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ADUR & WORTHING
COUNCILS

20 July 2022

Joint Governance Committee	
Date:	**28 July 2022**
Time:	**6.30 pm**
Venue:	**QEII Room, Shoreham-Centre, Shoreham-by-Sea**

Committee Membership:

Adur District Council: Councillors; Andy McGregor (Chair), Rob Wilkinson (Vice-Chair), Catherine Arnold, Tony Bellasis, Kevin Boram, Lee Cowen, Gabe Crisp and Jim Funnell

Worthing Borough Council: Councillors; Mike Barrett (Chair), Dan Hermitage (Vice Chair), Ibsha Choudhury, Rita Garner, Charles James, Nigel Morgan, Steve Waight and Andy Whight

Agenda

Part A

1. Substitute Members

Any substitute members should declare their substitution.

2. Declarations of Interest

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

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

3. Minutes

To approve the minutes of the Joint Governance Committee meeting held on 31 May 2022, copies of which have been previously circulated.

4. Public Question Time

To receive any questions from members of the public.

In order for the Committee to provide the fullest answer, questions from the public should be submitted by noon on Tuesday 26 July 2022.

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.)*

5. Items Raised under Urgency Provisions

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

6. Internal Audit Progress Report (Pages 5 - 32)

To consider a report by the Acting Head of Internal Audit, copy attached as item 6.

7. Annual Treasury Management Report 2021-22 for Adur District Council and Worthing Borough Council (Pages 33 - 60)

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

8. Audit Committee with Independent Non-Voting Members (Pages 61 - 66)

To consider a report by the Monitoring Officer, copy attached as item 8.

9. Conferment of Honorary Alderman - Sean McDonald and Robert Smytherman (Pages 67 - 72)

To consider a report by the Interim Director for Communities, copy attached as item 9.

Part B   Exempt Reports - Not for Publication

None.

Recording of this meeting
Please note that this meeting is being live streamed and a recording of the meeting will be available to view on the Council's website. This meeting will be available to view on our website for one year and will be deleted after that period. 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:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Geoff Wild Head of Legal Services and Monitoring Officer 01903 221011 geoff.wild@adur-worthing.gov.uk

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

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

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Joint Governance Committee

28th July 2022

ADUR & WORTHING COUNCILS

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT

REPORT BY THE ACTING HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

1.1 This report provides an update on Internal Audit progress and key findings to the Committee.

2. Recommendations

2.1 **Recommendation One**

That the report be received and progress against the 2021-22 and 2022-23 Internal Audit Plans and implementation of Internal Audit recommendations be noted.

3. Context

3.1 Background

<u>Progress</u>

Each quarter, a report is produced for the Joint Governance Committee (Committee) which details the Internal Audit Section's performance against the Annual Internal Audit Plan as well as a summary of work carried out in the period. Internal Audit Services to the Councils, including the role of the Head of Internal Audit is outsourced to Mazars LLP.

Attached as Appendix 1 is the current Internal Audit Progress report.

Issues for Consideration

4.1 <u>Delivery delays 2021/22 Plan</u>

As reported within our previous progress reports to the Committee, the nature of remote auditing and our reliance on Council staff providing information and resourcing problems in the earlier part of the 2021/22 year, led to some delays in the completion of audits from the 2021/22 Internal Audit Plan. All 2021/22 audits are now complete.

5 Engagement and Communication

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

6 Financial Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

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

Background Papers

None

Officer Contact Details:

Dave Phillips, Acting Head of Internal Audit (Mazars LLP)
Town Hall, Worthing
dave.phillips@mazars.co.uk

Sustainability & Risk Assessment

1. Economic

1.1 Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

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

mazars

Adur District & Worthing Borough Councils
Internal Audit Progress Report
July 2022

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Adur District & Worthing Borough Councils (Councils), and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the Councils, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

01 Introduction

Internal Audit is required to provide a quarterly report on progress and key findings to the Joint Governance Committee (Committee).

This report covers internal audit activity and performance since our last report to the Committee in March 2022 and includes:

- An update on progress in delivering the 2021/22 and 2022/23 Plans;
- A summary of audit reports issued and high priority recommendations raised; and
- An update on follow-up activity and any recommendations outstanding for implementation.

02 Internal Audit Progress

2021/22 Internal Audit Plan

The Committee considered and approved the 2021/22 Internal Audit Plan (Plan) on 23 March 2021.

The Plan provided for 28 internal audits totalling 500 days, including 70 days for IT audits, 27 days for Contract audit and 40 days for management which includes the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

As reported previously to the Committee, changes had been made to the timings of the work within the Plan. Since the last report to the Committee in March 2022, the following additional changes have been made:

- *Condition Surveys contract - vertical audit* – Due to their involvement with finalising the Councils accounts, the key officer was unable to assist with providing documentation for this audit when it was planned. We discussed and agreed with the CFO that this audit would be re-scheduled to the 2022/23 Plan.
- *NFI Testing Days* – The balance of five unused contingency days has been discussed with the CFO and as these have not been required during the year have been removed from the Plan.

The impact of these changes along with those previously reported to Committee meant that the Final Plan contained 26 reviews totalling 406.50 days.

The table below provides a summary of current progress relevant to the 2021/22 Plan:

Audit Status	Number of reviews	Percentage %
Finalised/complete	15	58%
Draft report	11	42%
Fieldwork complete & audit under review	0	0%
Fieldwork in progress	0	0%
Scoping/Planning complete	0	0%
Not yet started	0	0%
Total	**26**	**100%**

2022/23 Internal Audit Plan

The Committee considered and approved the 2022/23 Internal Audit Plan (Plan) on 22 March 2022.

The Plan provided for 27 internal audits totalling 515 days, including 55 days for IT audits, 45 days for Contract audit and 40 days for management which includes the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

Since the Plan was approved in March 2022, the following additional changes have been made:

- *Condition Surveys contract - vertical audit* – re-scheduled from the 2021/22 Plan.
- *Fire Doors Contract Management* – Audit added to the Plan at the request of the CFO.
- *Planned Maintenance Programme* – Audit postponed to Q1 of the 2023/24 Plan at the request of the CFO in order to accommodate the above audit.

The impact of these changes mean that the Plan now contains 28 reviews totalling 526 days.

The table below provides a summary of current progress relevant to the 2022/23 Plan:

Audit Status	Number of reviews	Percentage %
Finalised/complete	0	0%
Draft report	0	0%
Fieldwork complete & audit under review	3	11%
Fieldwork in progress	4	14%
Scoping/Planning complete	4	14%
Not yet started	17	61%
Total	**28**	**100%**

For reference, additional detail of the audits, progress and timings, is included in Appendix A1 of this report.

03 Audit Reports Issued

We have four categories by which we classify internal audit assurance over the processes we examine: Full, Satisfactory, Limited or None.

Internal Audit categorises recommendations as Priority 1, 2 or 3 to differentiate between the types of recommendation made. These categories give management an indication of the importance and urgency of implementing the recommendations. Details on our Assurance Definitions are contained within Appendix A3.

The table below lists the internal audits for which final reports were issued since our last report to the Committee; all of which relate to prior year reports.

Internal Audit Title	Assurance Level	Planned Year	Previously Reported in Annual Report √ / X
Corporate Governance	Satisfactory	2021/22	√
Cash Collection	Satisfactory	2021/22	√
IT Asset Management	Limited	2021/22	√
Anti-Social Behaviour Management	Satisfactory	2021/22	√

Internal Audit Title	Assurance Level	Planned Year	Previously Reported in Annual Report √ / X
Risk Management	Satisfactory	2021/22	√
Procurement Cards	Limited	2021/22	√
Allocation of Costs and Funding – Public Realm	Satisfactory	2021/22	√
Disaster Recovery (IT)	Limited	2021/22	√

Two Priority 1 recommendations were raised in these reports. Further details of the Priority 1 and Priority 2 recommendations raised in each of these reports can be found in the summary briefing provided separately to Members.

04 Follow-Ups

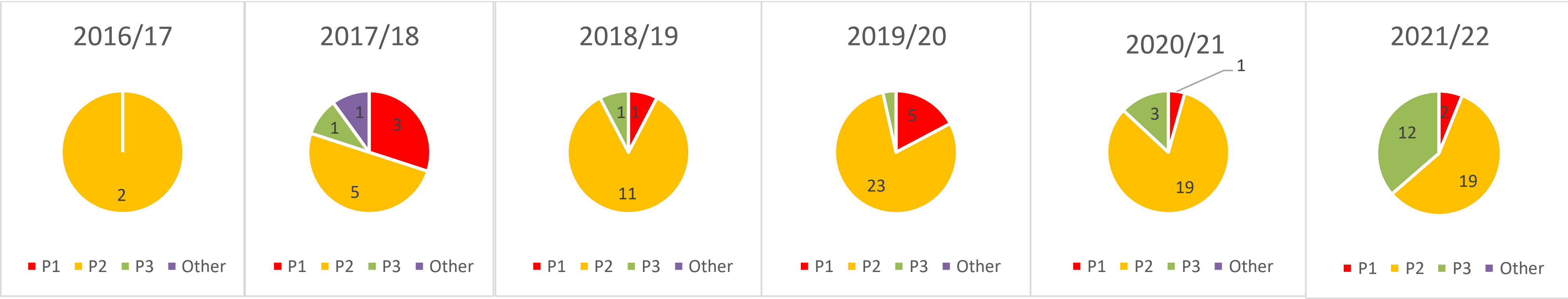
Since the last Committee meeting, the Councils' Audit App has continued to be populated with new recommendations from finalised internal audit reports.

Follow-up audits are undertaken to ensure that all the recommendations/issues raised have been successfully resolved according to the action plans agreed with the service managers. The Councils' target for internal audit recommendations/issues to be resolved at the time of the follow-up is 80% for all priority 2 & 3 recommendations/issues and 100% for priority 1 recommendations/issues.

Performance Objective	Target	Performance (to date)					
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Percentage of Priority 1 actions implemented	**100%**	100%	92%	94%	71%	75%	0%
Number of Priority 1 recommendations (for reference)		17	37	18	17	4	2
Percentage of all actions implemented	**80%**	99%	93%	93%	73%	59%	3%

Specific details on follow-up performance are included in the briefing note provided separately to Members.

Outstanding Recommendations by Priority Level



In addition to monitoring management updates on progress within the Audit App, Internal Audit can undertake spot checks to confirm that recommendations are being implemented in practice. A Follow Up Protocol is in place which contains a procedure to escalate recommendations that have not been implemented as agreed to this Committee where necessary.

When we reported to this Committee in March 2022 there were 86 outstanding recommendations (split 10 P1, 62 P2, 10 P3 and 1 other) of these 59 were overdue (split 8 P1, 43 P2, 7 P3 and 1 other). As at production of this report, which includes recommendations from finalised 2021/22 audits, there are 110 outstanding recommendations (split 12 P1, 79 P2, 18 P3 and 1 other) of these 83 are overdue (split 9 P1, 59 P2, 14 P3 and 1 other). Further detail of the nine overdue Priority 1 recommendations is included in Appendix A2 of this report.

A1 Current Progress – 2021/22 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Compliance & Enforcement Grant	Complete	N/A – no opinion work	-	-	-
BEIS Grants - Post Assurance Plan work	Complete	N/A – no opinion work	-	-	-
NFI Testing	Complete	N/A – no opinion work	-	-	-
Street Naming & Numbering	**Final**	Satisfactory	-	-	1
Out of Hours Service	**Final**	Satisfactory	-	1	-
Payroll	**Final**	Satisfactory	-	-	2
Planning Policy	**Final**	Satisfactory	-	-	1
Corporate Governance	**Final**	Satisfactory	-	2	5
Cash Collection	**Final**	Satisfactory	-	-	1
IT Asset Management	**Final**	Limited	-	3	-
Anti-Social Behaviour	**Final**	Satisfactory	-	3	1
Risk Management	**Final**	Satisfactory	-	5	-
Procurement Cards	**Final**	Limited	-	4	8
Allocation of Costs for Town Centre/Public Realm Improvements	**Final**	Satisfactory	-	2	-
Governance of Property Purchases	**Draft**				
Key controls testing	**Draft**				
Housing - General Compliance	**Draft**				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Adur Homes - Regulatory Compliance - Fire Safety	**Draft**				
Staff Wellbeing	**Draft**				
Workspaces AW - Accommodation Review	**Draft**				
Adur Homes - Capital works programme	**Draft**				
Env Services - Risk Assessments	**Draft**				
Debt Management	**Draft**				
Equalities Act Compliance	**Draft**				
Supply of Affordable housing	Postponed to 22/23 Plan	-	-	-	-
Markets	Postponed to 22/23 Plan	-	-	-	-
Welfare Reform	Postponed to 22/23 Plan	-	-	-	-
Civica/Connect HR system	Postponed to 22/23 Plan	-	-	-	-
Self-Isolation Grants	Postponed to 22/23 Plan	-	-	-	-
Carbon Reduction Programme	Postponed to 22/23 Plan	-	-	-	-
Contract Audit					
Theatres - Procurement & Contract Management	CANCELLED				
Condition Surveys contract - vertical audit	Postponed to 2022/23 Plan				
IT					

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Disaster Recovery	**Final**	Limited	2	4	-
Device Management & Security	Postponed to 2022/23 Plan				
Cloud Management	**Draft**		-	-	-
Total			**2**	**24**	**19**

Current Progress - 2022/23 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Community Infrastructure Levy	**Completed Fieldwork Under Review**				
Housing Complaints	**Completed Fieldwork Under Review**				
Recruitment and Selection	**Completed Fieldwork Under Review**				
BEIS Grants - Post Assurance Plan work	**In Progress**				
Self-Isolation Grants	**In Progress**				
Creditors	**In Progress**				
Key controls testing	**In Progress**				
Information Governance	**Audit Planned**				
Commercial Waste	**Audit Planned**				
Fire Safety	Q3				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Markets	Q3				
Governance of Property Disposals	Q3				
Invoicing of Housing services	Q3				
Carbon Reduction Programme	Q3				
Civica/Connect HR system	Q3				
Supply of Affordable housing	Q3				
Workforce Planning	Q3				
Economic Development - Small Business Growth Grants & Apprenticeship Grants	Q4				
Safety of Commercially Leased Buildings	Q4				
Risk Management	Q4				
Councils response and impacts of Welfare Reform, Cost of Living, Covid-19	Q4				
Contract Audit					
Condition Surveys contract - vertical audit	**Audit Planned**				
Fire Door – Contract Management	Q2				
Adur Leisure - contract management	Q3				
Energy Supplier - procurement & contract management	Q4				
IT					
Device Management & Security	**Audit Planned**				
Systems Development	Q3				
Digital Strategy	Q4				
Total			**-**	**-**	**-**

A2 Outstanding Priority 1 Recommendations (Past Implementation Date)

Leaseholder Service Charges 2017-18 (Final Issued March 2018)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
3.1 The Council should document a Leasehold Management Policy, which outlines the legislative framework (and timescales) within which it is required to operate for the various leasehold functions and services that it provides. The policy should: • Outline any local policy decisions in respect of the management of leaseholders, recovery of charges etc. and detail how these requirements will be achieved; • Clearly state how the Council will deal with major repair costs, including outlining the statutory processes that have to be completed and the timescales to ensure the recovery of costs (e.g. invoice or issue S20B notice within 18 months of cost being incurred; and • State at what level the cost of repairs will be pursued (e.g. minor costs above the £250 legislative rate may not be cost effective for the Council to pursue where there are only a few leaseholders, but if	There is currently no approved documented policy for Leasehold Management. Where an up to date documented and approved policy does not exist, there is a risk that the Council's objectives and/or responsibilities are not known and may not therefore be achieved.	An overarching policy will be developed. This will be supported by a set of detailed policies and procedures. Work has already begun on identifying those that are required and this will be used as an action plan to ensure all required actions are completed. Deadline - 30th September 2018	The last detailed update provided to IA suggested that a policy had been drafted and consulted upon. Since then, officer changes have occurred and there is a transformation project underway within Housing. IA have met with the Transformation Manager and an update in respect of the progress on this recommendation is awaited.	30th September 2021 new date TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
there were several then the costs and effort would be worth it). Once documented, the Policy should be approved by the relevant senior management, member and committee.				
3.32 The Council's Policy in respect of options available to leaseholders for payment of major works should be reviewed, approved by ADC Executive and then consistently applied.	On 15 June 2010, the ADC Cabinet decided the payment option arrangements for leaseholders, this includes the provision of ten year loans. Furthermore, on 13 July 2010 the ADC Cabinet decided additional deferred payment arrangements for works costing more than £5,000 in any financial year. We have not identified any other reports/decisions which revise the decisions taken by the ADC Cabinet in June/July 2010 therefore these decisions would appear to be the most recent and therefore constitute the current policy. These policy decisions are not, however accurately reflected in the current Leaseholders Handbook which states "If you are not able to pay for the cost of major works in full at the time of invoicing, then we offer an interest free loan up to five years depending on the size of the bill and individual circumstances. In this case you will pay in monthly instalments by either direct debit or payment card". The policy decisions were also not detailed correctly in the Paying for Major	The arrangements will be reviewed with Finance and Legal. Deadline - 31st March 2019	As above.	30th September 2021 new date TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	Works information that was sent to leaseholders in March 2017 with their invoices. The differences being: • The interest added column on the Paying for Major works information states 5.4% for all works costing more than £500 yet this is not what is detailed in the decision by Cabinet. • The Cabinet decision in June 2010 states that "for loans exceeding £1,500, a Land Registry charge would be taken out" the Land Registry requirement on the Paying for Major Works information states N/A for works costing £1,500-£5,000. • The Cabinet decision in July 2010 states the administration fee for deferred payments as £100 yet the Paying for Major Work information states £90. Our walkthrough of a loan arranged in 2015 has shown that he was advised that the charges added to the loan for £10,998 would be 4.4% interest (reviewed annually), £50 admin fee, £40 Land Registry fee and £295 legal costs. This contradicts the Cabinet's decision which states an administration fee of £90 and a Land Registry fee of £50. Furthermore, the reports to the ADC Cabinet in 2010 made no mention of legal costs (nor did the information sent to			

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	leaseholders in 2017). The amounts actually invoiced to this leaseholder were £1209.59 interest (so no annual review), £295 legal costs and £40 Land Registry fee (so no admin fee and incorrect LR fee). We have further confirmed that as a result of invoices sent in February 2017, one leaseholder requested to pay their major works costs (£3,072.49) over a period of 24 months. The email sent to this leaseholder confirms that no interest has been added and that monthly standing order payments should be arranged by the leaseholder. The policy requires DD payments and there is no mention of admin or Land Registry costs that the policy requires and no evidence can be seen on HMS/I@W to confirm that costs have been invoiced. Where approved policies are not known or accurately and consistently applied, there is an increased risk that loans are incorrectly arranged or that incorrect fees are charged. This may result in financial loss to the Council.			
3.33 Once the Major Works Payment Policy has been decided the Council should review how implementing payment loans/arrangements will for major works will be achieved.	Proper arrangements are required to ensure that the Council effects payment arrangements correctly and in line with any policy and legal requirements.	This will be reviewed with Finance and Legal. Deadline - 31st March 2019	As above.	30th September 2021 new date TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
An agreed process, which reflects policy requirements should be effected to ensure that any future loans/arrangements are correctly actioned. Legal Services and Finance should be involved in any discussions to ensure that all legal and financial requirements are met. The agreed process should be formalised in a documented procedure which details the forms that need to be completed, by whom and when and how supporting information/ documentation should be retained.	We found some procedures and forms (including a Service Charge Loan Application Form) on the N Drive and emails between the Finance and Leasehold teams going back several years. Our examination of this information suggests that the information provided by the leaseholder on the loan application form would seem to be the primary source for calculation of affordability. Any payment arrangements were effected by Finance until April 2016, when the arrangements transferred to the Adur Homes Leasehold Team. We were advised by the Leasehold Officers that they are very unsure regarding the procedures to be followed, whether they are up-to-date, lines of responsibility etc. They also had queries regarding: • how instalments and interest would be applied to Owner Accounts; • monitoring; • how the Council would legally stand in recovering any arrears of interest etc. if charges were not made against properties; and • their ability to calculate interest on loans and setting-up loan/instalment agreements with interest;			

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	We have noted elsewhere in the audit inconsistencies with arranging loan agreements and lack of supporting information which would suggest that current arrangements are not effective. Where a defined process for effecting payment arrangements does not exist, there is an increased risk that arrangements are not correctly made or that legal requirements are not satisfied and this may impact on the Council's ability to recover all relevant costs leading to possible financial loss.			

Housing Repairs – Matsoft Processes 2018/19 - (Final Issued March 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
3.24 Adur Homes' management should discuss with Digital how the system can be enhanced to require post inspection of repair projects costing over £1,000.	Adur Homes has a Post Inspections Policy requirement for all jobs with an invoiced value of £1,000 or more to be post inspected. The way that the Mats system is set up means that jobs are now known as Repair Projects which consist of "jobs", some of which are works whilst others are activities such as inspections. Through discussion with the Contracts Compliance Manager, we were advised that the Mats system only automatically	This issue has been raised with Digital and included within the requirements for Stage 2 development of the system. 30th September 2021 (for enhancement of system).	Update provided to IA by the Transformation Manager confirmed that this has been raised with Digital but that the work is currently paused due to resourcing.	30th September 2022 New date TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	selects jobs over £1,000 for post inspection and not Repair Projects, which may consist of smaller SOR elements that total £1,000. The service are not therefore post inspecting all works over £1,000 in line with their policy and there is a risk that projects costing over £1,000 are not being post inspected.			

Rent in Advance/Rent Deposit Scheme 2019/20 (Final Issued March 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
3.3 Every form used in the Rent in Advance/Rent Deposit (RiA/RD) process which is used to collect the personal data of the client (and/or their family members) needs to be reviewed and a relevant privacy notice added. Furthermore, where personal data is collected and recorded within forms and the Councils are relying on a client's consent to process the information then the relevant consent(s) need to be obtained. The Housing Needs Manager should liaise with the Councils' Senior Information Governance Officer (SIGO) in order to effect this.	The Data Protection Act (DPA) 2018 and General Data Protection Regulation (GDPR) contain specific requirements that the Councils must comply with when collecting and processing a client's personal data, including obtaining consent and providing privacy notices. From our examination of the 'In Principle Financial Assistance Approval' and 'Vulnerability & Suitability' forms we noted that neither contain any details about consent or a privacy notice. As some of the information required to be provided in the 'Vulnerability & Suitability' form can relate to disabilities or illnesses, the personal information being provided is considered sensitive personal data and	These forms are part of the homelessness prevention process and are therefore covered by the consents given when a homelessness application is made. The Homeless application form also includes the link to the Councils privacy notice which specifically relates to homelessness related processes. **Audit Comment** – Advice sought from the Councils SIGO has confirmed a privacy notice link is required on all forms which are used to collect personal data and that depending on the process, consent information may also be	No update has yet been provided to IA. This has been raised with the Transformation Manager and an update in respect of the progress is awaited.	TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	is therefore subject to more rigorous requirements under the DPA 2018. Furthermore, as sensitive personal information relating to any other residents in the same dwelling as the client is also being requested, separate privacy notices for these other residents will also be required. Where the required consent and privacy notices are not contained on forms, the Council is in breach of the DPA 2018 and GDPR and should the ICO investigate this the Council may face significant fines.	required. Therefore we recommend that the SIGO is contacted in order to review the process and confirm whether consents are required within these forms. Housing Needs Manager – Agreed Deadline – 30th June 2020		

Regulatory Compliance (Housing) 2019/20 – (Final Issued August 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
3.4 Adur Homes should review when the last Asbestos management surveys were undertaken and urgently progress any outstanding ones. Furthermore, the outcomes of the surveys should be recorded and monitored, and a monitoring process should be effected to ensure that assessments are undertaken every 12 months.	Section 4 of the CAR12 requires that every property has to have an asbestos management plan and that an asbestos register is retained. Asbestos surveys are required to be conducted every 12 months. An 'Asbestos Management Survey' spreadsheet exists to record where asbestos has previously been identified within housing properties. We tested a sample of ten properties to establish when the last asbestos survey	We have recently undertaken re-inspections on our blocks and this will continue to be done annually. We are still lacking data for many of the dwellings and do not have an up to data asbestos register that can be viewed and edited onsite, Adur and Worthing Councils are in the process of purchasing an asbestos management system called	Update provided to IA by the Transformation Manager confirmed that the surveys were last done two years ago and that a procurement process is in the last stages to commission new surveys.	30th April 2022 New date TBC

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	had been completed and found that: • nine had not had a survey carried out within the last 12 months, (eight were last undertaken in 2017 with the remaining one in 2018), and • the outcomes of two surveys had not been recorded on the 'Asbestos Management Survey' spreadsheet. Where the Council does not carry out an asbestos survey every 12 months, the Council is in breach of the regulations and can face penalties. There is also a risk that residents health and safety is put at risk leading to potential lawsuits, financial penalties and reputational damage.	Alphatracker which will store all of our asbestos surveys and data and will be able to be viewed and edited from site so that records remain up to date. Deadline - 1st December 2020		
3.7 Management should monitor and record the outcomes of inspections and/or maintenance visits to ensure any rectification needed is identified. Management should also ensure that any rectifying actions undertaken address the issues originally identified/raised. Where applicable, any documentation (inspection reports, new certificates etc) received which support the completion of rectification works should be retained. Rectification of recommended actions and/or issues identified should be performed in a timely manner and/or in line with established timescales (i.e.	Any issues identified during regulatory inspections should be remedied in a timely manner to ensure that staff and the public are safe and that Council is compliant with relevant legislation. Testing of the inspections required across 60 properties (for the six different key areas examined) found that: • Asbestos: Eight (out of ten) properties needed follow up works to be carried out as asbestos had been identified as part of the most recent inspections (2017/18) but no follow up works had been evidenced as carried out for these eight properties. • Electrical: Two (out of ten) properties tested included recommendations as a result of the most recent inspections undertaken. These were all 'C3' recommendations which are	Agreed, any actions arising from compliance inspections should be recorded and rectified in a timely manner. ● Asbestos: We have recently undertaken re-inspections of all sites which have asbestos identified in the 2017/18 reports, any actions required as a result of these inspections will be recorded and prioritised accordingly. Mark Whitfield is assisting us with reviewing the re-inspections as Adur Homes does not currently have a member of staff with P405 qualification. ● Electrical: Due to budget pressures we do not undertake C3	Update provided to IA by the Transformation Manager confirmed that this recommendation is being actioned and information will be stored on the T100 system.	30th September 2022

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
recommended by specialists or legislation).	deemed to be 'best practice' and non-urgent. We confirmed that for one of the properties remedial actions were taken in December 2018 but for the remaining property no works had been undertaken. • Water/Legionella: All ten properties tested had recommendations raised as part of the most recent report obtained from Envirocure in January and February 2019 but none of these recommendations were acted upon until work notices were issued on 23 January 2020 for all properties. • Lifts: Two (out of ten) lifts tested where in need of further remedial actions. In one case this was undertaken 76 days from the report/inspection date. For the remaining case, there was no evidence of remedial works being undertaken. Both these cases were stair lifts and not passenger lifts. • Gas: In all ten cases inspections had been undertaken and none of the properties tested had any follow-up actions noted. • Fire: Seven (out of ten) properties had a Fire Risk Assessment completed within the last year, the reports were retained and results recorded. The other three were in progress. Where issues identified from compliance checks are not rectified in a timely manner and management do not monitor these to ensure that rectification occurs in a timely manner, there is an increased	recommendations unless the property is in an overall state whereby it requires a rewire due to other C1 and C2 failures. It is not a regulatory requirement for the Council to undertake C3 recommendations. ● Legionella and Lifts: All actions have now been completed, we are looking to increase staff resources in compliance so that each of the services has an assigned contract manager. Currently the Compliance Manager is responsible for all services within compliance which. A Compliance and asset management system would automate this and would highlight areas of noncompliance via regular reporting. We currently have to manage action lists across compliance manually which can lead to actions being missed due to time pressures and human error. ● FRA: There have been some minor delays with fire risk assessments but we are now on target o have all sites fire risk assessed within the required timescales (annual for Sheltered and Bi-annual for General needs). Maintenance Manager		

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	risk that the Council continues to be non-compliant and risks the health and/or safety of the public/staff.	Deadline – 1st November 2020		

Project Management 2020/21 - (Final Issued June 2021)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
2.5 The Scrutiny and Risk Officer must ensure that all necessary steps in the planning and executing of a project are followed, and documentation is retained. In addition to centralised document retention (which would make gaps in documentary evidence more obvious), the Scrutiny and Risk Officer should track the stages at which each project stands and ensure that all necessary documentation for that stage has been completed before projects progress.		The Councils will do some follow up training for staff from Autumn 2021 to clarify the project cycles. Deadline 31st October 2021	Update provided to IA confirmed that a programme of Project Management training for staff is being investigated and details will be shared with staff when available.	31st March 2022 New date TBC

Management of Community Buildings 2019/20 - (Final Issued June 2021)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
A policy (or a set of policies) should be developed that set out the Councils goals and objectives for the use of and management of community buildings. This policy should include, as a minimum, strategic objectives as well as the key operational practices needed to achieve these objectives. Once developed, the policy should be reviewed and approved by Senior Management and should be subject to regular reviews to ensure it is kept up to date and still relevant to the Council's objectives and/or strategic goals. Version control should be applied to any policy to ensure readers can ensure that they are referring to the current version	Maintaining policies assists in ensuring that staff are aware of and can work towards ensuring corporate goals and objectives are being met. From discussions with the Community and Third Sector Lead we established that there was no corporate steer or corporate policy on how the use of community buildings fit into the Councils corporate objectives or what the expectations were from lessees/tenants. Without such policies, the Councils could be developing new community centres without any review on whether these were needed across the communities or assessing what the needs of communities were in those areas to ensure that the buildings were put to the best use to meet identified needs. Where there is no corporate steer/policy over the use of community buildings, there is a risk that the Councils are failing to meet their goals and objectives and may be missing the opportunity to provide services within those buildings which meet the needs of the local community. Community objectives may also therefore not be achieved.	Agreed, although we are limited to our actions as most Community Centres are on long leases and agreement. The policy will address how closer working with community organisations can be achieved but will balance where the Councils can effect change in premises already leased, where terms cannot be changed and the relationship with the occupiers is purely that of landlord and tenant. 31st March 2022 Adur District & Worthing Borough Councils – Final Report 7 This is being picked up as part of the corporate landlord work. We now have a working group to further develop our work with Community Centres and are working towards clarity over what we want to see in all of our Community Centres. I suggest this forms part of the corporate assets group as a policy approach to centres, stating what each centre needs to have. Note there is not additional resource for this - this work forms part of an existing role and therefore we need to be realistic in relation to monitoring meetings. We do not have the	Update provided to IA confirmed that work is underway to develop a Community Assets Framework that will sit within the Corporate Assets Policy, clearly laying out the approach in the allocation, management and disposal of the Councils' community assets. This will clarify and strengthen the multi-disciplinary work and will create a more robust system of management/ oversight of community assets and greater transparency of the decisions the Councils make around the allocation of space to groups and organisations	31st December 2022

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
		resources to commit to this across our whole estate. Deadline: 31st March 2022		

A3 Definitions of Assurance

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

Definitions of Recommendations		
Priority	**Definition**	**Action required**
Priority 1 (Fundamental)	Major issues for the attention of senior management and the Joint Governance Committee.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Significant)	Other recommendations for local management action.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Priority 3 (Housekeeping)	Minor matters.	Remedial action should be prioritised and undertaken within an agreed timescale.

ADUR & WORTHING COUNCILS

Joint Governance Committee
28 July 2022

Key Decision : No
Ward(s) Affected: All

Annual Treasury Management Report 2021-22 for Adur District Council and Worthing Borough Council

Report by the Director for Digital, Sustainability and Resources

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2021/22 as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 **Recommendation One**
The Joint Governance Committee is recommended to note the annual report and to refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 11th October 2022.

2.2 **Recommendation Two**
The Joint Strategic Committee is recommended to note the annual treasury management report for 2021/22.

3. CONTEXT

3.1 Treasury Management is:

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

3.2 This report details the treasury management activities and portfolio positions for the 2021/22 financial year for Adur District Council and Worthing Borough Council. The

Councils are required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.3 During 2021/22 the minimum reporting requirements were that the full Councils should receive the following reports:

- Before the beginning of the financial year, the first report, the Treasury Management Strategy and Annual Investment Strategy, seeks approval for the Councils' approach to the management of investments and the borrowing of funds for the forthcoming year. This report details how the Councils will manage risk in their treasury activities and was approved by Worthing Council on the 23rd February 2021 and by Adur Council on the 18th February 2021.
.
- This is followed by a mid-year review of performance against the approved strategies (JGC 23rd November 2021, JSC 7 December 2021).

- At the year end, there is an annual report which confirms actual performance for the year (this report) to be submitted by the 30th September.

3.4 There is a clear regulatory environment governing the Council's investment and treasury activities. The Local Government Act 2003 requires that the Council complies with the Prudential Code for Capital Finance. This is a framework established to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. As part of the Prudential Code, indicators are established to ensure that the Council has approved limits on both capital expenditure plans and associated borrowing activity.

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

4. ISSUES FOR CONSIDERATION

4.1 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.

4.2 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Joint Governance Committee and the Joint Strategic Committee before they were reported to the full Councils.

4.3 Member training on treasury management issues was not possible during the year due to the Covid pandemic, but will be arranged during 2022/23 in order to support members' scrutiny role.

5. Summary of Prudential and Treasury Indicators

During 2021/22, the Councils complied with their legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are shown in the tables below. Other prudential and treasury indicators are to be found in the main body of this report. The Chief Financial Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limits, (the authorised limits), were not breached.

The financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns.

Adur District Council

Prudential and treasury indicators	31.3.21 Actual £m	2021/22 Original £m	31.3.22 Actual £m
Capital expenditure			
· Non-HRA	12.512	29.447	4.293
· HRA	5.186	18.956	7.007
· Total	17.698	48.403	11.300
Capital Financing Requirement:			
· Non-HRA	106.905	158.544	106.971
· HRA	61.591	79.004	61.802
· Total	168.496	237.548	168.773
Gross borrowing	(158.936)	(232.332)	(161.517)
Investments			
· Longer than 1 year	2.738	3.025	3.208
· Under 1 year	9.000	15.000	21.965
· Total	11.738	18.025	25.173
Net borrowing	(147.198)	(214.307)	(136.344)

Worthing Borough Council

Prudential and treasury indicators	31.3.21 Actual £m	2021/22 Original £m	31.3.22 Actual £m
Gross Expenditure non-HRA	17.744	16.550	26.662
Capital Financing Requirement: · Non-HRA	135.632	191.619	154.870
Gross borrowing	(137.725)	(190.902)	(153.751)
Investments · Longer than 1 year · Under 1 year · Total	 3.904 6.010 9.914	 4.050 17.005 21.055	 1.642 32.745 34.387
Net borrowing	(127.811)	(169.847)	(119.364)

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

6. The Councils' Capital Expenditure and Financing

6.1 The Councils undertake capital expenditure on long-term assets (land, buildings, vehicles, software and equipment). These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply these resources, then capital expenditure will give rise to a borrowing need.

6.2 The actual capital expenditure forms one of the required prudential indicators, because the Councils must ensure that capital expenditure is affordable, approved and monitored. The tables below show the actual capital expenditure and how this was financed. The full explanation of the expenditure and the variances between the budgets and actual expenditure can be found in the Capital Monitoring Reports, but the most significant items are detailed below. There have been some delays in delivery of the capital programme due to the Covid 19 virus. The "current budget" includes subsequent approvals and reprofiled budgets approved during the year.

Adur District Council Total	2020/21 Actual	2021/22	2021/22	2021/22 Actual

		Original Budget	Current Budget	
Capital expenditure £m	**17.698**	**48.403**	**20.712**	**11.300**
Financed in year £m	**16.220**	**11.032**	**9.820**	**11.022**
Unfinanced capital expenditure £m	**1.478**	**37.371**	**10.892**	**0.278**

The following table shows the General Fund share of the figures in the table above

Adur District Council General Fund	2020/21 Actual	2021/22 Original Budget	2021/22 Current Budget	2021/22 Actual
Capital expenditure £m	**12.512**	**29.447**	**5.746**	**4.293**
Financed in year £m	**12.331**	**5.214**	**2.703**	**4.226**
Unfinanced capital expenditure £m	**0.181**	**24.233**	**3.043**	**0.067**

The following table shows the HRA share of the figures in the table above

Adur District Council HRA	2020/21 Actual	2021/22 Original Budget	2021/22 Current Budget	2021/22 Actual
Capital expenditure £m	**5.186**	**18.956**	**14.966**	**7.007**
Financed in year £m	**3.889**	**5.818**	**8.184**	**6.796**
Unfinanced capital expenditure £m	**1.297**	**13.138**	**7.849**	**0.211**

For Adur, the original budget was revised due to subsequent approvals and re-profiling of budgets, most significantly the reprofiling of the Strategic Property Economic Regeneration Fund and the impact of Covid 19 on the ability to deliver some projects.

The difference between the current budget and the actual spend is due to:

- re-profiling of £9.142m of the 2021/22 budget into 2022/23 of which £7.959m relates to HRA developments and works to current accommodation
- a net underspend of £0.270m

Worthing Borough Council	2020/21 Actual	2021/22	2021/22	2021/22 Actual

		Original Budget	Current Budget	
Capital expenditure £m	**17.744**	**16.550**	**34.371**	**26.662**
Financed in year £m	**10.900**	**8.669**	**7.012**	**7.424**
Unfinanced capital expenditure £m	**6.844**	**7.881**	**27.359**	**19.238**

For Worthing, the original budget was revised due to subsequent approvals and re-profiling of budgets, most significantly the reprofiling of the Strategic Property Economic Regeneration Fund and the impact of Covid 19 on the ability to deliver some projects.

The difference between the current budget and the actual spend is due to:

- re-profiling of £7.714m of the 2021/22 budget into 2022/23 including £1.417m relating to the Portland Road works, £1.359m to the Worthing Integrated Care Centre, £870k to car park refurbishments works and £2.184 to other refurbishment and development works such as Teville Gate.

7. THE COUNCILS' OVERALL BORROWING NEED

7.1 Some of the Councils' capital expenditure is funded immediately by, for example, capital grants, capital receipts from the sale of assets, or from contributions from the revenue budget (capital funded by revenue as approved by statute). Capital expenditure that is not funded by any of these means is described as "the underlying need to borrow" and is known as the Capital Financing Requirement (CFR). The CFR is a gauge of the Councils' indebtedness. It results from the capital activity of the Councils and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Councils' treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Councils' cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Councils. The Councils make these decisions based on a number of factors, including the prevailing interest rates for borrowing compared to those for investing, the likelihood of a capital receipt in the near future or a forecast of additional capital grants.

Reducing the CFR – the Councils' (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Councils are required to make an annual revenue charge, called the Minimum Revenue Provision

– MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:

· the application of additional capital financing resources, (such as unapplied capital receipts); or

· charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Councils' 2021/22 MRP Policies (as required by DLUHC Guidance), were approved as part of the Treasury Management Strategy Report for 2021/22 by Worthing Council on the 23rd February 2021 and by Adur Council on the 18th February 2021.

The tables below show the Councils' CFRs for the year, which represent key prudential indicators. The CFR would include PFI and leasing schemes on the balance sheet because they increase borrowing need. However the Councils do not have any PFI or other qualifying schemes.

Adur District Council - total of General Fund and HRA

CFR (£m):	31.3.21 Actual	2021/22Budget	31.3.22 Actual
Opening balance	**167.018**	**200.177**	**168.496**
Add unfinanced capital expenditure (as above)	**3.700**	**40.170**	**2.591**
Less MRP/VRP	**(2.222)**	**(2.799)**	**(2.314)**
Closing balance	**168.496**	**237.548**	**168.773**

Adur General Fund share of the CFR

CFR (£m): General Fund	31.3.21 Actual	2021/22Budget	31.3.22 Actual
Opening balance	**106.724**	**134.311**	**106.905**
Add unfinanced capital expenditure (as above)	**2.403**	**27.032**	**2.380**
Less MRP/VRP	**(2.222)**	**(2.799)**	**(2.314)**
Closing balance	**106.905**	**158.544**	**106.971**

Adur HRA share of the CFR

CFR (£m): HRA	31.3.21 Actual	2021/22Budget	31.3.22 Actual
Opening balance	**60.294**	**65.866**	**61.591**
Add unfinanced capital expenditure (as above)	**1.297**	**13.138**	**0.211**
Less MRP/VRP	**0.000**	**0.000**	**0.000**
Closing balance	**61.591**	**79.004**	**61.802**

Worthing Borough Council

CFR (£m): General Fund	31.3.21 Actual	2021/22 Budget	31.3.22 Actual
Opening balance	**128.788**	**183.738**	**135.632**
Add unfinanced capital expenditure (as above)	**9.054**	**10.869**	**20.774**
Less MRP/VRP	**(2.210)**	**(2.988)**	**(1.536)**
Closing balance	**135.632**	**191.619**	**154.870**

7.2 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Councils should ensure that their gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year (2021/22), plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Councils are not borrowing to support revenue expenditure. This indicator allows the Councils some flexibility to borrow in advance of immediate capital needs to take advantage of, say, low interest rates.

The difference between the CFR and the gross borrowing position is termed under or over borrowing. If a Council is under borrowed, it is using some of its internal cash that could otherwise be invested. It can therefore choose to borrow externally up to the CFR so as to take advantage of favourable interest rates. If a Council is over borrowed, it needs to ensure that this position is remedied over a two year period. The Councils have complied with this prudential indicator over a two year period.

This table shows the total CFR and gross borrowing for Adur District Council and the two following tables show the separate figures for the General Fund and the HRA.

Adur District Council Total	31 March 2021 Actual	31 March 2022 Strategy	31 March 2022 Actual
CFR £m	168.496	237.548	168.773
Gross borrowing position £m	158.936	232.332	161.517
Under/(over)funding of CFR £m	9.560	5.216	7.256

Adur District Council General Fund	31 March 2021 Actual	31 March 2022 Strategy	31 March 2022 Actual
CFR General Fund £m	106.905	158.544	106.971
Gross borrowing position £m	98.460	153.369	104.892
Under/(over)funding of CFR £m	8.445	5.174	2.079

Adur District Council HRA	31 March 2021 Actual	31 March 2022 Strategy	31 March 2022 Actual
CFR HRA £m	61.591	79.004	61.802
Gross borrowing position £m	60.476	78.962	56.625
Under/(over)funding of CFR £m	1.115	0.042	5.177

As at 31 March 2022, for Adur District Council, the HRA was under borrowed by £5.177m. The General Fund was under borrowed by £2.079m. Under borrowing results from the use of internal resources to fund capital expenditure, which reduces the amount of interest payable on external borrowing. Interest rates on investments are currently very low in comparison to the rates charged on borrowed sums, so this is a cost-effective strategy reducing the overall net cost of borrowing. The difference between the strategy and the actual CFR figures is due to re-profiling of the Capital budgets as detailed in section 5.2 above.

Worthing Borough Council	31 March 2021 Actual	31 March 2022 Strategy	31 March 2022 Actual
CFR General Fund £m	**135.632**	**191.619**	**154.870**
Gross borrowing position £m	**137.725**	**190.902**	**153.751**
Under/(over)funding of CFR £m	**(2.093)**	**0.717**	**1.119**

Worthing Borough Council was under borrowed by £1.119m at 31 March 2022. As for Adur, the difference between the strategy and the actual CFR figures is due to re-profiling of the Capital budgets as detailed in section 5.2 above.

7.3 The **authorised limit** is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Councils do not have the power to borrow above this level. The tables below demonstrate that during 2021/22 the Councils maintained gross borrowing within the authorised limits.

The **operational boundary** is the expected borrowing position of the Councils during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limits not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs, net of investment income), against the net revenue stream. The costs incurred through capital expenditure are the interest payable on money borrowed and the Minimum Revenue Provision (see section 12), which is a statutory annual revenue charge to reduce the indebtedness of a Council, based on the amount of capital expenditure which has not been funded by capital receipts, grants etc.

Investment income and other income generated from the capital assets purchased or created through the capital programme are deducted from these costs. The net figure is then compared to the Councils' net revenue streams - the income received from grants and taxation as shown in the Statement of Accounts. Consequently if only the costs of the capital programme increase, so will the proportion of financing cost to net revenue stream. If only the net revenue stream increases, then the proportion will reduce. Usually there will be a combination of both factors.

Adur District Council	2021/22
Authorised limit	**£239.000m**
Maximum gross borrowing position during the year	**£162.370m**
Operational boundary	**£234.000m**
Average gross borrowing position	**£158.128m**

Commercial properties financing as a proportion of net revenue stream	**(8.67)%**
Other GF financing costs as a proportion of net revenue stream	**10.15%**
HRA Financing costs as a proportion of net revenue stream	**16.00%**

The figures for the financing as a proportion of net revenue stream differ from the original forecasts, partly due to the high level of grants received to support the Council through the pandemic, which increased the value of the net revenue stream. In addition:

- the forecast for Adur's investment property financing costs as a proportion of net revenue stream was -14.77%, the negative figure meaning that the income would exceed the financing costs. However the planned additional commercial property purchases did not proceed, resulting in lower net income

- the Other General Fund financing cost proportion is lower than the forecast of 16.92%, due to re-profiling of the capital programme

- the HRA figure is lower than the forecast of 25.37%, due to the re-profiling of the capital programme.

Worthing Borough Council	2021/22
Authorised limit	**£198.000m**
Maximum gross borrowing position during the year	**£153.751m**
Operational boundary	**£193.000m**
Average gross borrowing position	**£142.087m**
Commercial properties financing as a proportion of net revenue stream	**(8.44)%**
Other GF financing costs as a proportion of net revenue stream	**2.36%**

As with Adur, the figures for the financing as a proportion of net revenue stream differ from the original forecasts, partly due to the high level of grants received to support the Council through the pandemic, which increased the value of the net revenue stream. In addition:

- the forecast for Worthing's investment property financing costs as a proportion of net revenue stream was -12.16%, the negative figure meaning that the income would exceed the financing costs. However the planned additional commercial property purchases did not proceed, resulting in lower net income

- the Other General Fund financing cost proportion is lower than the forecast of 8.66% due to the reduction in the MRP and the reprofiling of the capital programme, which resulted in lower than forecast borrowing costs.

8. TREASURY POSITION AS AT 31 MARCH 2022

The Councils' treasury management debt and investment positions are organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Councils' Treasury Management Practices. At the end of 2021/22 the Councils' treasury positions are shown in the following tables.

8.1 Adur District Council's position at the beginning and end of the year is shown below (nb PWLB refers to the Public Works Loan Board - an arm of the government).

	Principal at 31.03.22 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.21 £m	Average Rate of Return	Average Life in Years
Debt Portfolio						
PWLB	(138.527)	2.68%	15.62	(136.052)	2.67%	17.56
Other Borrowing	(22.990)	4.30%	34.41	(22.884)	4.40%	36.23
Total Debt	**(161.517)**			**(158.936)**		
CFR	**168.773**			**168.496**		
(Over)/under borrowing	**7.256**			**9.560**		
Investments						
Bonds	0.025	n/a	n/a	0.030	n/a	n/a
Property Fund	3.183*	3.54%**	n/a	2.708	3.90%	n/a
Long Term	0.000	n/a	n/a	0.000	n/a	n/a
Short Term	21.965	0.58%	< 1 year	9.000	0.20%	< 1 year
TOTAL INVESTMENTS	**25.173**			**11.738**		
NET DEBT	**(136.344)**			**(147.198)**		

* value of units at 31 March 2022
** return on original investment (£3m) over the financial year 2021/22

The maturity structure of debt table that follows demonstrates that procedures are in place to prevent the maturity of too much debt in a single period, when only high interest rates may be available for refinancing the debt, if required.

Adur District Council Maturity Structure of Debt	31 March 2022 actual	2021/22 original limits	31 March 2021 actual
under 12 months	8%	20%	6%
12 months and within 24 months	5%	30%	7%
24 months and within 5 years	12%	50%	13%
5 years and within 10 years	24%	70%	24%
10 years and within 20 years	29%	80%	29%
20 years and within 30 years	1%	60%	1%
30 years and within 40 years	9%	60%	7%
Over 40 years	12%	45%	13%

8.2 Worthing Borough Council's position at the beginning and end of the year was as follows:-

	Principal at 31.03.22 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.21 £m	Average Rate of Return	Average Life in Years
<u>Debt Portfolio</u>						
PWLB	(114.376)	2.01%	16.20	(108.725)	1.96%	15.39
Other Borrowing	(39.375)	0.93%	1.35	(29.000)	1.13%	1.12
TOTAL BORROWING	**(153.751)**			**(137.725)**		
CFR	**154.870**			**135.632**		
(Over)/under borrowing	**1.119**			**(2.093)**		
<u>Investments</u>						
Bonds	0.050	n/a	n/a	0.050	n/a	n/a
Property Fund	1.592*	3.54%**	n/a	1.354	3.90%	n/a
Internal Loan	2.500	1.00%	0.25	2.500	1.00%	1.25
Short Term	30.245	0.58%	< 1 year	6.010	0.03%	< 1 year
TOTAL INVESTMENTS	**34.387**			**9.914**		
NET DEBT	**(119.364)**			**(127.811)**		

* value of units at 31 March 2022
** return on original investment (£1.5m) over the financial year 2021/22

The maturity structure of debt table that follows demonstrates that procedures are in place to prevent the maturity of too much debt in a single period, when only high interest rates may be available for refinancing the debt, if required.

Worthing Borough Council Maturity Structure of Debt	31 March 2022 actual	2021/22 original limits	31 March 2021 actual
under 12 months	15%	35%	14%
12 months and within 24 months	12%	40%	16%
24 months and within 5 years	15%	75%	9%
5 years and within 10 years	27%	75%	33%
10 years and within 20 years	14%	75%	15%
20 years and within 30 years	4%	75%	0%
30 years and within 40 years	9%	75%	10%
Over 40 years	4%	75%	3%

8.3 **Investments held by Adur District Council at 31 March 2022:**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Lloyds Bank 95 day notice	22/07/2020	n/a	£10,000	0.10%	A+
Lloyds Bank call account	02/07/2021	n/a	£10,000	0.01%	A+
Close Bros	10/08/2021	09/08/2022	£1,000,000	0.45%	A-
Close Bros	06/09/2021	06/03/2023	£1,000,000	0.60%	A-
Handelsbanken	16/07/2018	n/a	£5,000	0.02%	AA-
DMO (Government)	23/03/2022	22/04/2022	£4,000,000	0.55%	AA-
DMO (Government)	30/03/2022	14/04/2022	£3,000,000	0.55%	AA-
DMO (Government)	09/03/2022	13/05/2022	£1,000,000	0.54%	AA-
Goldman Sachs Int Bank	26/05/2021	06/06/2022	£1,000,000	0.32%	A+
Yorkshire Building Soc	09/03/2022	24/06/2022	£1,000,000	0.75%	A-
Standard Chartered Sustainable Deposit	03/11/2021	14/04/2022	£1,000,000	0.37%	A+
Standard Chartered Sustainable Deposit	23/03/2022	23/09/2022	£1,000,000	1.44%	A+
Santander 95 day notice	07/04/2021	05/07/2022	£4,000,000	0.55%	A
CCLA MMF	01/04/2021	n/a	£3,000,000	variable	AAA
Black Rock MMF	01/04/2021	n/a	£940,000	variable	AAA
CCLA Local Auth Property Fund	25/04/2017	n/a	£3,183,424	variable	n/a
Boom Credit Union	06/03/2015	n/a	£25,000	n/a	n/a
TOTAL			**£25,173,424**		

Non-treasury investments

Adur District Council has approved a strategy to invest in properties and developments for economic regeneration purposes. Full details can be found in the Capital Strategy and Commercial Property Investment Strategy. Adur also holds, for policy purposes, shares in what was originally the West Sussex Credit Union, now known as Boom Community Bank. This is a member-owned financial co-operative with services available to residents and workers of East Hampshire, Kingston upon Thames, Surrey and West Sussex.

8.4 **Investments held by Worthing Borough Council at 31 March 2022:**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Adur District Council	30/06/2020	30/06/2022	£2,500,000	1.00%	n/a
Close Brother Ltd	05/01/2022	05/01/2023	£1,000,000	0.75%	A-
DMO (Government)	01/03/2022	05/04/2022	£4,700,000	0.42%	AA-
DMO (Government)	30/03/2022	14/04/2022	£7,000,000	0.55%	AA-
Handelsbanken	01/04/2021	n/a	£5,000	0.02%	AA-
Leeds Building Society	09/06/2021	06/06/2022	£1,000,000	0.15%	A-
Lloyds Bank call account	01/04/2021	n/a	£20,000	0.01%	A+
Lloyds Bank 32 day notice	07/04/2021	17/06/2022	£10,000	0.05%	A+
Lloyds Bank 95 day notice	01/04/2021	19/08/2022	£10,000	0.10%	A+
Nat West Bank	09/03/2022	06/03/2023	£1,000,000	1.67%	A
Santander UK PLC	01/04/2021	n/a	£4,000,000	0.40%	A
Standard Chartered Bank	23/03/2022	23/05/2022	£3,000,000	0.98%	A+
Black Rock MMF	01/04/2021	n/a	£2,500,000	variable	AAA
CCLA MMF	01/04/2021	n/a	£3,000,000	variable	AAA
Federated MMF	01/04/2021	n/a	£3,000,000	variable	AAA
CCLA Local Auth Property Fund	25/04/2017	n/a	£1,591,713	variable	n/a
Boom Credit Union	06/03/2015	n/a	£50,000	n/a	n/a
TOTAL			**£34,386,713**		

Non-treasury investments

Worthing Borough Council has made two loans of £5m each for 10 years to Worthing Homes to support the building of homes. The Council receives £70k per annum net in interest over and above the cost to the Council of borrowing the £10m from the Public Works Loan Board. The loans are fully secured on property and mature in 2027 and 2028.

A loan of £5m was made to GB Met College in January 2020 for 20 years to support local education. The Council received £98k in 2021/22 net in interest over and above the cost to the Council of borrowing the £5m from the Public Works Loan Board. This amount will reduce in future years because the loan is repayable by equal instalments of principal. The loan is fully secured on property.

Worthing BC has approved a strategy to invest in properties and developments for economic regeneration purposes. Details can be found in the Capital Strategy and Commercial Property Investment Strategy. Worthing also holds, for policy purposes, shares in what was originally the West Sussex Credit Union, now known as Boom Community Bank. This is a member-owned financial co-operative with services available to residents and workers of East Hampshire, Kingston upon Thames, Surrey and West Sussex.

9. THE STRATEGY FOR 2021/22

9.1 Investment Strategy and control of interest rate risk

Some of the information and tables in the following paragraphs are supplied by the Councils' treasury advisors, Link Asset Services and consist of detailed economic and market information which informed the Councils' treasury management decisions throughout the year.

Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cash flow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Councils have taken a cautious approach to investing, they are also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

9.2. Borrowing strategy and control of interest rate risk

During 2021/22, the Councils maintained under-borrowed positions. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Councils' reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low whilst the cost of borrowing was significantly higher. This approach enabled the Councils to minimise counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Councils may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

9.3 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Financial Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

9.4 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well into the second half of 2021/22. The forecast available for the preparation of the Treasury Management Strategy Statement is shown below.

Link Group Interest Rate View	9.11.20													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

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

HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

10. BORROWING OUTTURN

10.1 No debt was rescheduled during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

10.2 The following fixed interest rate loans were taken during the year:

Adur District Council

Lender	Principal	Purpose of Loan	Interest Rate	Maturity
PWLB	**£1m**	**New Salts Farm**	**2.01%**	**08/07/2041**
PWLB	**£2m**	**Pad Farm**	**2.34%**	**19/10/2051**
PWLB	**£1m**	**Refinancing**	**1.80%**	**07/12/2041**
PWLB	**£2m**	**Refinancing**	**2.54%**	**23/03/2035**
PWLB	**£2m**	**Refinancing**	**2.60%**	**23/03/2037**
PWLB	**£2m**	**Refinancing**	**2.49%**	**23/03/2062**

Worthing Borough Council

Lender	Principal	Purpose of Loan	Interest Rate	Maturity
PWLB	**£3m**	**Worthing Integrated Care Centre (WICC)**	**2.34%**	**19/10/2051**
PWLB	**£2m**	**WICC**	**1.82%**	**03/11/2071**
PWLB	**£2m**	**Refinancing**	**1.80%**	**07/12/2041**
PWLB	**£2.5m**	**WICC**	**2.60%**	**23/03/2037**
PWLB	**£2.5m**	**WICC**	**2.64%**	**23/03/2047**
Rugby BC	**£5m**	**Liverpool Gardens**	**2.35%**	**05/12/2024**
BEIS	**£1.275m**	**Heat Network**	**0.01%**	**30/06/2050**
Devon CC	**£3m**	**Refinancing**	**0.25%**	**27/10/2023**

Leicestershire CC	**£5m**	**Teville Gate**	**0.25%**	**18/08/2023**
Oxfordshire CC	**£3m**	**WICC**	**0.53%**	**19/11/2024**
Leicestershire CC	**£5m**	**Refinancing**	**1.25%**	**28/02/2024**
West Sussex Credit Union	**£1.1m**	**Refinancing**	**0.55%**	**02/02/2023**

10.3 Borrowing in advance of need

The Councils have not borrowed more than, or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed.

11. INVESTMENT OUTTURN

11.1 Investment Policy

The Councils' investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Councils had no liquidity difficulties.

11.2 Resources

The Councils' cash balances comprise revenue and capital resources and cash flow monies. The Councils' core cash resources comprised as follows:

Adur District Council

Balance Sheet Resources (£m)	31 March 2022	31 March 2021
General Fund Balances	(8.794)	(0.951)
HRA Balances	(9.332)	(7.816)
Earmarked reserves	(4.447)	(8.504)
Provisions	(0.862)	(0.862)
Usable capital receipts & grants	(4.271)	(6.339)
Total	**(27.706)**	**(24.472)**

Worthing Borough Council

Balance Sheet Resources (£m)	31 March 2022	31 March 2021
Balances	(4.055)	(1.543)
Earmarked reserves	(7.146)	(12.029)
Provisions	(0.832)	(0.516)
Usable capital receipts & grants	(7.697)	(6.360)
Total	(19.730)	(20.448)

11.3 **Investments held by the Councils**

Both Councils recorded investment income above the budgets, mainly due to Covid grants due to be repaid to the Government, but not yet reclaimed pending central reconciliations. This resulted in higher than forecast investment balances. Investment rates achievable in the market during the year also began to rise following the increases in Bank Base Rate, although it was necessary to keep the funds awaiting repayment in very short term and call investments, with resulting lower rates of return. Adur's repayment was requested part way through the year, although Worthing has not yet been asked for return of the funds. This has had a greater impact on Worthing causing the higher average balances and lower average interest rates.

Details of the income earned are shown below. A comparable performance indicator is the average 3 month London Interbank Bid Rate (the rate bid by banks on deposits), which was 0.17%.

Adur District Council:

Adur District Council maintained an average balance of £15.382m of internally managed short term investments, which earned an average rate of return of 0.23% and an average balance of £1.849m of long term investments, which earned an average rate of 0.52%. This excludes the £3m investment in the Local Authorities' Property Fund, which returned an average of 3.54%, amounting to income of £106k.

The treasury investment returns included in the reported income of Adur Council for 2021/22, excluding the Local Authorities' Property Fund investment, amounted to £50k. The total investment income of £157k exceeded the General Fund and HRA budgets by £22k, due to the reasons explained above.

The Council also made a saving of £253k against budget on the interest payments on borrowing due to the lower rates available and the re-profiling of the capital programme.

Worthing Borough Council:

Worthing Borough Council maintained an average balance of £23.375m of internally managed short term investments, which earned an average rate of return of 0.19% and a long term investment of £2.5m which earned 1%. Those figures exclude:

- the £10m loan to Worthing Homes, which earned 0.70% above the rate at which the funds were borrowed from the PWLB, amounting to £70k;

- the repayment loan to GB Met College, (originally £5m), which earned 2.00% above the rate at which the funds were borrowed from the PWLB, amounting to £103k;

- the investment in the Local Authorities' Property Fund, which earned an average of 3.54%, amounting to £53k.

The Treasury investment returns included in the reported income of the Council for 2021/22 amounted to £76k, excluding the investments specified above, £64k over budget, due to the reasons explained above.

The Council also made a saving of £416k against budget on the interest payments on borrowing due to the lower rates available and the re-profiling of the capital programme.

12. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

12.1 The Councils, in accordance with legislation, make a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year. The Councils are also permitted to make a Voluntary Revenue Provision (VRP) which is additional to the MRP and can be used to reduce the MRP in future years.

12.2 For 2021/22 an amount of £2.314m of MRP, after an offset of £10k of VRP, has been provided in the Adur District Council General Fund. The VRP total balance at 31 March 2022 was £30k. No voluntary amount has been set aside for the HRA.

12.3 For 2021/22 an amount of £1.536m of MRP and a net £160k offset of VRP has been provided in the Worthing Borough Council revenue accounts. The VRP total balance at 31 March 2022 was £470k.

13. CURRENT PERIOD TREASURY MATTERS

13.1 Due to the Covid-19 virus, the government made substantial payments to both Councils to provide relief to the local community, support the additional costs that the Councils are incurring, and to compensate for the loss of income.

The Councils have been very successful in distributing the funds, however the timescales for the government to reconcile the use of the grants and to request the return of excess funds have resulted in significant short term excess liquidity. The funds could only be invested for short periods of time at low interest rates.

13.2 Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, (MHCLG), on IFRS9, the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency. This applies to Adur and Worthing Councils in respect of the investments in the Local Authorities' Property Fund.

14 The Economy and Interest Rates

The following economic review has been supplied by Link Asset Services which provides useful background to the factors affecting interest rates and inflation.

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That mantra now seems very dated. Inflation is the “genie” that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia’s invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed’s interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

14. ENGAGEMENT AND COMMUNICATION

14.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2019, and which defines the respective roles of the client and provider authorities for a period of three years. The shared service also took on Treasury work for Arun District Council on the 1st March 2021 under a three year service level agreement.

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

15. FINANCIAL IMPLICATIONS

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

16. LEGAL IMPLICATIONS

The presentation of the Annual Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2021/22.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2021/22 to 2023/24 – Joint Governance Committee 26 January 2021, Joint Strategic Committee 9 February 2021, Worthing Council 23 February 2021, Adur Council 18 February 2021

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2021 for Adur District Council and Worthing Borough Council – Joint Governance Committee, 23 November 2021 and Joint Strategic Committee, 7 December 2021

Link Asset Services Annual Report Template 2021/22

CIPFA Code of Practice on Treasury Management and CIPFA Code for Capital Finance in Local Authorities

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SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

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

2. SOCIAL

2.1 **Social Value**

Matter considered and no issues identified.

2.2 **Equality Issues**

Matter considered and no issues identified.

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

Matter considered and no issues identified.

2.4 **Human Rights Issues**

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

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

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

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

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Joint Governance Committee
28 July 2022

ADUR & WORTHING
COUNCILS

Ward(s) Affected:

Making Provision for an Audit Committee with Independent Non-Voting Co-opted Members

Report by the Monitoring Officer

Officer Contact Details: Geoff Wild

Executive Summary

1. Purpose

1.1 The purpose of this Report is to inform Members of best practice for our Councils' audit function.

1.2 To change the name of the Councils' Joint Governance Committee to the Joint Audit and Governance Committee

1.3 To appoint two Independent co-opted Members to the Committee to assist with the Councils' audit function.

2. Recommendations
The Joint Governance Committee is asked to:-

2.1. Recommend to each Council the change of the name of the Councils' Joint Governance Committee to the Joint Audit and Governance Committee

2.2. Recommend to each Council the appointment of two Independent co-opted Members to the Committee to assist with the Councils' with the audit function.

2.3 Add to the Joint Committee’s terms of reference a requirement to report on audit matters to both Adur and Worthing Full Councils on an annual basis in line with best practice guidance;

2.3 Prepare and submit an annual report to both full Councils reporting on the internal and external audit activities in the previous fiscal year.

2.3. Authorise the Monitoring Officer to make the required appointments and any necessary changes to the constitutions arising from this Report.

3. Context

3.1 The Joint Governance Committee (JGC) currently carries out the joint Councils’ audit function.

3.2 In 2019, the Government commissioned an independent review of the local audit framework. In July 2021, the ‘Local Audit Framework Technical Consultation’ document set out the Government's intention to establish an Audit Reporting and Governance Authority (ARGA).

3.3 The consultation also recommended that when parliamentary time allows, a stand alone Audit Committee will become compulsory for all Councils, with a requirement for at least one independent co-opted Member to be appointed to each Committee.

3.4 Until new legislation is made, the guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) recommends that all councils have an Audit Committee as part of robust good governance arrangements.

3.5 Combined authorities are already required to have an Audit Committee, and whilst it is not currently a statutory requirement for most types of local authority, it will become mandatory in the future.

3.6 Before then, and to fulfil the CIPFA recommended good practice, JGC is invited to recommend the appointment of a minimum of one independent co-opted non-voting Member to support the audit work of the Committee. This report recommends the appointment of our two existing Independent Persons for standards to fulfil these roles and recommends that the JGC be renamed as the Joint Audit and Governance Committee.

4. The purpose of the Audit Committee

4.1 Local government bodies are expected to meet high standards of governance and accountability. An audit committee provides a specialist forum that will support our Councils to maintain and improve effective governance, risk management, and internal control arrangements. They are essential if the Councils are to make best use of all its resources and minimise loss and waste.

4.3 The audit committee will also help the Councils to fulfil their responsibilities for accountability to the local community, and meet the expectations of partners, regulators, and other stakeholders.

4.4 As the primary point of contact for the Council's auditors, it provides a forum to review audit conclusions and recommendations. The committee can escalate key recommendations for action, ensuring that areas of concern are given proper attention.

4.5 Without an effective audit committee the Councils may not address weaknesses in its governance, risk and control arrangements at a sufficiently early stage. A good audit committee is part of the Councils' defence mechanism.

4.6 At Part 3 of the Councils' Constitution, Responsibility for Functions, the audits and accounts activity is currently as follows:-

- To consider the Head of Internal Audit's Annual Report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

- To consider reports dealing with the management and performance of the providers of internal audit services.

- To consider reports on the Internal Audit on the recommendations agreed with the Heads of Service which have not been implemented within a reasonable timescale.

- To consider the External Auditor's Annual Letter, relevant reports (both financial and strategic), and the report of those charged with governance.

- To consider specific reports as agreed with the External Auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.

- Power to undertake the Council's responsibilities with regard to External Auditors under Part 3 of the Local Audit and Accountability Act 2014.

- To commission work from Internal and External Audit.

- To review the Annual Statement of Accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- To receive the Annual Risk Report.

4.7 In line with CIPFA good practice it is recommended that in addition to the above, the Committee should resolve to prepare and submit an annual report to both full Councils reporting on the internal and external audit activities in the previous fiscal year.

5. **Audit Committee Appointments and Support**

5.1 The current terms of reference for the JGC enables the appointment of up to three independent co-opted Members. Their role is to bring a fresh and objective view to the Joint Audit and Governance Committee. It is recommended that our existing Independent Persons for standards are also appointed as the two co-opted non-voting Members for audit purposes.

5.2 In accordance with CIPFA guidance, the independent co-opted members are expected to have suitable qualifications and/or experience in managing and interpreting accounts, and our existing Independent Persons have both confirmed their experience and suitability for the role. They will also receive the same training as our existing Members from the Council's Chief Finance Officer.

6. Engagement and Communication

6.1 No internal or external engagement has been taken in the preparation of this report.

7. Financial Implications

7.1 Other than payment of the pre-agreed allowance to the Independent Persons for attendance at the Committee which is contained within the budget, there are no financial implications arising from this report.

8. Legal Implications

8.1 Each Council's external and internal auditors shall have the like powers set out in the Local Audit and Accountability Act 2014. Each Council shall at all reasonable times (including following the termination for whatever reason of this Agreement) allow or procure for any auditor for the purposes of an external or internal or audit:

8.2 s102(3) Local Government Act 1972 enables the committee to appoint persons who are not Members of the appointing authority to the committee as the co-opted independent non-voting Members.

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

Background Papers

Government response to local audit framework: technical consultation - GOV.UK

Sustainability & Risk Assessment

1. Economic

Strong governance around audit is capable of strengthening the Councils' economic situation thereby benefiting our District and Borough.

2. Social

2.1 Social Value

A strengthened more resilient financial position enables improved social value to the District and Borough

2.2 Equality Issues

There are no equality issues arising from this report.

2.3 Community Safety Issues (Section 17)

There are no community safety issues arising from this report.

2.4 Human Rights Issues

There are no human rIghts issues arising from this report.

3. Environmental

There are no environmental issues arising from this report.

4. Governance

- The proposals in this report ensure good governance arrangements and go towards avoiding any reputational damage arising from not having satisfactory arrangements in place as well as minimising financial risk.

Joint Governance Committee
28 July 2022

ADUR & WORTHING
COUNCILS

Ward(s) Affected: All Worthing

Conferment of Honorary Alderman - Sean McDonald and Robert Smytherman

Report by the Interim Director for Communities

Executive Summary

1. Purpose

1.1. To consider conferring the title of Honorary Alderman of the Borough of Worthing, on former Mayors Sean McDonald and Robert Smytherman, who are no longer members of the Council.

2. Recommendations

2.1. The Joint Governance Committee is invited to consider the granting of the Honorary Aldermanship of the Borough of Worthing to former Mayors Sean McDonlad and Robert Smytherman.

2.2. If Committee agrees 2.1 above, then to make the following recommendation to Worthing Borough Council:

That a special meeting of the Council be arranged under section 249(1) of the Local Government Act for the specific purpose of conferring the title of ‘Honorary Alderman’ to Sean McDonald and Robert Smytherman.

3. Context

3.1. It is the tradition of Worthing Borough Council that when a former Mayor retires from the Council as an elected representative (a Councillor), or, is defeated at the elections, they are recommended for appointment as Honorary Alderman / Alderwoman of the Borough.

3.2. Section 249 (1) of the Local Government Act, 1972, provides the following criteria for honorary Alderman / honorary Alderwoman, namely:

“persons who have, in the opinion of the Council, rendered eminent services to the Council as past Members of that Council but who are not then Members of the Council.”

3.3. Councils can decide their own criteria or tradition for the conferment of the honorary title.

3.4. These appointments are honorary in nature so the persons appointed to the office do not carry out Council duties or have a vote.

3.5. Honorary Alderwomen / Aldermen may attend and take part in civic ceremonies as invited but will not have the right to participate in meetings of the Council, or to receive any allowances or payments under section 173 to 176 of the Local Government Act 1972.

4. Issues for consideration

4.1. The Joint Governance Committee is invited to consider the granting of the Honorary Aldermanship of the Borough of Worthing to former Mayors Sean McDonald and Robert Smytherman.

4.2. Former Mayor of the Borough, Robert Smytherman, retired from the Council in May 2022.

4.3. Robert Smytherman represented the Tarring Ward from 2002 to 2022 and was Mayor of the Borough in 2013-2014.

4.4. Former Mayor of the Borough, Sean McDonald, was not re-elected following the local election held in May 2022.

4.5. Sean McDonald represented the Northbrook Ward from 2014 to 2022 and was Mayor of the Borough in 2016-2017.

5. Financial Implications

5.1. It is customary to present a Scroll commemorating the conferment and to hold a small reception, to celebrate the granting of Honorary Aldermanship after the Special Council Meeting; expenditure for which would be contained within the existing budget for Council refreshments.

6. Legal Implications

6.1. The power to appoint Honorary Alderman is contained within Section 249 of the Local Government Act 1972, as amended.

6.2. ‘A principal Council may, by a resolution passed by not less than two thirds of the Members voting thereon, at a meeting of the Council specially convened for the purpose with notice of the object, confer the title of honorary alderman on persons who have, in the opinion of the Council, rendered Eminent Services to the Council as past Members of that Council but who are not then Members of the Council’.

6.3. Each Council can decide its own criteria or tradition for the appointment, the criteria for Worthing Borough Council was approved in December 2013 and is attached as Annex A.

Local Government Act 1972
Background Papers:

None.

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Sustainability & Risk Assessment

1. Economic

Matter considered, no matters arising.

2. Social

2.1 Social Value

Matter considered, no matters arising.

2.2 Equality Issues

All former Mayors who are no longer members of the Borough Council are considered for conferment of the honorary title 'Alderman/Alderwoman'.

2.3 Community Safety Issues (Section 17)

Matter considered, no matters arising.

2.4 Human Rights Issues

Matter considered, no matters arising.

3. Environmental

Matter considered, no matters arising.

4. Governance

The reputation of the Borough Council's tradition of honouring past Mayors would be questioned if a past Mayor was not considered as an Honorary Alderman / Alderwoman.

Annex A

Criteria for ‘eminent service’ in the appointment of Honorary Alderman or Honorary Alderwomen

Definition of ‘Eminent’ - well-known, renowned, important, distinguished, famous, celebrated, prominent, outstanding, reputed (Thesaurus).

When considering the conferment of the title ‘Honorary Alderman’ or ‘Honorary Alderwoman’ on a past member of the Council who was not a past Mayor, then each of the following four criteria should apply:

Past Councillor:

(A) No longer serving on the Council:

1. Must have made a conscious decision to retire from the position of councillor on the council rather than resign from the position or be defeated at an election.

2. In circumstances of resignation or defeat at an election, 4 years should elapse before consideration for conferment of the honour.

And:

(B) Service on the Council:

1. The nominee should have served more than 12 years on Worthing Borough Council, being at least 3 consecutive election wins for the same ward

And:

(C) Community representative:

1. Should have known record of eminent – special service to the Borough that can be demonstrated by their public service on the Council and by their service to the residents of Worthing through their social role in charity or non-remunerated work in the community or in a special interest role

And:

(D) Either:

1. Held a position on the council in one of the following categories for at least 6 years:

    a. Leader of the Council

    b. Cabinet member

c. Chairman of a Committee

d. A group leader

(6 years is chosen as it covers a period of time covering at least two election cycles)

Or:

2. The Council acknowledges that there is likely to be an occasion when a recommendation for this honour does not meet the criteria it has adopted. In these circumstances the nomination should be supported by at least two representatives from two different parties in the Council chamber at the time of the nomination. In making the nomination to the Proper Officer of the Council, a supporting statement from these two representatives showing how the nominee meets the spirit of the four criteria should be presented.