consultant to prepare a master plan would enable a more detailed assessment of the development options and help to inform the next version of the Local Plan. The estimated cost is circa £20k and appointment will be in accordance with the Council's Standing Orders.

5.10. **Recommendation 2.3:** To support the development of a full feasibility assessment, options appraisal and business case for the development of the Worthing Leisure Centre site, informed by those options developed by the masterplanner.

5.10.1. Developing a full feasibility assessment, options appraisal and business case will be led by the Major Projects team, in conjunction with consultants to review site feasibility and potential construction methodologies and cost, planning colleagues to develop a planning brief, and finance, to review options for funding and cross financing. The overarching aim will be to develop options that provide the new facilities required by our communities, as well as assessing the value and capacity of the whole site to support this ambition.

5.10.2. The process to be followed is to explore a wide range of options for the site and then consult on options that meet the threshold criteria.

5.10.3. A further benefit of this approach is that it can speed up delivery considerably, as a result of the work completed up front as part of the

development of the brief e.g. the master planning is saved from later stages.

5.10.4. The Council has previously sought legal advice on any title issues associated with the Worthing Leisure Centre site, as a result of the land having a historic covenant for public and recreational use. This business case will test out the nature and impact of any title issues.

5.10.5. Early survey work such as the preparation of an Environmental Statement to meet the requirements of the Environmental Impact Assessment Regulations 2010 and seasonal biodiversity studies must be undertaken over several years, so in order to be able to progress proposals at pace in the future, these must be started early. It is also important that the Council's natural resources and quality of setting are enhanced through any proposals, so establishing the current quality and characteristics of the environment sets a baseline from which to measure enhancement.

5.11. **Recommendation 2.4:** to agree to allocate £150,000 (including a £14,000 contingency) revenue from the Major Projects budget to fund the initial works associated with the feasibility study and development of a business case, for the replacement to the Worthing Leisure Centre, and wider development of the site. This will include a masterplanner to develop and test options for the Worthing Leisure Centre site.

5.11.1. The table below sets out the costs associated with the delivery of the feasibility study and business case in the first calendar year of the project up until December 2019.

Item for initial costing	Budget estimate
	£'000
Latent demand modelling contributions	6
Master-planner for site	20
Consultants for development of outline business case for housing site disposal/development	30
Surveys of potential sites for the running track to move to	5
Consultation costs	15
Site surveys	30
Environmental Impact Assessment screening opinion	10
Cost of Sports Consultancy to plug gaps found in data and evidence base	20
Contingency	14
Total	150

In addition to the costs associated with developing the options for the West Durrington site and developing the the Sport and Activity Strategy, staff are committing time to the project.

5.11.2. Whilst clearly there is a cost to investing in these activities, the benefits to our communities cannot be underestimated. Adur and Worthing are growing and developing communities for whom sports, leisure and other opportunities to be active are important, without this investment, it will not be possible to develop the project within existing resources. Overall the opportunities presented by this project such as a wide ranging strategy for the future for our leisure facilities, a new leisure centre and the potential for new housing makes this investment value for money.

5.12. **Recommendation 2.5:** To delegate to the Director for the Communities to award contract in relation to the feasibility work and development of the full business case, for any contracts in collaboration with legal and procurement colleagues

6. Engagement and Communication

6.1. Engagement is already part of the work being undertaken by Ethos and will continue as the Strategy develops and the plans for the Worthing leisure Centre site emerge. The Sports and Activity Panel will coordinate this activity across the various work streams allowing a coherent engagement and communications plan to be developed.

6.2. Ward members for the wards affected by the plans for the Worthing Leisure Centre have been advised of these proposals.

6.3. The local Leisure providers have been involved in the development of these proposals are members of the Sports and Activity panel.

7. Financial Implications

7.1. The majority of the costs identified above relate to the development of a strategy to replace the West Durrington Leisure facility. Worthing Borough Council has an annual budgets for Major Projects of £300,570 in 2019/20 which can be used to fund these costs.

8. Legal Implications

- 8.1. 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.
- 8.2. S1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.
- 8.3. Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £181,302 (or for works contracts £4,551,413 any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and a failure to do so may be declared upon receipt of a procurement challenge, anti-competitive and in breach of the Regulations.
- 8.4. In addition to the Public Contract Regulations 2015 the Council must have regard to the procedures set out in its Contract Standing Orders found at Part 4 of the Constitution.
- 8.5. Section 123 Local Government Act 1972 places an obligation on local authorities to dispose of land for best consideration, which is not limited to the monetary purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value.
- 8.6. Part of the Worthing Leisure Centre site comprises of allotments. Consent is required from the Secretary of State if allotment land is no longer to be used for that purpose. Alternative sites may need to be provided before consent is granted.
- 8.7. It is possible to obtain covenant indemnity insurance to protect the council against any claims relating to covenants on the land if necessary.

Officer Contact Details:-

Jo Twine

Consultant Project Manager

jo.twine@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

The development of the Worthing Leisure Centre Site presents a unique opportunity to bring together economic, social and environmental benefit as the town grows and demographic change. The economies of doing nothing are that a leisure centre at the end of its useful life will ultimately affect the council financially and reputationally.

2. Social

2.1 Social Value

- The Sports and Activity is focused on improving outcomes for residents in Adur and Worthing.
- The extensive engagement and clear metrics to measure performance as set out in section 3.1.1 proposed will support an ongoing audit of Social Value that the Sports and Activity Strategy and the Worthing Leisure Centre site can offer.
- There is the potential to have significant impact to the users of the Worthing Leisure Centre site. Even though final proposals may be result in an enhanced environment, the impact of construction will need to be managed with existing site users.
- Local business will be engaged in the delivery of the construction and part of the tender exercise for that process will include Social Value.

2.2 Equality Issues

No impact assessments have yet been completed.

2.3 Community Safety Issues (Section 17)

Engagement with and Activities for our communities of all ages, is shown to improve perceptions of public safety.

2.4 Human Rights Issues

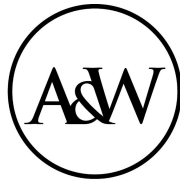
Issue explored no impact

3. Environmental

The development of the Worthing leisure centre sites offers the Council the opportunity to link to the developing sustainability agenda within the Councils and ensure that this is also a central part of our overarching Sports and Activity Strategy.

4. Governance

The purpose of this report is to outline a programme of governance for the development of the Strategy and the Worthing Leisure Centre site project. Throughout the development of this project appropriate governance checks will be made and authority sought as required.



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 March 2019
Agenda Item 14

Key Decision Yes

Ward(s) Affected: N/A

Development of a Natural Burial Area

Report by the Director for Communities

Executive Summary

1. Purpose

- In order for Bereavement Services to continue to meet the religious and environmental wishes of its community and maintain its high quality offer to families throughout the local geographical area, it needs to diversify. This report proposes delivering this objective through offering a natural burial area adjacent to Worthing Crematorium, in the South Downs National Park.
- The report also seeks authority to enter into an exclusivity agreement with the landowner for the conditional contract sale of 10.32 hectares (25.52 acres) of agricultural land adjacent to Worthing Crematorium, with the ultimate aim to convert this to a natural burial area.
- The report also outlines the comprehensive due diligence that has taken place to date and the next steps that need to be satisfactorily completed before the land can be purchased at the agreed price.

2. Recommendations:

- 2.1 It is recommended that the Joint Strategic Committee:

- i) Approves the Council entering into an exclusivity agreement with the Seller to enable the Council to: carry out due diligence on the proposed purchase; investigate the particular planning and environmental issues arising from the proposed use; and prepare a conditional contract for sale with the landholder to purchase the land shown in Appendix 1 for the agreed price for development as a natural burial area subject to Worthing Borough Council obtaining:
 - Satisfactory environmental impact assessment results
 - Planning permission being granted from the South Downs National Park for change of use to a natural burial area
- ii) Agrees to release £100k from the Worthing Borough Council capacity issues reserve to carry out the due diligence, investigate planning issues and to fund the environmental studies ;
- iii) Notes that once the environmental studies have been concluded that a further report will be prepared outlining the next steps and seeking approval for a new capital scheme to be added to the capital programme to purchase and lay out the land as a natural burial site.

The proposal - Development of a Natural Burial Area

- 3.1 Worthing Borough Council, supported by a dedicated Bereavement Services team, is keen to ensure that the Council is able to continue to provide a range of options for the families and friends of our local communities, that meet both the religious and environmental needs of our people and our places. As part of our ongoing evaluation of these services, we have identified that at present we do not offer a natural burial option.
- 3.2 There is a growing and sustained trend for members of the community to seek to inter their loved one into a more natural, and environmentally friendly, final resting place. This has led to a growing number of private and local authority natural burial areas being established across the country since the concept

was introduced into the UK as an option in Carlisle in 1993. The natural burial option, offers an alternative and is in addition to, the traditional lawn cemetery that local authorities have historically provided for burials.

3.3 Natural burial areas offered the bereaved the option of interring their loved one in either a woodland or wildflower meadow setting, both options are proposed to be included into the future Worthing Borough Council natural burial site.

4.0 Natural burial - Grave types

4.1 The proposal is that there will be three different interment options:

- **Woodland Grave** - a grave associated with an individual tree, although the tree will be adjacent as part of a woodland and not directly on the grave. Woodland graves are usually priced at a higher rate than meadow graves, due to the ongoing costs associated with tree maintenance.
- **Meadow Grave** - a grave designed to form part of an overall wildflower meadow. These will form the majority of graves available on the site.
- **Cremated Remains Grave** - Smaller graves designed for the burial of biodegradable caskets which will be provided for the above two categories.

4.2 By providing this mix of grave types, the Council will be able to create an site comprised of a woodland framework enclosing an open meadow. The land will be designated into woodland and meadow on a master plan and phased into use according to demand. This will enable productive farming to continue on the unused land until such time as it is needed for burial, which further reduces maintenance costs.

5.0 The proposed location

5.1 After establishing the potential for opening a natural burial area in Worthing, Officers explored the suitability of possible sites within Worthing and surrounding areas. This research led to the proposed parcel of land being identified as the most suitable as there is a strong marriage value given the parcel of land is directly adjacent to Worthing Crematorium (Appendix 1).

5.2 The land comprises 10.32 hectares of gently sloping arable farmland and is presently owned privately within a family trust. The southern perimeter of the land shares a boundary with Council owned land, on the approach to the Crematorium itself.

- 5.3 This offers a key advantage, in that the land could be utilised as a natural burial area with minimal set up costs, given that the Crematorium infrastructure consisting of the entrance drive, car parking, chapels, offices and toilets is already in place and could service any natural burials that take place.
- 5.4 Outside of planning considerations and /or environmental constraints, the land itself will require only signage, naturally surfaced pathways and for a grave layout to be established, prior to being made available for natural burials.
- 5.5 If the proposed natural burial area is developed, it is also assessed that it will prolong the operational life expectancy of Durrington Cemetery. This is due to the anticipation that a percentage of interments of Worthing residents that would have been interred at Durrington Cemetery, will instead be buried in the natural burial area, once this option is available.
- 5.6 Presently the nearest natural burial site is privately operated by the Southern Co-operative at Clayton, on the outskirts of Brighton, 11.5 miles away from the proposed location.
- 5.7 The location of Worthing Crematorium in the South Downs National Park (SDNP), is clearly a significant benefit and is likely to be seen as a positive consideration for those making choices about options. The provision of a natural burial area will add to the range of services that we are able to offer as a bereavement service, from this location.
- 5.8 A further advantage of the Findon site is its rural location, outside of Worthing. This means the service can operate in a wider, sphere, as other independent providers do and not a service exclusive to the residents and communities of Worthing. This has not been tested as a marketing advantage but it certainly mirrors practice in the rest of the industry, where providers will seek to appeal to a broad geography and demography.

6.0 **The Business Case**

- 6.1 Preliminary and more detailed discussions have been taking place with the landowner representative over a two year period, and concluded that there was real potential for the sale of the land being sold to the Council for a natural burial area, subject to a satisfactory price being agreed.
- 6.2 A Natural Burial Feasibility Study on this land was commissioned from the Institute of Cemetery and Crematorium Management (ICCM). Their feasibility

study reported that:

“We consider this site ideal for use as a natural burial site. Its principal attributes include its attractive location, its level and easy access for the disabled, who form a high percentage of those attending funerals, and the fact that it is ideally placed to utilise the existing Crematorium infrastructure”.

6.3 The ICCM feasibility study also concluded that the proposal offered the potential for a financial return on its investment for the Council, providing a regular income stream.

6.4 An internal business case completed by the Chief Financial Officer and Bereavement Services Manager also demonstrated that the proposal is a viable business proposition.

6.5 In agreement with the landowners representative, an independent land Valuation has been obtained to ensure that the proposed price per acre represents value to the Council. (Appendix 2), which provides the final piece of the business case, and ability to agree, in principle a price per acre , subject to member agreement, and satisfactory environmental impact assessments and planning consent being gained.

7.0 **Financial Analysis**

7.1 The financial analysis of the proposal are detailed in Appendix 2.

8.0 **Issues for consideration**

8.1 **Do nothing:**

8.2 Further to previous assessments, officers were unable to identify other sites suitable for development as a natural burial area within Worthing and the surrounding area and limited number of burial spaces within the primary market area. There would be a lost opportunity for the local community who use other similar facilities but with the inconvenience of extended travel times.

8.3 It may also create a risk of a competitor entering the natural burial market in the Adur and Worthing area.

8.4 **Look for an alternative location**

- 8.5 The proposed site has links to the main crematorium, which create significant administration and operational efficiencies. There are shared facilities at the crematorium (e.g chapel, car parks, toilets, offices).
- 8.6 An alternative site might be cheaper to purchase outright, but the overall scheme costs would be higher when taking into account the provision of driveway, car park, chapel etc.
- 8.7 More staff would potentially be required by the service, either on site depending on demand, or with the added requirement of travel to and from site for grounds operatives.

9. Engagement and Communication

- The Institute of Cemeteries and Crematorium Management (ICCM) were engaged to provide an external feasibility study and advice on the concept and suitability of developing this particular location as a natural burial area.
- It is intended to consult with key stakeholders and the local community at appropriate stages of the project.

10. Financial Implications

- 10.1 The initial environmental studies will cost £100k. If the studies reveal that the land is suitable for burial use, the the business case at Appendix 2 demonstrates that the proposed project is financially viable. However no budget currently exists for this project so funding will need to be released to enable the studies to progress.
- 10.2 There is a risk that the environmental studies will show that the site is unsuitable for burials and the costs will be abortive.

11. Legal Implications

- 11.1 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.
- 11.2 s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or

services for the purposes of, or in connection with, the discharge of the function by the local authority.

- 11.3 Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £181,302 (or for works contracts £4,551,413 any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and a failure to do so may be declared upon receipt of a procurement challenge, anti-competitive and in breach of the Regulations.
- 11.4 In addition to the Public Contract Regulations 2015 the Council must have regard to the procedures set out in its Contract Standing Orders found at Part 4 of the Constitution.
- 11.5 s3 of the Local Authorities' Cemeteries Order 1977 (as amended), enables the Council to do all such things as its consider necessary or desirable for the proper management, regulation and control of a cemetery.
- 11.6 s214 of the Local Government Act 1972 enables burial authorities to provide and maintain cemeteries (whether inside or outside its area).

Background Papers

- [Appendix 1 - Map detailing proposed Natural Burial Area](#)
- Appendix 2 - Financial & Market Analysis (**Exempt**)

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Sustainability & Risk Assessment

1. Economic

- The proposal will contribute to the economic development of our places.

2. Social

2.1 Social Value

- The proposed development of a natural burial area will provide a valuable resource for the local community, by providing choice to the bereaved in how the remains of their loved ones are laid to rest.
- The proposed area is located in a beautiful location at the edge of the South Downs National Park
- It provides burial provision to local people, which means if they want their loved ones laid to rest near to them, they are able to do this.

2.2 Equality Issues

- The gradual slope of the site will be taken into account when the area is laid out to address any accessibility issues identified.
- Demand for specific bereavement services related to burials from different equalities groups will be taken into account.

2.3 Community Safety Issues (Section 17)

- The councils have in place rules and regulations for all Adur & Worthing Cemeteries and Churchyards. This proposed new area will adopt these rules and regulations.
- It is an offence under the Local Authorities Cemeteries Order 1977 for the following actions:
 - Wilfully create any disturbance in a cemetery
 - Commit any nuisance in a cemetery
 - Wilfully interfere with any burial taking place in a cemetery
 - Wilfully interfere with any grave or vault, or any tombstone or other memorial, or any flowers or plants on any such matter; or
 - Play at any game or sport in a cemetery
- No person not being an officer or servant of the burial authority or another person so authorised by or on behalf of the burial authority shall enter or remain in a cemetery at any hour when it is closed to the public
- Any person contravening any of the above offences shall be liable on summary conviction or a fine not exceeding £100 and in the case of a continuing offence to a fine not exceeding £10 for each day during which the offence continues after conviction thereof.

2.4 Human Rights Issues

- Matter considered and no issues identified.

3. Environmental

- Environmental impact assessments will be carried out to inform whether the area of land proposed is suitable for conversion into a natural burial area.

4. Governance

- Contributes to our two of the five Platforms for our Places 2 and 3.
- Our social Economies - Working with and enabling our communities to take innovative action, while still providing a safety net for individuals when required.
- Stewarding our Natural Resources - Managing our natural resources and developing a shared sense of custodianship of our unique environment

Appendix 1

