

18 September 2023

Joint Audit and Governance Committee			
Date:	26 September 2023		
Time:	6.30 pm		
Venue:	QEII Room, Shoreham-Centre, Shoreham-by-Sea		

Committee Membership:

Adur District Council: Councillors; Andy McGregor (Adur Chair), Kevin Boram (Adur Vice-Chair), Catherine Arnold, Tony Bellasis, Ann Bridges, Jim Funnell, Julian Shinn and Debs Stainforth

Worthing Borough Council: Councillors; Simon, Lindsay, Dan Hermitage (Worthing Chairman), Mike Barrett (Worthing Vice-Chairman), Ödül Bozkurt, Ibsha Choudhury, Nigel Morgan, Hazel Thorpe, John Turley and Steve Waight

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 Audit & Governance Committee meeting held on 13 July 2023, copies of which have been previously circulated.

4. Public Question Time

So as to provide the best opportunity for the Committee to provide the public with the fullest answer, questions from the public should be submitted by 12.00 noon on 21 September 2023

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. Members' Questions

Councillors who are not members of this committee can ask questions under CPR 12 Questions should be relevant to the committee where the question is being asked and also relevant to an item on the agenda. Please contact Democratic Services for more information

Members question time is 30 minutes and questions should be submitted no later than 12.00 noon on 21 September 2023.

Questions should be submitted to Democratic Services democratic.services@adur-worthing.gov.uk (Note: Members' Question Time will operate for a maximum of 30 minutes.)

6. Items Raised under Urgency Provisions

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

7. Auditor's Annual Reports 2021/22 (Pages 5 - 110)

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

8. Internal Audit Progress Report (Pages 111 - 140)

To consider a report by the Director for Digital and Sustainability copy attached as item 8

9. Statement of Accounts 21/22 (Pages 141 - 156)

To consider a report by the Director for Digital and Sustainability copy attached as item 9

10. Annual Treasury Management Report 2022-23 ADC and WBC (Pages 157 - 184)

To consider a report by the Director for Digital and Sustainability copy attached as item 10

11. Organisational design and capacity building - progress update (Pages 185 - 198)

To consider a report by the Chief Executive copy attached as item 11

12. MOVEit Data Breach (Pages 199 - 214)

To consider a report by the Director for Digital and Sustainability copy attached as item 12

13. Conferment of Honorary Aldermen (Pages 215 - 222)

To consider a report by the Director for Digital and Sustainability copy attached as item 13

14. Adur Homes (Pages 223 - 300)

To consider a report by the Director for Housing and Communities copy attached as item 14

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 on the Council's website. This meeting will remain 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:
Simon Filler Democratic Services 01903 221439 simon.filler@adur-worthing.gov.uk	Joanne Lee Head of Legal Services and Monitoring Officer 01903 221134 joanne.lee@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: Three 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.





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

Dear Joint Audit and Governance Committee Members

2021/22 Audit results report

We are pleased to attach our final audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit and Governance Committee. We will update the Committee at its meeting scheduled for 26 September 2023 on the changes to our reporting since the last meeting in July 2023.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Adur District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit and Governance Committee meeting on 26 September 2023.

Yours faithfully

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

15 September 2023

Contents



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

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

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



Executive Summary

Scope update

In our audit planning report presented to the September 2022 Joint Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council opinion is now complete.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability

 How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Status of the audit - Value for Money

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but at that stage we had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. In July 2023. we reported to the Joint Audit and Governance Committee that we had concluded our VFM risk assessment and reported that we had not identified a risk of significant weakness.

Subsequently, we have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22, specifically in relation to the criterion "how the Council evaluates the services it provides to assess performance and identify areas for improvement". This is because while the Council was aware of the Homes Standards, and had work going on to ensure compliance, it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

Our work indicates therefore that we should report by exception on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the criterion: How the body evaluates the services it provides to assess performance and identify areas for improvement. See auditors report in section 03.



Audit differences

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The Council has appropriately updated the financial statements to reflect the revised IAS 19 reporting entries.

We have identified one item which has been corrected by management:

1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m. Similarly, Surplus assets increased in value by £829k for the same reason.

We note the Council revised their approach to the estimation of depreciation of its housing stock during the course of the audit. This resulted in an adjustment to the depreciation figure of £1.307m.

We identified two uncorrected misstatement:

- 1. A judgmental aggregate overstatement difference relating to the fair value movement in valuation across a small number of the Council's investment properties totaling £294k.
- 2. When testing the valuation of the Council's community assets, we identified a small number of community centres had been valued on an existing use value (EUV) basis. While the specific characteristics of each asset should be considered individually in order to determine the appropriate valuation basis, this was not in line with our expected methodology where community centres are typically valued on a depreciated replacement cost (DRC) basis. The EUV method of valuation calculates the value of the asset either using market sales of similar assets, or using revenue streams (leases) for those assets. However, in our opinion, the leases of community centres are generally providing a community service and do not generate cash flows which in turn could generate the ability to pay a rental reflective of an economic return on the cost of providing the building. We therefore conclude that there is no correlation between the cost of providing a community centre to the rent payable under these lease agreements. We have sufficient assurance that the differing valuation methodologies do not give rise to material misstatement within the financial statements. However, we approximate that the value of community centres could be undervalued by £204k. This has been recorded as a unadjusted judgmental difference.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. The Council updated the Annual Governance Statement during the course of the audit to include reference to the self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. Following this amendment, we have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22.

We have no other matters to report.

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Adur District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure within the Revenue Expenditure Funded from Capital Under Statute balance.
revenue expenditure	We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Assets Held For Sale (AHFS) under Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held-for-sale valued on an EUV of FV basis. Our expert reviewed the valuation of 6 properties, and ultimately found all 6 to be within the expected range. The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures. In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k. We identified a judgmental difference in the valuation of community centres of £204k.
Valuation of Investment Properties (IP) under Fair Value (FV)	In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £1.61m. Our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value. A judgmental aggregate overstatement difference relating to the fair value movement in valuation across a small number of the Councils investment properties totaling £294k.

Executive Summary

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We have not identified any evidence of material misstatement arising from the valuation of land and buildings under a depreciated replacement cost basis.
Valuation of Housing Revenue Account (HRA) properties	We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.
Infrastructure assets	Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
	A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The Council has appropriately updated the financial statements to reflect the revised IAS 19 reporting entries.
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit and Governance Committee or Management.

Independence

Please refer to Section 07 for our update on Independence.





Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Undertook processes to understand the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings, council dwellings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No indication of fraud has been identified.

Significant risk

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

What is the risk?

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

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statued (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £9.5m in the 2021/22 unaudited financial statements.

REFCUS: totalled £1.28m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Areas of Audit Focus Significant risk

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g., yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Areas of Audit Focus Significant risk

What is the status of our work?

In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k.

We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held for sale valued on an EUV or FV basis. Our expert reviewed the valuation of 6 properties, and found all 6 to be within the expected range.

The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures.

We are therefore satisfied that there is no evidence of material misstatement associated with the valuation of land and buildings valued on an Existing Use Value or Fair Value basis, and assets held-for-sale on a Fair Value basis.

While no assets fell outside our expected range, Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

When testing the valuation of the Council's community assets, we identified a small number of community centres had been valued on an existing use value (EUV) basis. While the specific characteristics of each asset should be considered individually in order to determine the appropriate valuation basis, this was not in line with our expected methodology where community centres are typically valued on a depreciated replacement cost (DRC) basis. The EUV method of valuation calculates the value of the asset either using market sales of similar assets, or using revenue streams (leases) for those assets. However, in our opinion, the leases of community centres are generally providing a community service and do not generate cash flows which in turn could generate the ability to pay a rental reflective of an economic return on the cost of providing the building. We therefore conclude that there is no correlation between the cost of providing a community centre to the rent payable under these lease agreements.

We have sufficient assurance that the differing valuation methodologies do not give rise to material misstatement within the financial statements. However, we approximate that the value of community centres could be undervalued by £204k. This has been recorded as a unadjusted judgmental difference.



Areas of Audit Focus Significant risk

Valuation of Investment Properties (IP) under Fair Value (FV)

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £81.139m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g., yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Significant risk

What is our conclusion?

Our testing is complete but subject to review. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m.

Our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value. However, a judgmental aggregate overstatement difference relating to the fair value movement in valuation across a small number of the Councils investment properties totaling £294k.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2022, the value of PPE under DRC was £18.9m based on the unaudited financial statements.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that as the entire asset base bad been revalued, there was no risk that assets not subject to valuation in 2021/22 driving a misstatement.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

No material audit differences have been identified from our work to address this area of focus.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of Housing Revenue Account (HRA) properties

The value of HRA properties represents a significant balance in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these

balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising dur to market conditions.

At 31 March 2022, the value of HRA properties was £198.3m based on the unaudited financial statements.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla and Rightmove).
- Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What are our findings and conclusions?

No material audit differences have been identified from our work to address this area of focus.

The Council reviewed the accounting policy in respect of depreciation charged on its HRA properties. This resulted in an adjustment to the depreciation figure of £1.307m. We challenged this revision are concluded that the revised accounting entries and disclosures in relation to an HRA depreciation change in accounting estimate were appropriately recognised and disclosed.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Infrastructure Assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- Testing the accounting entries have been correctly processed in the financial statements.

Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old component being replaced.

We are therefore satisfied there is no material misstatement arising from the accounting treatment of the Councils infrastructure assets.

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled f6.1m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We:

- Obtained assurances over the information supplied to the actuary in relation to Adur District Council:
- Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC -Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model: and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

(contd.)



Our response to areas of audit focus



Further details on procedures/work performed

Pension Liability Valuation (Contd.)

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We have tested the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries which will replace the existing liability figures within the financial statements. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements. The IAS 19 pension liability reduced by £0.953m.

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Going Concern Disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

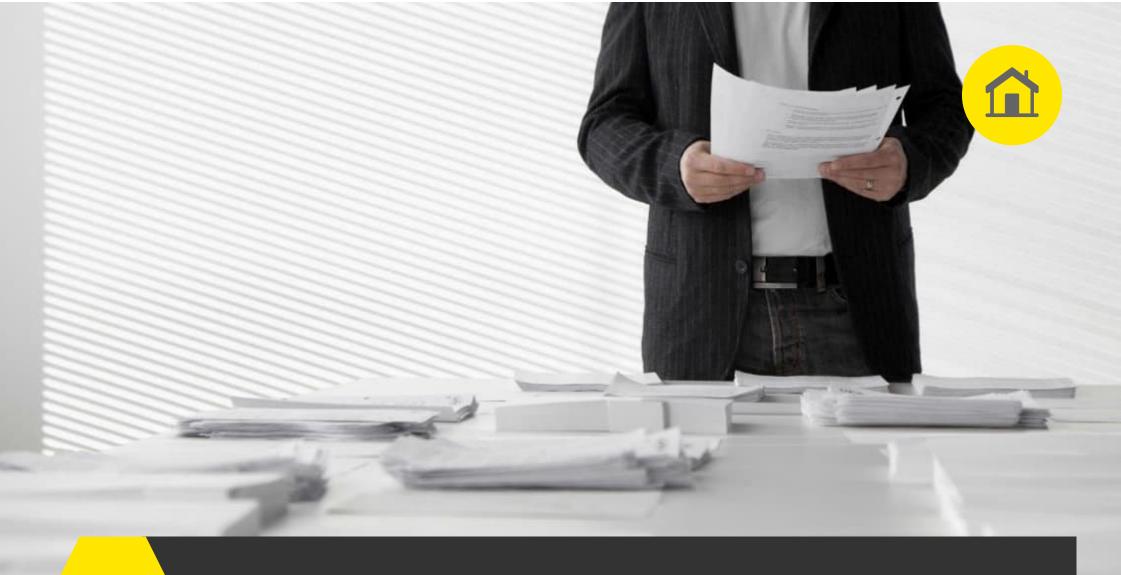
What did we do?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure
 that it has sufficient liquidity to continue to operate as a going concern including an
 assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.



Draft audit report - subject to consultation

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

Opinion

We have audited the financial statements of Adur District Council (the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; Cash Flow Statement; and the related notes 1 to 40; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 12; the

Collection Fund Income and Expenditure Account and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on

Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report



Draft audit report - subject to consultation

Our opinion on the financial statements

thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- \bullet we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2022.

 $Significant \,weakness\,in\,arrangements$

Adur District Council undertook a diagnostic review of compliance with Adur Homes housing stock against relevant Housing Standards, triggered by the Regulator writing to all registered social housing providers. This identified a number of areas where the Council was not compliant with the required standards. Following the Council's self-referral for non-compliance with these standards, the Regulator of Social Housing published a regulatory notice on 10th May 2023 noting the Council had breached 1.1 and 1.2 of the Homes Standard.

The Council was aware of the Homes Standards, and had work going on to ensure compliance, but it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had

Draft audit report - subject to consultation

Our opinion on the financial statements

not assessed its performance or identified areas for improvement in the year under review.

We recommend the following action is taken to address the weakness:

- Assign responsibility for understanding and ensuring compliance with the full breadth of the Housing Standards as they will apply to the Council going forwards. This should include understanding the potential liabilities and penalties for non-compliance.
- Establish arrangements and responsibility which enable the Council to adhere to its commitments in its current housing improvement plan.
- Expand the housing improvement plan to cover the full breadth of the Regulator's current and planned Standards and appropriately factor the associated costs into the Medium Term Financial Strategy and Housing Revenue Account, and the potential risks to the risk register.

This issue is evidence of weaknesses in proper arrangements for how the body evaluates the services it provides to assess performance and identify areas for improvement.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 34, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of



Draft audit report - subject to consultation

Our opinion on the financial statements

the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales)
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- · Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012.
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health and safety.

We understood how Adur District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, and through enquiry of employees to confirm Council policies.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified misstatements due to fraud or error (management override) and the risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure to be our fraud risks.

To address our fraud risk of misstatements due to fraud or error (management override), we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Draft audit report - subject to consultation

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Adur District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner) Ernst & Young LLP (Local Auditor) Southampton, July 2023





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements and adjustments greater than £57.8k which have been corrected by management:

- A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements. The IAS 19 pension liability reduced by £0.953m.
- Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m.

We note the Council revised their approach to the estimation of depreciation of its housing stock during the course of the audit. This resulted in an adjustment to the depreciation figure of £1.307m.

Uncorrected misstatements are shown on the next slide.



Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit and Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (£'000)		Effect on the current period:		}		(Decre	Net assets ease)/Increase
	OCI Debit/ (Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Reserves Debit/ (Credit)
Errors							
Judgemental differences:							
Valuation difference relating to the fair value movement in valuation across a small number of the Council's investment properties.				(294)			294
 Valuation difference relating to the use of EuV to value community centres 				204			(204)
Balance sheet totals				(90)			90
Cumulative effect of uncorrected misstatements				(90)			90

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

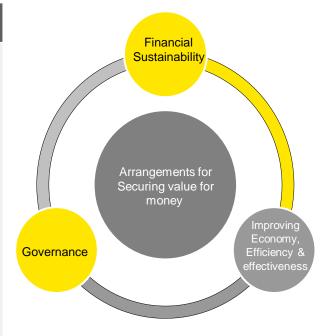
In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We concluded our VFM risk assessment and reported we had not identified a risk of significant weakness to the July 2023 Joint Audit and Governance Committee.

Subsequently, we have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22, specifically in relation to the criterion "how the Council evaluates the services it provides to assess performance and identify areas for improvement". This is because while the Council was aware of the Homes Standards, and had work going on to ensure compliance, it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

Our work indicates therefore that we should report by exception on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the criterion: How the body evaluates the services it provides to assess performance and identify areas for improvement.

we have issued our VFM commentary and recommendations as part of issuing the Auditor's Annual Report alongside the audit opinion on the financial statements.





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Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. The Council updated the Annual Governance Statement during the course of the audit to include reference to the self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. Following this amendment, we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have performed the procedures required on the Whole of Government Accounts submission for 2021/22.

8 Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- · Related parties;
- External confirmations;
- · Going concern; and
- Consideration of laws and regulations.

In February 2023, the Council made a self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. In May 2023, the Regulator issued a regulatory notice. This represents non-compliance with laws and regulations applicable to the Council. As a result, we are in the process of completing an internal consultation in respect of the matter.

We have no other matters to report.





Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

EY UK 2022 Transparency Report | EY UK



Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	37,054	37,054	37,054
Total agreed fees:			
PSAA expected additional minimal core fees (Note 1):			
• VFM	TBC	6,000	6,012
 ISA 540 accounting estimates 		2,500	2,509
2020/21 scale fee variation determined by PSAA excl VFM / ISA 540 (Note 2)	N/A	N/A	37,389
2021/22 fee variation (Note 3)	TBC	TBC	N/A
Total Proposed Fees	TBC	TBC	82,964
Housing Benefit Claim Certification Fees	TBC	N/A	40,030

We have updated the table above to reflect the actual scale fee variation determined by the PSAA for 2020/21.

- (1) In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. In the absence of alternate information, we have included the same minimum fees in 2021/22.
- (2) In June 2022, PSAA determined the additional fee for reoccurring relating to changes in the scope of auditor work excluding VFM and ISA540.
- (3) The additional fee for 2021/22 and any other specific costs incurred will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.





Required communications with the Joint Audit and Governance

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Subsequent events	 Enquiry of the Joint Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.



		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	 Enquiries of the Joint Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Joint Audit and Governance Committee responsibility. 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report - September 2022 and Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
4		

		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: Relationships between EY, the company and senior management, its affiliates and its connected parties Services provided by EY that may reasonably bear on the auditors' objectivity and independence Related safeguards Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The Joint Audit and Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Joint Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Audit and Governance Committee may be aware of 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.



		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March, July & September 2023 Joint Audit and Governance Committee.

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility	
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY	
Receipt and review of the letter of representation	Council to prepare letter on headed paper	Management and EY	

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.



Appendix C

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead] [Date]

Ernst & Young [Address]

This letter of representations is provided in connection with your audit of the financial statements of Adur District Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the

United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
- We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].
- 6. We confirm the Council does not have securities (debt or equity) listed on

Management representation letter

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a recognized exchange.

- B. Non-compliance with law and regulations, including fraud
- 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
- · involving financial improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

- C. Information Provided and Completeness of Information and Transactions
- 1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit: and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
- 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to



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Management representation letter

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the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the date of our last management representation letter or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount
- D. Liabilities and Contingencies
- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. As described in Note 5 to the financial statements, there have been no events. including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.
- H. Climate-related matters
- 1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
- 2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

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- I. Ownership of Assets
- 1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.
- J. Reserves
- 1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.
- K. Contingent Liabilities
- 1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
- 2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners or examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

(2) Wording to be added for referral to Regulator of Social Housing

H.Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the IAS 19 liability and valuation of land, buildings and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

- 1.We confirm that the significant judgments made in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 2.We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.
- 3.We confirm that the significant assumptions used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties appropriately reflect our intent and ability to carry out the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties on behalf of the entity.



Appendix C

Management representation letter

Management Rep Letter

- 1. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
- 2. We confirm that appropriate specialized skills or expertise has been applied in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.
- 3. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.
- H.Retirement benefits
- 1.On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully, Chief Financial Officer confirm that this letter has been discussed and agreed by the Joint Audit and Governance Committee.

(Chairman of the Joint Audit and Governance Committee)

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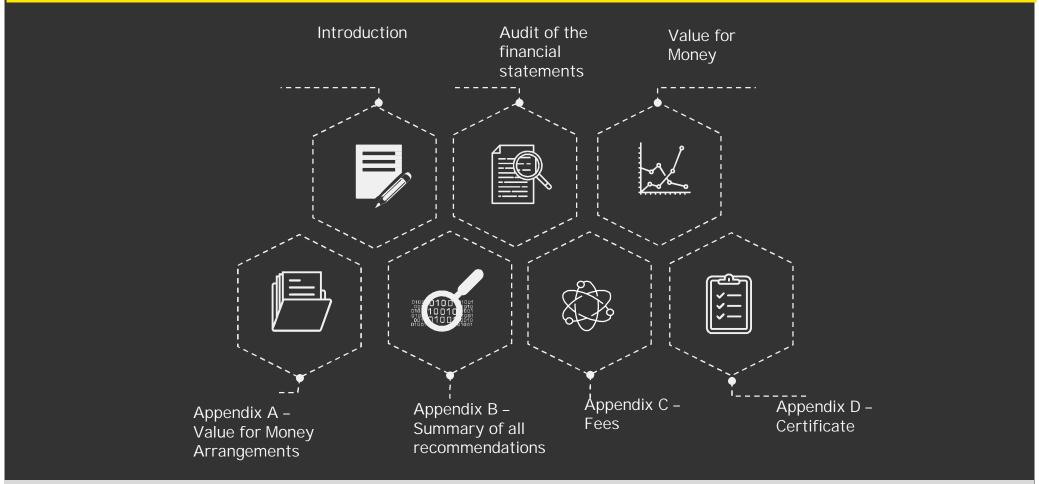
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Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

For Adur District Council we have undertaken our 2021/22 audit work in accordance with the Full Audit Planning Report that we presented to the September 2022 Joint Audit and Governance Committee meeting. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on xx September 2023.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts/certificate	We received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it delays the issue of the audit certificate.



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On XX September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 July 2023 Joint Audit and Governance Committee meeting, and updated our findings in a report to the Committee on 26 September 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. In our Audit Results Report, we reported one recommendation for management to discuss with their expert valuer for land and buildings.

Significant risk	Findings and Conclusion
Risk of fraud in revenue and expenditure recognition	We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	We completed our work on this significant risk and did not identify any instances where expenditure was inappropriately capitalised.
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For	We engaged our real estates valuation specialists to help us complete this work. We are satisfied that the Council's disclosure is materially accurate. We reported one uncorrected judgmental misstatement relating to the valuation of community centres which suggested the assets could be undervalued by £205,000.
Sale under Fair Value (FV)	We also reported a number of control recommendations on the record keeping and valuation process for property, plant and equipment.
Valuation of Investment Properties (IP) under Fair Value (FV)	We employed the use of our own expert to support our work. After management posted the audit adjustments identified, we reported one uncorrected misstatement relating to a judgmental aggregate understatement in the fair value movement in valuation across a small number of the Council's investment properties totaling £295,000.
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We concluded that the valuation of land and buildings in PPE under DRC are fairly stated and appropriately disclosed.
Accounting for infrastructure assets	We concluded that the accounting practice of Adur District Council for infrastructure assets continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
တ္	We are satisfied that the approach taken by management to depreciating infrastructure assets is reasonable.



Audit of the financial statements - Adur District Council

Key findings (continued)	
Other area of audit focus	Findings and Conclusion
Valuation of Housing Revenue Account (HRA) properties	We were satisfied that the valuation of HRA properties is fairly stated and appropriately disclosed.
	The Council had revised the accounting policy in respect of depreciation charged on its HRA properties. We challenged this revision and concluded that the revised accounting entries and disclosures were appropriately recognised and disclosed.
Pension Liability Valuation	Our planned work in this area was completed, and included our assessment of the impact of the triennial valuation on IAS19 amounts.
	As a result of the full triennial valuation at 31 March 2022, the Council instructed the actuary to re-run the IAS 19 results as at the reporting date. This resulted in an increase of the pension liability balance by £0.95m, which the Council amended in the accounts, along with the relevant disclosures. We undertook further work to review the revised disclosures and we are satisfied these appropriately reflect the revised IAS19 reporting.
Going Concern Disclosure	We completed our planned procedures. We did not identify any material uncertainties with regards to the going concern of the Council and following certain adjustments to the disclosure related to the timing of the audit finalisation, we considered the going concern disclosure to be appropriate and sufficient.

Value for Money

We identified risks of significant weaknesses in the Council's VFM arrangements for 2021/22

Our VFM commentary highlights relevant issues for the Council and the wider public.

We had matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the July 2023 Joint Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We concluded our VFM risk assessment and reported we had not identified a risk of significant weakness to the July 2023 Joint Audit and Governance Committee. Subsequently, we have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22. As a result, we had matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out in Appendix A. The commentary in this Appendix summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

_	Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
	Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
	Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
_	Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	Significant weakness identified in the criterion: how the body evaluates the services it provides to assess performance and identify areas for improvement

♥ Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The 2021/22 and 2022/23 revenue budgets were set as balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In order to achieve a balanced budget, the Council has continued to pursue savings through efficiency reviews, procurement, and base budget reviews to set a balanced budget each year. These planned savings were set out in the short-term financial plans. For 2021/22, the savings target totaled £1,291,650. This was fully achieved. For 2022/23 the savings target decreased significantly to £169,210 which has been fully achieved.

The Council's Joint Strategic Committee has maintained oversight over the financial performance of the Council, and performance against revenue budget is reported at least quarterly to the Committee. These initiatives have resulted in an underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy for 2021/22 to 2025/26 was prepared with the aim to deliver the Council's service delivery objectives outlined in its 3-year plan. These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges and consider the fall in government funding. The Council has consequently identified significant budget reductions over the period 2021-22 to 2025-26. Due to the financial pressures the Council is facing, it needs to identify significant savings or deliver income growth over the medium term to balance the budget, particularly if it wants to deliver on its service delivery objectives. The current financial strategy including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the Council's Committee structure to take corrective action where necessary.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. However, the Council will need to fully fund the housing improvement plan required in response to it's self-referral to the Regulator of Social Housing, and this funding will need to be included within its financial planning arrangements.

Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council continues to maintain adequate arrangements to monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. This risk management framework is supported and informed by the work of the Council's Internal Audit function.

Primary oversight of the risk management framework is the responsibility of the Council with some aspects delegated to the Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All decisions of the Council and these Committees are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members. Regular training is provided to members on standards issues, so all members are aware of the requirements.

We considered the Council's risk management process in light of the self-referral to the Regulator of Social Housing, and are satisfied that the Council has appropriately reflected the issue in the 21/22 Annual Governance Statement. We therefore conclude that the referral to the Regulator does not represent a risk of significant weakness and there is no risk in respect of the proper arrangements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the start of the year, the Council's organisational performance management was undertaken via a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. This approach to organisational performance was updated in year following the full delivery of the previous organisational plan (Platforms for Our Places). It was replaced in October 2022 to align with the updated 3-year Corporate Plan. Progress has since continued to be reported to the Joint Overview & Scrutiny Committee. Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms though quarterly Leadership Team Platform performance meetings. Any issues identified by internal audit are monitored via the internal audit service and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

Most services have performance information and standards used to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g Housemark, Department of Work and Pensions and national planning indicators). Where a service is identified in need of improvement a transformation team is set up to support service improvement.

The Council has mechanisms to engage with the communities and has developed a consultation policy which reflects the Council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Council recognises that to be effective, this policy must inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. Therefore, in addition to the formal consultation procedures, residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local councillor. This process is supported by an established complaints procedure, where results are reported to the Joint Overview & Scrutiny Committee.

The Council continues to work closely with Worthing Borough Council through the Adur and Worthing Joint Committee, and the partnership continues to enable the Council to progress against it's corporate plan. The Council also engages in the Safer Communities Partnership and a number of local business partnerships.

Significant weakness

The Council undertook a diagnostic review of compliance with Adur Homes housing stock against relevant Housing Standards, triggered by the Regulator of Social Housing writing to all registered social housing providers. This identified a number of areas where the Council was not compliant with the required standards. Following the Council's self-referral for non-compliance with these standards on 24 February 2023, the Regulator of Social Housing published a regulatory notice on 10 May 2023 noting the Council had breached 1.1 and 1.2 of the Homes Standard.

We have reviewed the Council's arrangements in this area and identified the following points.

The Council's Constitution was refreshed in November 2022 and governance arrangements for council housing are clearly specified. Portfolio holder and officer responsibility is clear, as is the fact that responsibility for the standard of housing sits with the Adur Homes Board and that any matters connected to the provision and maintenance of Council housing stock sits with the Council.

Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Joint Overview & Scrutiny Committee (JOSC) appropriately and proactively carried out its role in scrutinising the repairs and maintenance service and set up a Working Group, which first reported in October 2020 and then continued its focussed scrutiny role throughout 2021/22. In addition, Internal Audit undertook relevant work in 2018/19 and 2019/20 and agreed actions with management but not all actions were fully implemented, and some delivery deadlines were pushed out to at least 2022. Joint Audit & Governance Committee (JAGC) records show that Internal Audit was persistent in raising Members' awareness to the fact that actions had not been implemented. By November 2021, the Corporate Risk Register recorded that the Council had recruited a number of post holders with a remit to address the gaps in arrangements, had set up a Task & Finish Group chaired by the Director for Economy, and had put in place processes to cover off checks for fire, water and gas. However, there remained no dwelling asset register or system to enable oversight of the currency of checks and ensure compliance with the full range of RSH requirements into the future.

The investigation carried out by the Director of Communities in winter 2022 identified that governance arrangements were insufficient to ensure council dwellings meet the full range of the Homes Standards. We note that materials available to tenants via the Council's website referenced different aspects of the Homes Standard in different documents, making it difficult for tenants to understand the standards the Council had committed to in terms of the quality and safety of the homes in which they lived.

The Council did not have a robust system in place which enabled it to manage or monitor its compliance with the Homes Standards, including regulatory health and safety checks, for the 2021/22 financial year. While it had some records for some areas of checks (eg electrical checks) for others it appears to have none; nor did it have an overview of the health and safety checks it should have been undertaking, or systems and records for monitoring delivery or planning to address issues arising.

The Council's information on the financial implications of housing compliance and non-compliance was also limited. Specifically, we note the Council had not considered the potential for escalated complaints, or the financial implications of housing compliance / non-compliance in its budgets for the 2021/22 financial year; nor had it made provision for disrepair claims or rectifying the issues leading to claims. However, it appears that the financial implications have been the subject of focus in subsequent financial years. Whilst this demonstrates the Council's recent move to improve governance of the HRA, it also indicates the HRA in 2021/22 was not robust in terms of enabling effective management of council dwellings.

In summary we note that whilst the Council was aware of the Homes Standards, and had work going on to ensure compliance, it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

Conclusion: Based on the work performed, the Council had a significant weakness in its arrangements for how the body evaluates the services it provides to assess performance and identify areas for improvement.

We recommend the following action is taken to address the weakness:

- Assign responsibility for understanding and ensuring compliance with the full breadth of the Housing Standards as they will apply to the Council going forwards. This should include understanding the potential liabilities and penalties for non-compliance.
- Establish arrangements and responsibility which enable the Council to adhere to its commitments in its current housing improvement plan.
- Expand the housing improvement plan to cover the full breadth of the Regulator's current and planned Standards and appropriately factor the associated costs into the Medium Term Financial Strategy and Housing Revenue Account, and the potential risks to the risk register.





Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Council's service delivery objectives for 2022-2025 have been set out in their strategic plan titled "Our Plan" and forms the basis of the Council's strategic planning, including its short-term and medium-term financial plans. In this document, the Council sets out:

- It's purpose
- · How they work
- Their principles
- Their foundations
- · Their missions.

The Council prepares an annual revenue budget as part of its short-term financial planning. The 2021/22 and 2022/23 revenue budgets were set as a balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In addition to the national context, the Council's budget strategy has also taken account of pressures and risks such as inflation; income generated by the Council which may be affected by lack of demand; impact of increasing demand for such services as homelessness; and withdrawal of funding by partners, potentially losing funding for key priorities.

The Council held a working balance and other earmarked reserves to help mitigate these risks. The Council's budget strategy supports them in meeting these challenges through the following four major work streams: developing commercial income; investing in property; tackling homelessness and delivery of a new customer and digital strategy.

The Council also continued to pursue savings through efficiency reviews, procurement, and base budget reviews. These initiatives have resulted in underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

Following the Councils self-referral to the Regulator of Social Housing, and the identification of improvements required to the standard of the Councils housing stock, the Council will need to ensure that the cost of these improvements is fully incorporated and funded within both their short-term and medium term financial planning.



Financial Sustainability

and builds these into them

significant financial pressures that are

relevant to its short and medium-term plans

How the body ensures that it identifies all the The Council prepares a five-year revenue budget as part of its medium-term financial planning. This budget strategy covers 2022/23 - 2026/27 and was prepared with the aim to continue delivering the Council's service delivery objectives as discussed above. These forecasts were further updated in-year giving the Council a clear view of forthcoming financial challenges and taking into account pressures such as the fall in government funding and the impact of the pandemic of the Council's financial outlook.

> Achievement of revenue and capital budgets were further monitored in-year with quarterly finance reporting thereon to the Joint Strategic Committee. Areas of concern in these quarterly reports are subject to scrutiny that culminate into the revenue and capital outturn reports that are approved by the Joint Strategic Committee and subsequently adopted by the Joint Overview and Scrutiny Committee.

> The 2021/22 and 2022/23 revenue outturn report reflects the efficiency of these in-year monitoring measures as the Council contained expenditure within the original budget levels despite facing a range of unforeseen additional costs not originally budgeted for. These initiatives have resulted in underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

How the body plans to bridge its funding gaps and identifies achievable savings

Due to the increasing financial pressures the Council needs to identify significant savings or deliver income growth over the next 5 to 10 years to balance the budget and ensure delivery on its service delivery objectives.

The savings process followed for the development of the budget entails the following four stages:

- Directors are responsible for identifying proposals aimed at meeting a significant proportion of the savings targets;
- A "Budget Reference Group" consisting of joint executives consider these proposals and potential impact on delivery of the Council's priorities;
- These savings proposals are then presented to the Joint Overview & Scrutiny Committee for consideration. The Joint Overview & Scrutiny Committee may also add to the list of proposed savings with additional proposals as considered appropriate; and
- Consideration by the Joint Strategic Committee of which savings proposals are to be implemented to fund the budget shortfall.

Once these budgets have been set and approved, they are monitored throughout the financial year by the Chief Financial Officer and reported on quarterly to the Joint Strategic Committee as discussed above.



Financial Sustainability

Reporting Sub-Criteria

Findings

How the body plans to bridge its funding gaps and identifies achievable savings

The 2022/23 budget was approved as a balanced budget by the Council on 31 January 2022 and identified the budget gaps over the medium term that needed to be addressed. The financial strategy, including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the regular budget monitoring process, although reporting to Committee is at a higher level such that figures are not explicitly included.

For 2021/22, the savings target totalled £1,291,650. This was fully achieved. For 2022/23 the savings target decreased significantly to £168,210, which was fully met.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has detailed its service delivery objectives detailed in its Corporate Plan. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed.

Progress towards achieving these objectives are monitored by the Corporate Leadership Team throughout the year. Bi-annual reporting on this progress is presented to Joint Strategic Committee with remedial actions discussed and actioned where necessary.

Short-term and medium-term financial plans detail the likely costs associated with the Council's strategic and statutory priorities; identifies any budget gaps that may arise from reduction in government funding; and planned savings strategies to bridge any gaps between available funding from taxation and the cost of services.

Any new service investment made must meet either objectives within the corporate plan or be a new statutory obligation.

Financial Sustainability

consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

How the body ensures that its financial plan is The Council develops an annual capital investment strategy as part of its short-term and medium-term financial planning process. This is approved by the Council alongside its revenue budget. This investment strategy is also aligned to the Council's Corporate Plan and identifies capital investments required to achieve its set service delivery objectives. This capital plan determines the cost of financing required capital along with any other financial impact. The revenue budget is also updated to reflect the impact to deliver this capital programme.

> The 2022/23 to 2025/26 Capital Programme identified capital expenditure planned over the medium term and their sources of financing which is also aligned to its 2022/23 revenue budget.

> Government initiatives have placed emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District Council and Worthing Borough Councils are part of an innovative partnership arrangement. A shared single officer structure was introduced in April 2008 and includes all of the services that were intended to operate as shared Adur & Worthing services. These shared services are managed via a Joint Committee which must meet all the accounting requirements of a public sector body. For accounting purposes, the following key processes apply:

- The Joint Strategic Committee has a separate budget;
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled; and
- The net expenditure within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Council's financial planning process also considers the impact of this partnership working when setting its shortterm and medium-term financial plans. This is inherently part of the Councils' operations for which a separate partnership budget has been developed. Each constituent Council's budget also includes the costs from partnership budgets.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council manages its financial resilience risk through the following implemented measures:

- It publishes detailed short-term and medium-term financial plans that are aligned to its Corporate and includes actions to ensure financial sustainability;
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as explained above;
- Reporting of financial performance against above set financial plans on a quarterly basis to the Joint Strategic Committee: and
- Risk management processes to identify, monitor and address risks.



Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

The Council has established a Risk and Opportunity Management Strategy for the 2021-23 period which leads on from the previous version which covered the 2018-20 period. This purpose of this strategy is to serve as framework for the delivery of the risk and opportunity management function and to provide guidance on developing risk and opportunity management as a routine process for all services.

Risk and management opportunities identified are monitored in-year with quarterly reporting to the Joint Audit & Governance Committee. A risk relating to continued pressures on the Council's finances has been identified and included in the Council's risk register as a very likely risk with a major impact for both of the 2021/22 and 2022/23 years. The Council continues to implement remedial actions that lead to the setting of a balanced budget in future periods, including the short and medium terms as demonstrated by the relevant forecasts. Despite this, management remains acutely aware of the financial pressures on the Council and each detailed budget includes measures to look to balance the budget without consistent reliance on the limited reserves held.

Governance

how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

How the body monitors and assesses risk and The Council's Constitution directs how it operates, decisions are made and the relevant procedures to ensure that these decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution in June 2023.

> The Council has a risk management framework which guides the development of risk and opportunity management at a strategic and operational level and to ensure that they are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, protect its reputation and assets, and ensures compliance with relevant statutory and regulatory obligations. These risks are identified as a routine process of all services and are regularly reviewed and updated. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly monitored and reported in-year to the Council Leadership Team, Joint Audit & Governance Committee, and Joint Strategic Committee to ensure that progress in addressing these risks is monitored throughout each year.

Following the Councils self-referral to the Regulator of Social Housing, the Council will need to ensure that its risk register has properly incorporated those risks relating to the condition of its housing stock and to the resulting housing improvement plan. It then needs to ensure the supporting risk assessment procedures continue to support the assessment and assurance over this risk areas.

The Council has an internal audit service in place which provides information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. In-year quarterly reporting by internal audit to the Joint Audit & Governance Committee ensures that efficient and effective assurance arrangements are in place to assist the management of risk and performance.

The Council furthermore has a fraud team in place to investigate fraud and carry out verification work on issues such as Council Tax discount and investigations into NFI matches.

How the body approaches and carries out its annual budget setting process

The annual budget process including the related responsibilities and procedures are set out in the Council's Constitution. The annual service planning and budgeting process seeks to reconcile corporate and business plans, and strategies with the relevant resources which includes the finance department. This process commences with a series of strategic initiatives with inputs from various stakeholders. Similar to the establishment of its Medium-Term Financial Plan (MTFP) and Medium-Term Capital Strategy, the Council has an implemented budgeting system which allows for the alignment of its annual budget to the priorities and commitments in its Corporate Plan.

The Council refreshes the MTFP and agrees the budget strategy for the forthcoming year in July. Managers are then tasked to review their budgets for its appropriateness and to confirm details for additional income or savings plans through a detailed financial planning exercise. Subsequently, the overall savings plan is checked and consulted on



Transparency Code.

Appendix A - Samme	in y or arrangements (continued)	
Governance		
Reporting Sub-Criteria	Findings	
How the body approaches and carries out its annual budget setting process (contd).	prior to initial consideration by the Joint Overview and Scrutiny Committee in December and then subsequent approval by the Joint Strategic Committee in the following January, which also includes an updated MTFP. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the respective Councils in February.	
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial	The Council's processes and systems in place to ensure budgetary control have been set out in its Constitution. budget line has been assigned a budget manager who is responsible for managing the related budget. Monthly budget monitoring packs are produced and shared with managers to assess current financial performance short after each month end. Financial officials meet with budget managers to review related budgets and identify both areas of financial pressure and underspending. The Council may also hold a series of contingency budgets which available to meet pressures identified if needed.	
reporting requirements; and ensures corrective action is taken where needed	The Corporate Leadership Team further produces and evaluates monthly reports on the financial performance of the Council to identify emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Joint Strategic Committee. This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.	
	The efficiency of these controls is evidenced by the overall outturn position of position of £183,000 underspend for 2021/22 and a £10,000 overspend for 2022/23.	
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	Primary oversight is the responsibility of the Council with some responsibilities delegated to Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All Council and Committee decisions are accompanied by a detailed report which details its rationale, the options considered, legal advice and financial advice. A set corporate template is also used to ensure that all of advice needed to make a decision is provided. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.	
	To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, business interests and performance data on its website; has a procurement team who provide advice and issue clear guidelines for procuring goods and services; publishes information to the Council and its Committees as part of established accountability mechanisms; prepares an Annual Governance Statement; and prepares a Corporate Plan as discussed above.	
	The Council is furthermore committed to the publication of transparent performance information on its website,	

which includes: budget reports; operational performance reports; a Medium-Term Financial Plan; a Corporate Plan; Statement of Accounts; Annual Governance Statement; and Information as required under the Local Government

Governance

Reporting Sub-Criteria

Finding

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (contd).

There is also evidence of good arran recommendations by the Joint Gove basis throughout the year to monito corrective actions where necessary.

There is also evidence of good arrangements in place to monitor the implementation of internal audit recommendations by the Joint Governance Committee. Internal audit progress reports are presented on a quarterly basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The roles of both members and officers of the Council are outlined in the Code of Conduct included within its Constitution and is approved by the Joint Audit & Governance Committee.

If any member breaches the Code of Conduct, there is a resolution and complaints process administered by the Council's Monitoring Officer and potentially involving a hearing of the sub-Committee of the Joint Audit & Governance Committee.

The Council is transparent about how decisions are taken and recorded by:

- Ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government) and
- Having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees, governing body members and members of panels/committees and sub-committee.

The Council maintains a register of member interests which is available to the public and published on its website.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Regular training is provided to members on standards issues ensuring that all members are aware of the requirements. Each member and officer are also expected to complete a return on any gifts of hospitality.

The Council has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Council also ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.



Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How financial and performance information has been used to assess performance to identify areas for improvement Organisational performance management is undertaken through a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. Information is gathered through various performance management arrangements to produce the "6 monthly Platforms Performance Report" and is presented to the Joint Strategic Committee and Joint Overview & Scrutiny Committee bi-annually.

Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms though quarterly Council Leadership Team Platform performance meetings.

This process halted in year following the full delivery of the previous organisational plan titled "Platforms for Our Places" and was replaced in October 2022 with the updated 3-year Plan. Progress continued to be reported to the Joint Overview & Scrutiny Committee.

Each head of service works within the above arrangements and is responsible for assisting in the process of both identifying and addressing areas of improvement within their service areas. Where services are linked and have shared Platform outcomes, officers deliver performance improvements through multidisciplinary arrangements. These performance arrangements described above are integrated with financial management and budget forward planning arrangements.

Any issues identified by internal audit are furthermore monitored via the internal audit app and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council's service delivery objectives are detailed in its 3-year Corporate Plan. Most services have performance information and standards used to compare and assess performance with other Councils or with nationally recognised performance frameworks (e.g Housemark, DWP, national planning indicators).

Internal audit and customer feedback are also used to inform which services require improvement. Where a service is identified in need of improvement a transformation team is set up to support service improvement.

The Council undertook a diagnostic review of compliance with Adur Homes housing stock against relevant Housing Standards, triggered by the Regulator writing to all registered social housing providers. This identified a number of areas where the Council was not compliant with the required standards. Following the Council's self-referral for non-compliance with these standards, the Regulator of Social Housing published a regulatory notice on 10th May 2023 noting the Council had breached 1.1 and 1.2 of the Homes Standard.

The Council was aware of the Homes Standards, and had work going on to ensure compliance, but it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

This issue is evidence of weaknesses in proper arrangements for how the body evaluates the services it provides to assess performance and identify areas for improvement.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has developed a consultation policy which reflects it's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. This policy is available on the Council's website.



Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont)

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are several ways people can get involved and connect with the council. Residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

Internally, a consultation toolkit has also been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the Council website.

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government Ombudsman.

The Council operates one significant partnership (Adur & Worthing Joint Committee) although it participates in other partnerships across the Council. There is a governance framework for the Adur / Worthing partnership whereby decisions are made through a series of joint committees. This is set out in the Council's Constitution. There are also separate budget and management accounts for the Joint Committee which is reported as part of the overall budget monitoring and outturn processes.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits The Councils have published Contract Standing Orders as part of its Constitution which detail how it procures services. The Council also has a team of qualified procurement officers supplemented by support from the larger procurement team at Orbis.

In line with the above-mentioned standing procedures, any procurement over £25,000 must be referred to the Council's procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. The Council will also commission external expert advice where a proposed procurement is particularly complex or difficult.



Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements audit in 2021/22. There were no recommendations in respect of the Value for Money audit. All recommendations have been agreed by management.

Issue	Re	ecommendation	Management Response
Financial statements: Three recommendations were raised in respect of the Council's approach to the valuation of its land and buildings.	2)	We recommend that management should change the approach of selecting one class of an asset for valuation each year, to an approach where a selection of assets from each category are valued each year, covering the full portfolio of assets at least once every 5 years. We recommend that the Council's management team undertake a detailed review of the Wilks Head & Eve valuation report to gain assurance that the calculations accurately reflect the timing of the rent uplifts We noted that Wilks Head & Eve's valuation methodology continues to use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. We recommend the Council continue to challenge this approach when taken by their specialist valuer.	
Value for Money: Improving economy, efficiency and effectiveness.	1)	Assign responsibility for understanding and ensuring compliance with the full breadth of the Housing Standards as they will apply to the Council going forwards. This should include understanding the potential liabilities and penalties for non-compliance.	
	2)	Establish arrangements and responsibility which enable the Council to adhere to its commitments in its current housing improvement plan.	
	3)	Expand the housing improvement plan to cover the full breadth of the Regulator's current and planned Standards and appropriately factor the associated costs into the Medium Term Financial Strategy and Housing Revenue Account, and the potential risks to the risk register.	

Appendix C – Fees

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and areas of audit focus in relation to:

- · Significant risk: Inappropriate capitalisation of revenue expenditure
- Significant risk: Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)
- Significant risk: Valuation of Investment Properties under Fair Value
- Area of audit focus: Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost
- Area of audit focus: Infrastructure assets
- Area of audit focus: Pension liability valuation
- Area of audit focus: Going Concern disclosure

As a result, we have discussed an associated additional fee with the Chief Financial Officer which remains subject to approval by PSAA Ltd.

	Final Fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
Description	£	£	£
Total Audit Fee - Code work	TBC	TBC	82,964
Non-audit work	TBC	TBC	40,030

For 2021/22 the scale fee has been re-assessed to take into account those risks and areas of audit focus outlined above and the associated additional work to address the increase in Regulatory standards.

We confirm we have/have not undertaken any non-audit work with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted, with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

We confirm that we have not undertaken any other non-audit work.

Appendix D - Certificate

Certificate

We have performed the procedures required by the National Audit Office on the Whole of Government Accounts (WGA) submission. However, the rights and requirements of the NAO can extend beyond the revised thresholds of £2bn set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls and may require assurances from auditors of components who are below the HM Treasury thresholds.

In previous years, the existence of the HM Treasury thresholds has meant that in many instances the work that the NAO WGA team would have otherwise directed non-significant components to undertake in line with ISA 600 had already been carried out. The increase in HM Treasury's local government threshold in 2020-21 means that there is a risk the NAO WGA team require some assurances from auditors of bodies below the new limit. Consequently, we cannot issue our certificate for 2021/22 until confirmation on the above-mentioned has been received from the NAO.

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ED None

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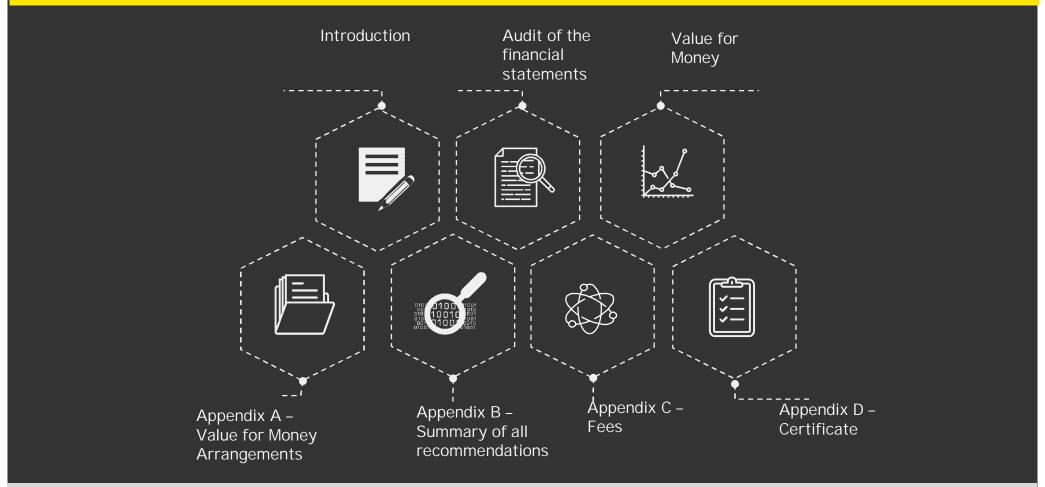
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Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

For Worthing Borough Council we have undertaken our 2021/22 audit work in accordance with the Full Audit Planning Report that we presented to the September 2022 Joint Audit and Governance Committee meeting. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements:
- · Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 18 August 2023.
Going concern	We concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts/certificate	We received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it delays the issue of the audit certificate.



Audit of the financial statements - Worthing Borough Council

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 18 August 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 July 2023 Joint Audit and Governance Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. In our Audit Results Report, we reported one recommendation for management to discuss with their expert valuer.

Conclusion
We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
We completed our work on this significant risk and did not identify any instances where expenditure was inappropriately capitalised.
We engaged our real estates valuation specialists to help us complete this work. After management posted the audit adjustments identified, we reported one judgemental unadjusted audit differences:
1) A judgmental aggregate understatement difference relating to the fair value movement in valuation across a small number of the Council's operational properties totaling £654,000.
We also reported a number of control recommendations on the record keeping and valuation process for property, plant and equipment.
We employed the use of our own expert to support our work. After management posted the audit adjustments identified, we reported two judgemental unadjusted audit differences: 1) A judgmental overstatement difference relating to the yield used in the calculation of the valuation of the Interface House investment property, totaling £374,000.
2) A judgmental aggregate understatement in the fair value movement in valuation across a small number of the Council's investment properties totaling £433,000.
We completed our work and identified one unadjusted misstatement, which is a judgmental overstatement relating to the percentage of external works costs used in the calculation of the valuation of the Connaught Theatre, totaling £121,000. No evidence of material misstatement was identified.



Audit of the financial statements - Worthing Borough Council

Key findings (continued)			
Other area of audit focus	Conclusion		
Accounting for infrastructure assets	We concluded that the accounting practice of the Worthing Borough Council for Infrastructure Assets continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced. We are satisfied that the approach taken by management to depreciating infrastructure assets is reasonable.		
Pension Liability Valuation	Our planned work in this area was completed, and included our assessment of the impact of triennial valuation on IAS19 amounts.		
	As a result of the full triennial valuation at 31 March 2022, the Council instructed the actuary to re-run the IAS 19 results as at the reporting date. This resulted in an increase of the pension liability balance by £4.5m, which the Council amended in the accounts, along with the relevant disclosures.		
Going Concern Disclosure	We completed our planned procedures. We did not identify any material uncertainties with regards to the going concern of the Council and following certain adjustments to the disclosure related to the timing of the audit finalisation, we considered the going concern disclosure to be appropriate and sufficient.		

Value for Money

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the July 2023 Joint Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures in July 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out in Appendix A. The commentary in this Appendix summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

	Reporting criteria	Risks of significant weaknesses in arrangements identified?	weaknesses in arrangements identified?
•	Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
	Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
	Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

% Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The 2021/22 and 2022/23 revenue budgets were set as a balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In order to achieve a balanced budget, the Council has continued to pursue savings through efficiency reviews, procurement, and base budget reviews to set a balanced budget each year. These planned savings were set out in the short-term financial plans. For 2021/22, the savings target totaled £560,790. This was achieved with the exception of £44,000, which was subsequently built into the 2022/23 budget. For 2022/23 the savings target increased significantly to £1,135,270, which has been fully achieved.

The Council's Joint Strategic Committee has maintained oversight over the financial performance of the Council, and performance against revenue budget is reported at least quarterly to the Committee. These initiatives have resulted in overspend of £196,000 compared to the budget for the year ending 31 March 2022 and an underspend of £778,000 for the year ending 31 March 2023.

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy for 2021/22 to 2025/26 was prepared with the aim to deliver the Council's service delivery objectives outlined in its 3-year plan. These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges and consider the fall in government funding. The Council has consequently identified significant budget reductions over the period 2021-22 to 2025-26. Due to the financial pressures the Council is facing, it needs to identify significant savings or deliver income growth over the medium term to balance the budget, particularly if it wants to deliver on its service delivery objectives. The current financial strategy including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the Council's Committee structure to take corrective action where necessary.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council continues to maintain adequate arrangements to monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. This risk management framework is supported and informed by the work of the Council's Internal Audit function.

Primary oversight of the risk management framework is the responsibility of the Council with some aspects delegated to Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All decisions of the Council and these Committees are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members. Regular training is provided to members on standards issues, so all members are aware of the requirements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Yalue for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the start of the year, the Council's organisational performance management was undertaken via a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. This approach to organisational performance was updated in year following the full delivery of the previous organisational plan (Platforms for Our Places). It was replaced in October 2022 to align with the updated 3-year Corporate Plan. Progress has since continued to be reported to the Joint Overview & Scrutiny Committee. Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms though quarterly Leadership Team Platform performance meetings. Any issues identified by internal audit are monitored via the internal audit service and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

Most services have performance information and standards used to compare and assess performance with other Councils or with nationally recognised performance frameworks (e.g. Housemark, Department of Work and Pensions and national planning indicators). Where a service is identified in need of improvement a transformation team is set up to support service improvement.

The Council also has mechanisms to engage with the communities and has developed a consultation policy which reflects the Council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Council recognises that to be effective, this policy must inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. Therefore, in addition to the formal consultation procedures, residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local councillor. This process is supported by an established complaints procedure, where results are reported to the Joint Overview & Scrutiny Committee.

The Council continue to work closely with Adur District Council through the Adur and Worthing Joint Committee, and the partnership continues to enable the Council to progress against it's corporate plan. The Council also engages in the Safer Communities Partnership and a number of local business partnerships.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Council's service delivery objectives for 2022-2025 have been set out in their strategic plan titled "Our Plan" and forms the basis of the Council's strategic planning, including its short-term and medium-term financial plans. In this document, the Council sets out:

- It's purpose
- · How they work
- Their principles
- Their foundations
- · Their missions.

The Council prepares an annual revenue budget as part of its short-term financial planning. The 2021/22 and 2022/23 revenue budgets were set as a balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In addition to the national context, the Council's budget strategy has also taken account of pressures and risks such as inflation; income generated by the Council which may be affected by lack of demand; impact of increasing demand for such services as homelessness; and withdrawal of funding by partners, potentially losing funding for key priorities.

The Council held a working balance and other earmarked reserves to help mitigate these risks. The Council's budget strategy supports them in meeting these challenges through the following four major work streams: developing commercial income; investing in property; tackling homelessness and delivery of a new customer and digital strategy.

The Council also continued to pursue savings through efficiency reviews, procurement, and base budget reviews. These initiatives have resulted in overspend of £196,000 compared to the budget for the year ending 31 March 2022 and an underspend of £778,000 for the year ending 31 March 2023.



Financial Sustainability

and builds these into them

significant financial pressures that are relevant to its short and medium-term plans

How the body ensures that it identifies all the The Council prepares a five-year revenue budget as part of its medium-term financial planning. This budget strategy covers 2022/23 - 2026/27 and was prepared with the aim to continue delivering the Council's service delivery objectives as discussed above. These forecasts were further updated in-year giving the Council a clear view of forthcoming financial challenges and taking into account pressures such as the fall in government funding and the impact of the pandemic of the Council's financial outlook.

> Achievement of revenue and capital budgets were further monitored in-year with quarterly finance reporting thereon to the Joint Strategic Committee. Areas of concern in these quarterly reports are subject to scrutiny that culminate into the revenue and capital outturn reports that are approved by the Joint Strategic Committee and subsequently adopted by the Joint Overview and Scrutiny Committee.

The 2021/22 and 2022/23 revenue outturn report reflects the efficiency of these in-year monitoring measures as the Council contained expenditure within the original budget levels despite facing a range of unforeseen additional costs not originally budgeted for. These initiatives have resulted in overspend of £196,000 compared to the budget for the year ending 31 March 2022 and an underspend of £778,000 for the year ending 31 March 2023.

How the body plans to bridge its funding gaps and identifies achievable savings

Due to the increasing financial pressures the Council needs to identify significant savings or deliver income growth over the next 5 to 10 years to balance the budget and ensure delivery on its service delivery objectives.

The savings process followed for the development of the budget entails the following four stages:

- Directors are responsible for identifying proposals aimed at meeting a significant proportion of the savings targets;
- A "Budget Reference Group" consisting of joint executives consider these proposals and potential impact on delivery of the Council's priorities;
- These savings proposals are then presented to the Joint Overview & Scrutiny Committee for consideration. The Joint Overview & Scrutiny Committee may also add to the list of proposed savings with additional proposals as considered appropriate; and
- Consideration by the Joint Strategic Committee of which savings proposals are to be implemented to fund the budget shortfall.

Once these budgets have been set and approved, they are monitored throughout the financial year by the Chief Financial Officer and reported on quarterly to the Joint Strategic Committee as discussed above.



Financial Sustainability

Reporting Sub-Criteria

Findings

How the body plans to bridge its funding gaps and identifies achievable savings

The 2022/23 budget was approved as a balanced budget by the Council on 31 January 2022 and identified the budget gaps over the medium term that needed to be addressed. The financial strategy, including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the regular budget monitoring process, although reporting to Committee is at a higher level such that figures are not explicitly included.

For 2021/22, the savings target totaled £560,790. This was achieved with the exception of £44,000 which related to revenues and benefits and was due to a delay arising from increased workloads in the team throughout the pandemic. It was subsequently built into the 2022/23 budget. For 2022/23 the savings target increased significantly to £1,135,270, which was fully met.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has detailed its service delivery objectives detailed in its Corporate Plan. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed.

Progress towards achieving these objectives are monitored by the Corporate Leadership Team throughout the year. Bi-annual reporting on this progress is presented to Joint Strategic Committee with remedial actions discussed and actioned where necessary.

Short-term and medium-term financial plans detail the likely costs associated with the Council's strategic and statutory priorities; identifies any budget gaps that may arise from reduction in government funding; and planned savings strategies to bridge any gaps between available funding from taxation and the cost of services.

Any new service investment made must meet either objectives within the corporate plan or be a new statutory obligation.



Financial Sustainability

consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

How the body ensures that its financial plan is The Council develops an annual capital investment strategy as part of its short-term and medium-term financial planning process. This is approved by the Council alongside its revenue budget. This investment strategy is also aligned to the Council's Corporate Plan and identifies capital investments required to achieve its set service delivery objectives. This capital plan determines the cost of financing required capital along with any other financial impact. The revenue budget is also updated to reflect the impact to deliver this capital programme.

> The 2022/23 to 2025/26 Capital Programme identified capital expenditure planned over the medium term and their sources of financing which is also aligned to its 2022/23 revenue budget.

> Government initiatives have placed emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District Council and Worthing Borough Councils are part of an innovative partnership arrangement. A shared single officer structure was introduced in April 2008 and includes all of the services that were intended to operate as shared Adur & Worthing services. These shared services are managed via a Joint Committee which must meet all the accounting requirements of a public sector body. For accounting purposes, the following key processes apply:

- The Joint Strategic Committee has a separate budget;
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled; and
- The net expenditure within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Council's financial planning process also considers the impact of this partnership working when setting its shortterm and medium-term financial plans. This is inherently part of the Councils' operations for which a separate partnership budget has been developed. Each constituent Council's budget also includes the costs from partnership budgets.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council manages its financial resilience risk through the following implemented measures:

- It publishes detailed short-term and medium-term financial plans that are aligned to its Corporate and includes actions to ensure financial sustainability;
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as explained above;
- Reporting of financial performance against above set financial plans on a quarterly basis to the Joint Strategic Committee: and
- Risk management processes to identify, monitor and address risks.



Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g.. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

The Council has established a Risk and Opportunity Management Strategy for the 2021-23 period which leads on from the previous version which covered the 2018-20 period. This purpose of this strategy is to serve as framework for the delivery of the risk and opportunity management function and to provide guidance on developing risk and opportunity management as a routine process for all services.

Risk and management opportunities identified are monitored in-year with quarterly reporting to the Joint Audit & Governance Committee. A risk relating to continued pressures on the Council's finances has been identified and included in the Council's risk register as a very likely risk with a major impact for both of the 2021/22 and 2022/23 years. The Council continues to implement remedial actions that lead to the setting of a balanced budget in future periods, including the short and medium terms as demonstrated by the relevant forecasts. Despite this, management remains acutely aware of the financial pressures on the Council and each detailed budget includes measures to look to balance the budget without consistent reliance on the limited reserves held.



Governance

how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

How the body monitors and assesses risk and The Council's Constitution directs how it operates, decisions are made and the relevant procedures to ensure that these decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution in June 2023.

> The Council has a risk management framework which guides the development of risk and opportunity management at a strategic and operational level and to ensure that they are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, protect its reputation and assets, and ensures compliance with relevant statutory and regulatory obligations. These risks are identified as a routine process of all services and are regularly reviewed and updated. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly monitored and reported in-year to the Council Leadership Team, Joint Audit & Governance Committee, and Joint Strategic Committee to ensure that progress in addressing these risks is monitored throughout each year.

The Council has an internal audit service in place which provides information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. In-year quarterly reporting by internal audit to the Joint Audit & Governance Committee ensures that efficient and effective assurance arrangements are in place to assist the management of risk and performance.

The Council furthermore has a fraud team in place to investigate fraud and carry out verification work on issues such as Council Tax discount and investigations into NFI matches.

How the body approaches and carries out its annual budget setting process

The annual budget process including the related responsibilities and procedures are set out in the Council's Constitution. The annual service planning and budgeting process seeks to reconcile corporate and business plans, and strategies with the relevant resources which includes the finance department. This process commences with a series of strategic initiatives with inputs from various stakeholders. Similar to the establishment of its Medium-Term Financial Plan (MTFP) and Medium-Term Capital Strategy, the Council has an implemented budgeting system which allows for the alignment of its annual budget to the priorities and commitments in its Corporate Plan.

The Council refreshes the MTFP and agrees the budget strategy for the forthcoming year in July. Managers are then tasked to review their budgets for its appropriateness and to confirm details for additional income or savings plans through a detailed financial planning exercise. Subsequently, the overall savings plan is checked and consulted on prior to initial consideration by the Joint Overview and Scrutiny Committee in December and then subsequent approval by the Joint Strategic Committee in the following January, which also includes an updated MTFP. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the respective Councils in February.

Governance

Reporting Sub-Criteria

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Findings

The Council's processes and systems in place to ensure budgetary control have been set out in its Constitution. Each budget line has been assigned a budget manager who is responsible for managing the related budget. Monthly budget monitoring packs are produced and shared with managers to assess current financial performance shortly after each month end. Financial officials meet with budget managers to review related budgets and identify both areas of financial pressure and underspending. The Council may also hold a series of contingency budgets which are available to meet pressures identified if needed.

The Corporate Leadership Team further produces and evaluates monthly reports on the financial performance of the Council to identify emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Joint Strategic Committee. This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.

The efficiency of these controls is evidenced by the overall outturn position of position of £196,000 overspend for 2021/22 and a £778,000 underspend for 2022/23.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Primary oversight is the responsibility of the Council with some responsibilities delegated to Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All Council and Committee decisions are accompanied by a detailed report which details its rationale, the options considered, legal advice and financial advice. A set corporate template is also used to ensure that all of advice needed to make a decision is provided. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.

To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, business interests and performance data on its website; has a procurement team who provide advice and issue clear guidelines for procuring goods and services; publishes information to the Council and its Committees as part of established accountability mechanisms; prepares an Annual Governance Statement; and prepares a Corporate Plan as discussed above.

The Council is furthermore committed to the publication of transparent performance information on its website, which includes: budget reports; operational performance reports; a Medium-Term Financial Plan; a Corporate Plan; Statement of Accounts; Annual Governance Statement; and Information as required under the Local Government Transparency Code.

There is also evidence of good arrangements in place to monitor the implementation of internal audit recommendations by the Joint Governance Committee. Internal audit progress reports are presented on a quarterly basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.



Governance

Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Findings

The roles of both members and officers of the Council are outlined in the Code of Conduct included within its Constitution and is approved by the Joint Audit & Governance Committee.

If any member breaches the Code of Conduct, there is a resolution and complaints process administered by the Council's Monitoring Officer and potentially involving a hearing of the sub-Committee of the Joint Audit & Governance Committee.

The Council is transparent about how decisions are taken and recorded by:

- Ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly
 available (except where that information is exempt under the provisions of the Local Government Act or
 determined as being confidential by Government) and
- Having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees, governing body members and members of panels/committees and sub-committee.

The Council maintains a register of member interests which is available to the public and published on its website.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Regular training is provided to members on standards issues ensuring that all members are aware of the requirements. Each member and officer are also expected to complete a return on any gifts of hospitality.

The Council has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with quidance.

The Council also ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How financial and performance information has been used to assess performance to identify areas for improvement Organisational performance management is undertaken through a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. Information is gathered through various performance management arrangements to produce the "6 monthly Platforms Performance Report" and is presented to the Joint Strategic Committee and Joint Overview & Scrutiny Committee bi-annually.

Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms though quarterly Council Leadership Team Platform performance meetings.

This process halted in year following the full delivery of the previous organisational plan titled "Platforms for Our Places" and was replaced in October 2022 with the updated 3-year Plan. Progress continued to be reported to the Joint Overview & Scrutiny Committee.

Each head of service works within the above arrangements and is responsible for assisting in the process of both identifying and addressing areas of improvement within their service areas. Where services are linked and have shared Platform outcomes, officers deliver performance improvements through multidisciplinary arrangements. These performance arrangements described above are integrated with financial management and budget forward planning arrangements.

Any issues identified by internal audit are furthermore monitored via the internal audit app and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council's service delivery objectives are detailed in its 3-year Corporate Plan. Most services have performance information and standards used to compare and assess performance with other Councils or with nationally recognised performance frameworks (e.g. Housemark, DWP, national planning indicators).

Internal audit and customer feedback are also used to inform which services require improvement. Where a service is identified in need of improvement a transformation team is set up to support service improvement.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has developed a consultation policy which reflects it's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. This policy is available on the Council's website.



Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont)

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are several ways people can get involved and connect with the council. Residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

Internally, a consultation toolkit has also been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the Council website.

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government Ombudsman.

The Council operates one significant partnership (Adur Worthing Joint Committee) although it participates in other partnerships across the Council. There is a governance framework for the Adur / Worthing partnership whereby decisions are made through a series of joint committees. This is set out in the Council's Constitution. There are also separate budget and management accounts for the Joint Committee which is reported as part of the overall budget monitoring and outturn processes.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits The Councils have published Contract Standing Orders as part of its Constitution which detail how it procures services. The Council also has a team of qualified procurement officers supplemented by support from the larger procurement team at Orbis.

In line with the above-mentioned standing procedures, any procurement over £25,000 must be referred to the Council's procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. The Council will also commission external expert advice where a proposed procurement is particularly complex or difficult.



Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements audit in 2021/22. There were no recommendations in respect of the Value for Money audit. All recommendations have been agreed by management.

Issue Recommendation Management Response

Financial statements:

Three recommendations were raised in respect of the Council's approach to the valuation of its land and buildings.

- We recommend that management should change the approach of selecting one class of an asset for valuation each year, to an approach where a selection of assets from each category are valued each year, covering the full portfolio of assets at least once every 5 years.
- 2) We recommend that the Council's management team undertake a detailed review of the Wilks Head & Eve valuation report to gain assurance that the calculations accurately reflect the timing of the rent uplifts.
- 3) We noted that Wilks Head & Eve's valuation methodology continues to use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. We recommend the Council continue to challenge this approach when taken by their specialist valuer.

Appendix C – Fees

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and areas of audit focus in relation to:

- · Significant risk: Inappropriate capitalisation of revenue expenditure
- Significant risk: Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)
- Significant risk: Valuation of Investment Properties under Fair Value
- Area of audit focus: Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost
- Area of audit focus: Infrastructure assets
- Area of audit focus: Pension liability valuation
- Area of audit focus: Going Concern disclosure

As a result, we have discussed an associated additional fee with the Chief Financial Officer which remains subject to approval by PSAA Ltd.

	Final Fee 2021/22 Pla	anned Fee 2021/22	Final Fee 2020/21
Description	£	£	£
Total Audit Fee - Code work	TBC	TBC	84,864
Non-audit work	TBC	TBC	27,510

For 2021/22 the scale fee has been re-assessed to take into account those risks and areas of audit focus outlined above and the associated additional work to address the increase in Regulatory standards.

We confirm we have/have not undertaken any non-audit work with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted, with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

We confirm that we have not undertaken any other non-audit work.

Appendix D - Certificate

Certificate

We have performed the procedures required by the National Audit Office on the Whole of Government Accounts (WGA) submission. However, the rights and requirements of the NAO can extend beyond the revised thresholds of £2bn set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls and may require assurances from auditors of components who are below the HM Treasury thresholds.

In previous years, the existence of the HM Treasury thresholds has meant that in many instances the work that the NAO WGA team would have otherwise directed non-significant components to undertake in line with ISA 600 had already been carried out. The increase in HM Treasury's local government threshold in 2020-21 means that there is a risk the NAO WGA team require some assurances from auditors of bodies below the new limit. Consequently, we cannot issue our certificate for 2021/22 until confirmation on the above-mentioned has been received from the NAO.

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ED None

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Agenda Item 8



Joint Audit & Governance Committee 26 September 2023

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT REPORT BY THE 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 2023-24 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

2.2 Recommendation Two

That Members consider whether there are further updates from officers on particular issues that they would like provided at the next meeting.

3. Context

3.1 Background

Progress

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 A is the Internal Audit Progress Report.

4 Issues for Consideration

4.1 Follow-Up of Housing Recommendations

As reported in March 2023 to the Committee, the Councils' Housing Service has been undergoing a Transformation Project since January 2020. Housing Management have confirmed that the actions required to address outstanding audit recommendations will be addressed as part of this project and agreement was made between the Director for Digital, Resources and Sustainability, the Chief Financial Officer, Head of Internal Audit, and Head of Housing and Transformation Manager that an "amnesty" on the follow up of outstanding housing recommendations will be implemented to allow the Transformation Project to be completed.

All outstanding housing recommendations have therefore been removed from our ongoing progress reporting. Once the Transformation Project is complete a detailed follow-up will be completed to confirm the implementation of all of these recommendations which is aimed to start in Q4 of 2023/24.

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 may be financial implications regarding implementing internal audit recommendations depending on the nature of the area and recommendations made. However, any such implications are considered by Management as part of the consideration of the recommendations raised. Some audit recommendations are also designed to improve value for money and financial control.

7. Legal Implications

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

Background Papers

None

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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.

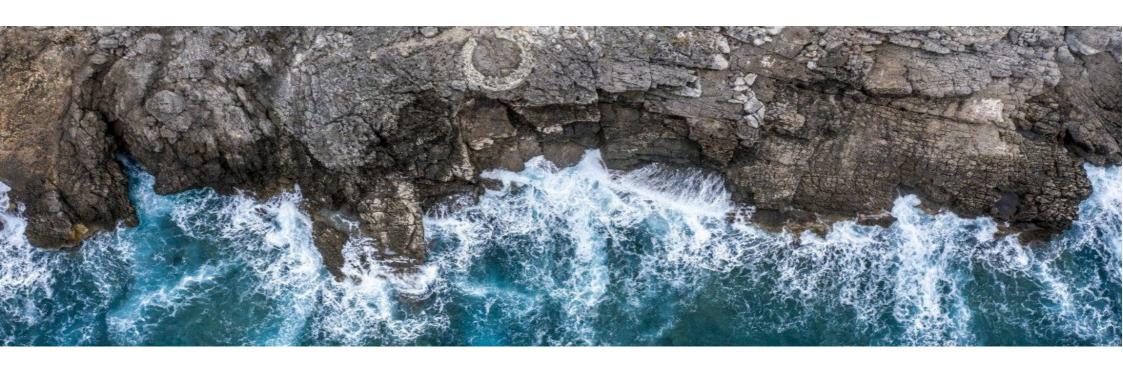
3. Environmental

Matter considered and no issues identified.

4. Governance

Internal Audit identifies weaknesses in the control environment. Therefore, implementing recommendations improves the control environment and hence the risk management.





Adur District & Worthing Borough Councils

Internal Audit Progress Report

September 2023

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Contents

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.



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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. Further details are provided in Appendix A5, "Statement of Responsibility"



01 Introduction

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

This report covers internal audit activity and performance since our last report to the Committee in March 2023 and includes:

- An update on progress in delivering the 2023/24 Plan;
- · 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

The Committee considered and approved the 2023/24 Internal Audit Plan (Plan) on 23 March 2023.

The Plan provided for 20 internal audits totalling 406 days, including 35 days for IT audits, 44 days for Contract audit and 60 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. So far, no changes have been made to the initially approved 2023/24 Plan, though some reviews originally timetabled for the summer months were delayed due to availability of auditees. However, we have proposed revised timings to ensure fieldwork is completed by 31 March 2024.

The table below provides a summary of current progress relevant to the 2023/24 Plan:

Audit Status	Number of reviews	Percentage %
Finalised/complete	0	0%
Draft report	2	10%
Fieldwork complete & audit under review	3	15%
Fieldwork in progress	1	5%
Not yet started	14	70%
Total	20	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 A4.

No final reports from the 2023/24 Plan were issued in this reporting period. However, since our last progress report, we have finalised the following reports relating to the 2022/23 Plan.

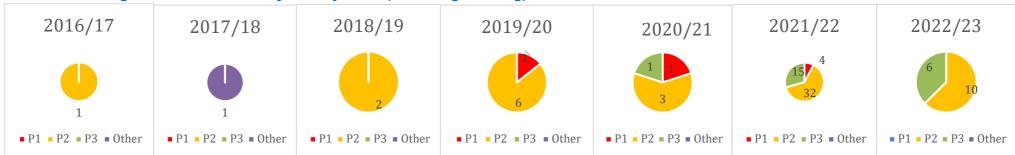
Internal Audit Title	Assurance Level	Plan Year
Commercial Waste	Limited	2022/23
Creditors	Limited	2022/23
Information Governance	Limited	2022/23
Small Business Growth Grants & Apprenticeship Grants	Satisfactory	2022/23
Markets	Satisfactory	2022/23
Risk Management	Satisfactory	2022/23



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.

Outstanding Recommendations by Priority Level (excluding Housing)



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.

As at production of this report, there are 83 recommendations in the Audit App due to be followed up, 60 of which are overdue (3 P1s, 43 P2s, 13 P3s and 1 other). In addition to these 83 recommendations there are 32 which relate to Housing and which, as detailed in paragraph 4.1 of the covering report, these are being progressed through the Housing Transformation Project and which will actively be monitored until completion of that project.

These 32 recommendations are detailed within Appendix A2 of this report, with the latest update received from the Housing Team on implementation progress Internal Audit will undertake an independent review of the implementation of housing related recommendations in Q4 of 2023/24.

Further detail of the three overdue Priority 1 recommendations (excluding Housing) is included in Appendix A3 of this report. We followed up with the responsible Officers for implementing these actions in advance of the Committee and received an update from one of them. The remaining two did not provide updates at the time of drafting this report.

We have discussed and agreed with the Chief Financial Officer that all overdue recommendations will be reported in detail to the Council's CLT for escalation and to remind responsible Officers to implement these as soon as practical and in line with agreed / revised timescales.

05 Other Matters

Fiscal pressure & inflation challenges for the public & social sector – 23/24 survey

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

For full details, please refer to Appendix A5 below in this report.



A1 Current Status – 2023/24 Plan

Audit	D	A		Recommendations	
Audit area	Progress	Assurance Opinion	High	Medium	Low
Supply of Affordable Housing	Draft	Limited	1	2	1
Planned Maintenance Programme	Work complete and under review		-	-	-
Legal Services	Draft	Satisfactory	-	2	3
Disabled Facilities Grants	Work complete and under review		-	-	-
Key Financial Systems	In Progress				
Safeguarding (Children and Adults)	Starts 3 October 2023		-	-	-
Accounts Receivable	Starts 23 October 2023		-	-	-
Discretionary Housing Payments (Cost of Living Response)	Starts 2 November 2023		-	-	-
Civica/Connect HR system	Starts 2 November 2023		-	-	-
Energy Supplier - Procurement & Contract Management	Starts 7 December 2023		-	-	-
Health & Safety (Corporate Buildings)	Starts 13 December 2023		-	-	-
Invoicing of Housing services - EATA	Starts 14 December 2023		-	-	-
Workforce Planning	Starts 15 December 2023		-	-	-



Audit area	Progress	Assurance Opinion	Recommendations			
Audit alea	Flogiess	Assurance Opinion	High	Medium	Low	
Events - Processing and Management	Starts 8 January 2024		-	-	-	
Bereavement Services	Starts 15 January 2024		-	-	-	
Carbon Reduction Programme	Starts 16 January 2024		-	-	-	
Follow up on Housing Recommendations	Starts 23 January 2024		-	-	-	
Members Expenses	Starts 19 February 2024		-	-	-	
		IT				
Audit Needs Assessment	Starts in Q3		-	-	-	
Digital Strategy	Starts in Q4		-	-	-	
To	tal		1	4	4	



A2 Outstanding Housing Recommendations

Below are the detailed recommendations and the reported status from the Housing Team as of July 2023. An internal audit will be undertaken in Q4 of 2023/24 to confirm the implementation of these.

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
Rent Collection and Collection of Arrears	2017/18	3.2 An alternative solution to the regular payment of housing benefit into the Rent's suspense account for Worthing Emergency Housing before it is allocated out by the Cashiers, should be established.	P3 - Minor Issue	31/03/2018	31/03/2023	On Track
Leaseholder Charges	2017/18	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:	P1 - Major Issue	30/09/2018	31/03/2023	Implemented
		 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 				



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		• 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 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.				
		3.5 Once the Council's policy re leasehold management has been agreed, and procedures have been reviewed and updated, training should be provided to all relevant staff on how processes should be undertaken, particularly in relation to major works. Evidence should be retained to support training provided, to whom and when.	P2 - Important Issue	30/06/2018	31/7/2023	On Track
		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.	P1 - Major Issue	31/03/2019	31/05/2023	Implemented
		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. 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	P1 - Major Issue	31/03/2019	30/09/2023	On Track



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		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.				
		3.34 Where leaseholders request additional time to pay their invoices, a process should exist for assessing their affordability. Once decided, the method for accessing affordability should be included within the Major Works Payment Options Policy recommended in 3.32 above.	P2 - Important Issue	31/03/2019	31/03/2023	Implemented
Gas Safety Inspections	2017/18	3.1 The Council should have a documented, approved policy which sets out its' objectives and legal obligations, and how these will be achieved, in respect of the servicing of gas installations within its' properties.	P2 - Important Issue	30/09/2018	22/12/2022	On Track
		3.2 Documented procedures should be developed to detail all processes undertaken in respect of gas servicing. Once developed, these procedures should be reviewed and updated regularly and subject to version control.	P2 - Important Issue	30/09/2018	31/03/2023	On Track
		Procedures should be made available to all relevant staff within a central location.				
Housing Repairs (Matsoft Process)	2018/19	3.8 The process for making variations to works should be documented within a procedure and be available to all relevant staff.	P2 - Important Issue	31/03/2021	31/03/2023	On Track



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		3.12 Adur Homes Post Inspection requirements should be documented within a Policy.	P2 - Important Issue	31/03/2021	22/12/2022	On Track
		3.23 1) The reporting element of the Mats system should be expanded to include the facility for a report on varied jobs to be created. Once established, this report should be run on a regular basis and reviewed by management in order to monitor the overall level and value of variations.	P2 - Important Issue	30/09/2021	31/03/2023	On Track
		2) Furthermore, management should investigate why the Mats system contains jobs awaiting variation authorisation, which were created as long ago as July 2018 and take corrective action to cancel/close these jobs.				
		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.	P1 - Major Issue	30/09/2021	22/12/2022	Completed
		3.25 Once agreed the requirements of the Inspection Policy will need to be built into the Mats system.	P2 - Important Issue	30/06/2021	22/12/2022	On Track
		3.29 Enhancement of the Mats system is required to enable reporting of PIs once agreed.	P2 - Important Issue	30/09/2021	22/12/2022	On Track
Rent in Advance/Rent Deposit Scheme	2019/20	3.2 The RiA/DG process should be reviewed and the documented procedure updated to reflect the necessary process requirements for this scheme only.	P2 - Important Issue	30/06/2020	30/11/22	Completed



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		In addition, the process to be followed if the applicant is only going to claim DHP should be recorded in a separate procedure.				
		Once updated/generated documented procedures should be dated and be made available to all relevant staff and any procedural changes should be highlighted to staff.				
		3.3 Every form used in the 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.	P1 - Major Issue	30/06/2020	30/11/22	Completed
		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.				
		3.11 Relevant debt recovery actions should be taken in respect of all outstanding RiA Debts.	P2 - Important Issue	30/06/2020	31/03/2023	Completed
		Housing Management should be provided by Exchequer Services, with details of those agreements were debts are not being repaid, as agreed, in order that they are aware of such outstanding issues.				



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		3.12 Performance targets should be set, monitored and reported on a regular basis to senior management & Members.	P2 - Important Issue	31/03/2020	31/03/2023	Completed
Regulatory Compliance - Housing	2019/20	3.1 The Council should reconcile the different regulatory compliance schedules and timetables with other Council property systems, (such as the property terrier, housing management system etc.) to ensure that all and every single housing property is included in the different regulatory compliance schedules and timetables used to ensure compliance with the various legislative requirements.	P2 - Important Issue	01/06/2021	31/08/2023	On Track
		3.2 All regulatory documents should be retained in a central location (Google Drives).	P2 - Important Issue	30/09/2020	31/08/2023	Completed
		Documents known to be held in other locations should be moved to the central repository.				
		Staff should be reminded of this requirement and advised not to retain documents in any other area, particularly within local drives.				
		3.4 Adur Homes should review when the last Asbestos management surveys were undertaken and urgently progress any outstanding ones.	P1 - Major Issue	01/12/2020	31/08/2023	Completed
		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.				



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		3.5 The Electrical Testing spreadsheet should continue be reviewed and updated to ensure it accurately reflects those properties where an inspection has been undertaken with completion dates and outcomes recorded.	P2 - Important Issue	01/10/2020	31/08/2023	Completed
		As noted in rec 3.2 above, certificates obtained from inspections should then be retained in a centralised location.				
		3.6 The Council should ensure that appropriate processes are in place to ensure compliance with the LOLER.	P2 - Important Issue	01/03/2021	31/08/2023	Completed
		An internal monitoring record should be developed to ensure that all lifts are maintained/inspected every 6 or 12 months in accordance with requirements.				
		Results of these inspections and/or maintenance visits should be centrally maintained and recorded to allow for any remedial actions to be undertaken in line with recommendations and/or legislation timescales.				
		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.	P1 - Major Issue	01/11/2020	31/08/2023	Completed
		Where applicable, any documentation (inspection reports, new certificates etc) received which support the completion of rectification works should be retained.				



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		Rectification of recommended actions and/or issues identified should be performed in a timely manner and/or in line with established timescales (i.e. recommended by specialists or legislation).				
		3.8 Adur Homes should expand the compliance reports produced for the H&S Board to include complete and detailed information for all relevant areas, such as lift safety compliance.	P2 - Important Issue	01/12/2020	31/08/2023	Completed
		This should include any non-compliances in order that immediate follow-up can occur.				
Contract Management and Procurement - Housing	2019/20	2.1 (i) The Contracts Register should be reviewed for completeness and brought up to date.	P1 – Major Issue	31/12/2022	31/08/2023	On Track
		(ii) A timetable of all contracts that are greater than £100,000 and due to terminate should be produced and the tender evaluation panel and evaluation criteria should be timetabled for agreement and documenting in accordance with the Joint Councils CSOs.				
		(iii) The Joint Councils CSOs should be updated to stipulate that initial evaluations undertaken by individual tender evaluation panel members should be retained on file.				
Tenancy Management	2019/20	2.1 (i) The Tenancy Strategy should be reviewed and updated regularly (i.e. every three years).	P2 - Important Issue	31/03/2022	30/04/2023	On Track
		(ii) Once updated and finalised the new Tenancy Strategy should be made available				



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		to all staff and updated on the Adur & Worthing Councils website.				
		2.2 Once generated, documented procedures should be dated and be made available to all relevant staff. Procedures should be reviewed and updated annually.	P2 - Important Issue	31/03/2022	31/12/2022	On Track
		(ii) The 'maximising rental income' procedure should also be subject to regular reviews and updated.				
		2.3 (i) Management should develop a mechanism to record and maintain appeals processes documentation.	P2 - Important Issue	31/03/2022	31/03/2024	On Track
		(ii) Considerations should also be given to undertake spotchecks ensuring compliance with the process described, including an independent review of appeals cases.				
Rent Collection and Recovery of Arrears	2020/21	3.2 The rent collection procedure should be updated to reflect the current actions being taken to collect arrears. This should include following the suggested actions on Orchard as well as alternative actions taken when Orchard suggested actions are not considered appropriate.	P2 - Important Issue	30/02/2021	31/12/2022	Completed
Leaseholder Charges	2020/21	2.2 Minimum leaseholder service standards, to which the Council commits, should be set and the Leasehold Team should devise KPIs based on the service standards, to allow the standard of service to be more easily monitored and measured.	P2 - Important Issue	31/12/2021	30/05/2023	On Track



Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline	Reported Status by Housing Directorate (July 2023)
		Furthermore, the service standards should be documented within the Leaseholders Handbook.				
		2.3 The Council should agree an approach to the way in which leaseholder observations, responses and correspondence are held.	P2 - Important Issue	31/12/2021	31/12/2023	On Track



A3 Outstanding Priority 1 Recommendations (Past Implementation Date)

Disaster Recovery 2021/22 - (Final Issued July 2022)

Recommendation (Reference & content)	Agreed Action and Comments	Follow Up Comments	Proposed Completion Date
2.1 Linkage to Business Continuity Planning 1. For critical high-risk services, a report showing the supporting IT applications and IT services should be extracted from the MATS BIA data and provided to IT that also shows the related recovery time objective to the overall service. 2. Upon annual review of the BIA, business unit managers should be informed that the IT recovery arrangements are assumed to rely on overnight	 The Critical Services list of the Incident Management Plan will be reviewed ahead of submitting it to the council leadership team for ratification, and from this, the supporting critical IT applications will be prioritised. Agreed. Information about the use of backups and the potential loss of data will be included in the above paper to the council leadership team. Agreed. 	The Digital Delivery Manager advised that work is still going to develop the plan and this is being delivered by Digital.	30/11/2023
backups and therefore up to 24 hours data could be lost following an incident. If this is not deemed acceptable, they should be encouraged to liaise with IT to discuss their requirements.	 4. This historical reference is no longer relevant and will be removed at the next review. 5. Agreed – a regular meeting will be arranged 		
3. The Incident Management Plan should be updated to reflect changes to the delivery of IT services since the CenSus partnership was terminated.	quarterly.		
4. Residual business units yet to complete a business impact assessment should do so within the next three months.			
5. The Safety and Resilience Manager and IT should meet regularly to review the status of disaster recovery arrangements. The meeting should cover;			
Business continuity requirements;Adequacy of measures to avoid a disaster;			



Recommendation (Reference & content)	Agreed Action and Comments	Follow Up Comments	Proposed Completion Date
Adequacy of disaster recovery arrangements; and			
Testing of disaster			

Governance of Property Purchases – (Final Issued November 2022)

Recommendation (Reference & content)	Agreed Action and Comments	Follow Up Comments	Proposed Completion Date
2.1 Identification and Analysis of Options, Decisions and Purchase - Central Retention of Property Information	Head of Major Projects and Investments – Agreed Audit Comment – a completion timescale of 31st January 2023 has been added so that	No further updates received on request.	31/01/2023
All files relating to property acquisition must be stored in a central location, such as the MATS system that the AMP suggests. Access to this information should then be restricted to relevant officers only.	implementation of actions can be monitored.		
Staff should be reminded that all documentation relating to property acquisitions should only be stored centrally and should not be kept within their email account.			
Consideration should be given to the introduction of a generic email address which can be used by the Estates Team to receive information relating to commercial property acquisitions so that this issue of documentation being held in individual officers' email archives can be negated.			

Workspaces AW Accommodation Review 2021/22 - (Final Issued November 2022)



Recommendation (Reference & content)	Agreed Action and Comments	Follow Up Comments	Proposed Completion Date
Project Managers should be provided with access to all relevant documentation relating to the project that they are managing, especially when they take over management from a predecessor. Furthermore, the Councils should ensure that sufficient handover occurs where project managers change during delivery of a key projects, in order that corporate knowledge is retained.	Head of Major Projects and Investments – Accept that requested documentation was not provided. The Councils' policy which states the data management and information management requirements on development projects for all project managers should be complied with. Audit Comment – The issue of central retention of project documentation was raised in the Project Management Final report issued In June 2021 and a priority 1 recommendation raised. This is being addressed by revision to the Project Management Framework (PMF) that will require Project Managers need to allow access for stakeholders to access project information and this should be achieved by creating a shared google document.	No further updates received on request.	31/01/2023
	Heads of Service should ensure that this requirement is communicated to all project managers and compliance confirmed.		
	An implementation timescale has been added in order that assessment of whether project documentation is being managed in accordance with the PMF is being achieved.		



A4 Definitions of Assurance

Definitions of Assurance Levels						
Level	Descr	ription				
Full	There is a sound system of control designed to a being consistently applied.	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)		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.			escale.		



A5 Other Matters

Fiscal pressure & inflation challenges for the public & social sector – 23/24 survey

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

Key Findings at a Glance

1. Supporting vulnerable communities is a public and social sector imperative: The public sector is taking proactive steps to strengthen support and service delivery to deprived communities, but could more be done to safeguard vulnerable citizens?

To support people, communities, and service users, 61% said they are seeking new funding/income streams to maintain services; and 54% said they are reassessing the breadth and depth of services. In particular, respondents highlighted the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

81% said lack of funding; 67% said lack of staffing resources; and 46% said focus on short term not long term all pose the greatest barrier to supporting vulnerable people and communities.

2. Innovation and collaboration are key enablers in the fight against financial constraints: As the public sector moves to meet rising demand with renewed vigour, what role will innovation and collaboration play in the fight against poverty?

The majority of public sector organisations are looking externally for support and solutions, with 90% agreeing that external collaboration could strengthen their response to deep-running fiscal challenges and 87% of respondents positive that engaging with third parties could improve efficiency and productivity organisation wide. There were similar reflections about the importance of leveraging internal networks, with 83% of respondents agreeing that staff collaboration across their organisation, e.g. cross-departmental, would improve efficiency and productivity. Organisations are therefore advocating a unified approach, which values the existing workforce's skills and insight, and supplements this with external perspectives to diversify thinking and continually improve.

Both innovation and technology were identified as potential opportunities for improved service delivery. Respondents highlighted the need for digital transformation strategies, sharing good practice, and using artificial intelligence to identify the people and communities most at risk. Efficient and digitised services have the potential to free up resources and there was a particular spotlight on self-help tools for their dual function in creating capacity and empowering citizens.



3. The Public and social sector must redefine its place in an evolving economic landscape: Many service providers are still thinking short-term. How can we ensure public services are future fit, and what will the biggest priorities be over the next 12-24 months?

Organisations referred to targeting priorities across both key inputs (31% securing funding; 41% continuous employee wellbeing and development) and outputs (54% improving citizen/service user experience; 45% supporting local communities to cope with rising living costs).

Public sector organisations remain alert to issues on the external horizon that could impact success, with uncertainty both in relation to energy costs and inflation (90%) and the current UK political landscape (79%) being a key concern for most respondents. Instability in the workforce completed the top three concerns, with 77% of organisations responding that higher level skills shortages were having a high (43%) or medium (34%) impact.

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made. Upstream investment in people and relationships should intrinsically support the achievement of outputs and outcomes, maximising medium to long term impact. However, our survey suggests the sector needs an injection of confidence that there will be the financial and political security to deliver this success.

Our full report of the survey and responses can be downloaded for free from our website.







A6 Statement of Responsibility

We take responsibility to the Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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 by any third party is entirely at their own risk



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Agenda Item 9



Joint Audit and Governance Committee 26th September 2023

Key Decision [Yes/No]

Ward(s) Affected:All

Statement of Accounts 2021/22 for Adur District Council and Worthing Borough Council - Members Update

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

- 1.1 The audit of Worthing Borough Council's 2021/22 Statements of Accounts is complete and the financial statements have been adjusted in respect of the known External Auditor's findings with unadjusted judgemental differences set out in the table contained in the Letter of Representation at appendix 1. The final audited 2021/22 statements of accounts and Letter of Representation have been signed by the Worthing Borough Council Chair with delegation approved by the Joint Audit and Governance Committee at the meeting on 23rd March 2023.
- 1.2 The audit of Adur District Council's 2021/22 Statements of Accounts are substantially complete. The 2021/22 financial statements have been adjusted in respect of the known External Auditor's findings and any unadjusted differences are set out in section 4 of the Audit Results Reports. The Adur District Council Chair will, under their delegation from the Joint Audit and Governance committee, approve the final version of the accounts and Letter of Representation once the audit has been completed.

- 1.3 The Auditors Annual Reports, elsewhere on this agenda, summarise the audit findings and the Value for Money commentary.
- 1.4 The following appendices have been attached to this report:
 - (i) **Appendix 1** Worthing Borough Council Letter of Representation as approved by the Worthing Borough Council Chair of the Joint Audit and Governance Committee

2. Recommendations

- 2.1 The Joint Governance Committee is recommended to note:
 - The completion of the 2021/22 audit for Worthing Borough Council and the approval by the Worthing Borough Council Chair of the Joint Audit and Governance committee of the 2021/22 Statement of Accounts and Letter of Representation.
 - The progress and near completion of the Audit of the 2021/22 Adur District Council Statement of Accounts.
 - The Adur Chair of the Joint Audit and Governance committee will approve the 2021/22 Adur District Council Statement of Accounts and Letter of Representation with their delegation approved by the committee in March 2023.

3. Context

- 3.1The Accounts and Audit Regulations 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2021/22.
- 3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2021/22 draft accounts be certified by the 31st July 2022.
- 3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at

- the end of the financial year; and the Councils' income and expenditure for that year.
- 3.4 The audit of the Worthing Borough Council 2021/22 statement of accounts has now been completed and an unqualified opinion issued. The Annual Audit Report elsewhere on this agenda provides a summary of the audit findings and Value for Money commentary. The final version of the accounts and the Letter of Representation were approved by the Worthing Borough Council Chair of this committee under delegation approved by the Joint Audit and Governance committee at its meeting on 23rd March 2023. The accounts are available on the council website: Worthing Borough Council Statement of Accounts 2021/22 and the Letter of Representation is included as appendix 1 to this report.
- 3.5 The audit of the Adur District Council 2021/22 Statement of Accounts is near completion and the Annual Audit report included on this committee agenda provides a summary of the audit findings and Value for Money commentary.
- 3.6 The Annual Results Report for Adur District Council, also on this committee agenda, sets out in section 3 that the auditors opinion of the councils financial statements give a true and fair view of the financial position of Adur District Council as at 31 March 2022, and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets).
- 3.7 It also references that, in the Audit Plan, the auditor reported that the council's value for money (VFM) risk assessment was in progress but at that stage had not identified any risk of significant weakness against the three reporting criteria they are required to consider under the NAO's 2020 Code. In July 2023 they reported to the Joint Audit and Governance Committee the VFM risk assessment had not concluded and reported they had not identified a risk of significant weakness. Subsequently, they have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22, specifically in relation to the criterion "how the Council evaluates the services it provides to assess performance and identify areas for improvement". Therefore the auditor is reporting by exception on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the criterion: How the body evaluates the services it provides to assess performance and identify areas for improvement.

4. Financial Implications

4.1 The report that was presented to the Joint Audit and Governance committee on 23rd March 2023 advised members that there was, at that time, some outstanding audit work relating to the valuation of property assets which has now been completed. In addition it was advised that in the event that the audit went beyond 31st March 2023 there would be additional work associated with the IAS19 pension valuations, as the triennial review to 31st March 2022 would be published and accounting regulations state that the net defined benefit liability recorded in the accounts must not materially differ from the amounts that would be determined at the end of the reporting period. The audit did not complete before the end of March 2023 which required the councils to commission revised reports from the actuaries using the new triennial information. This additional work together with limited resource issues both for the council and Ernst & Young has resulted in the audits not being completed in the timeframe that was expected and previously reported to the committee.

- 4.2 In Adur there was a review of the depreciation charge associated with council dwellings. The result, having discussed with the Council appointed valuer and agreed with the auditor, was the following changes to the depreciation calculation:
 - The residual value proportion of the overall Existing Use Value for Social Housing (EUV - SH) valuation was increased from 30% to 40%. This is a matter for professional judgement and given the scarcity of land within the South East of England, we believe that this is appropriate;
 - 2) Institution of a de minimis value of £10,000 for componentisation. This is in line with other policies regarding the capital programme where we do not normally capitalise individual items of less than £10,000. Where components are less than £10,000 in value we will depreciate them with the main structure.

Housing assets are revalued at the year end, therefore there were no implications for the accumulated depreciation reserve as the in-year amounts are written out to the revaluation reserve. Consequently there is no change to the balance sheet value.

4.3 The outcome of the work set out in 4.1 and 4.2 has required adjustments to the 2021/22 accounts that were presented to the committee in March 2023. A summary of the adjustments to the statements is set out in the table below:

Adur

Adjustments:	Comprehensive Income and Expenditure Account	Movement in Reserves Statement	Balance Sheet Net Assets	Balance Sheet Unusable Reserves
Pension Adjustments	(£0.953m)	£0.953m	£0.953m	(£0.953m)

Worthing

Adjustments:	Comprehensiv e Income and Expenditure Account	Movement in Reserves Statement	Balance Sheet Net Assets	Balance Sheet Unusable Reserves
Valuation of Property Assets	£1.103m	(£1.103m)	(£1.103m)	£1.103m
Pension Adjustments	(£4.501m)	£4.501m	£4.501m	(£4.501m)

4.4 The adjustments set out above had no impact on the final outturn positions of either Worthing Borough or Adur District Council.

5. Legal Implications

- 5.1 The 2015 Accounts and Audit Regulations set out requirements in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts.
- 5.2 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, based on International Financial Reporting Standards (IFRS).
- 5.3 Part 3 of The Accounts and Audit Regulation 2015, sets out the process for signing, approval and publication of the annual Statement of Accounts for 2021/22. The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.
- 5.4 Part 5 of the 2015 Regulations sets out the "inspection and notice procedure". As required by the regulations Adur District Council and Worthing Borough Council gave notice by on the respective websites of the matters set out in paragraph (2), regulation 15 of the 2015 regulations.

Legal Officer: Joanne Lee Date:xxxxx

Background Papers

Statement of Accounts 2021/22 for Adur District Council and Worthing Borough Council - Joint Audit and Governance Committee 23rd March 2023

Officer Contact Details:-

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The External Auditor's reports are publicly available documents and as such, the findings in the report have an impact on the Councils' reputations with regard to financial Governance.





Worthing Borough Council Worthing Town Hall Chapel Road Worthing West Sussex, BN11 1HA www.adur-worthing.gov.uk

To:

Ernst & Young Grosvenor House, Grosvenor Square Southampton SO15 2BE United Kingdom

Date: 14 August 2023

Service: Finance
Tel: 01903 221221

Email: Sarah.gobey@adur-worthing.gov.uk

Worthing Borough Council – Audit for the year ended 31 March 2021

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Worthing Borough Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- We have fulfilled our responsibilities, under the relevant statutory authorities, for the
 preparation of the financial statements in accordance with the Accounts and Audit
 Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting
 in the United Kingdom 2021/22 (as amended by the Update to the Code and
 Specifications for Future Codes for Infrastructure Assets (November 2022).
- We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for

- Future Codes for Infrastructure Assets (November 2022)), and are free from material misstatement, including omissions. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls, and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected any differences identified by and brought to the attention from the auditor as they represent immaterial differences in;
 - Property, Plant and Equipment valuations due to judgemental differences in opinion between the technical experts within EY and those commissioned by Council.
 - Investment Properties valuations due to judgemental differences in opinion between the technical experts within EY and those commissioned by Council.
- 6. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange.

B. Non-compliance with law and regulations, including fraud

- We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with law and regulations, including fraud, that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle blowers"), including non-compliance matters:

- involving financial improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation
 of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
- 3. We have made available to you all minutes of the meetings of the Council, Worthing Cabinet, Joint Audit and Governance and Joint Strategic Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting of Council on 18 July 2023.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the beginning of the current period through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the Covid-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto with the exception of the Triennial valuation of the pension fund which had the effect of changing the assets and liabilities associated with the fund.

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

- 1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
- 2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022))., aligned with the communications we have made in the other information or other public communications made by us.

I. Ownership of Assets

- 1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the Balance Sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the Balance Sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Contingent Liabilities

- 1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
- We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or government authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

 Matters of routine, normal, recurring nature (e.g. examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 liability and valuation of land, buildings and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

- 1. We confirm that the significant judgments made in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of the IAS19 pension liability and the valuation of land and buildings and investment properties.
- We confirm that the significant assumptions used in making the estimate of the valuation
 of the IAS 19 pensions liability and the valuation of land and buildings, investment
 properties appropriately reflect our intent and ability to carry out these valuations on
 behalf of the entity.
- 4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
- We confirm that appropriate specialised skills or expertise has been applied in making the estimate of the valuation of the IAS19 pensions liability and the valuation of land and buildings, investment properties.
- 6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

N. Retirement benefits

 On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Sarah Gobey

Date: 14th August 2023

Signed on behalf of Worthing Borough Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee.

Name: Councillor Dan Hermitage

Position: Chairman, Joint Governance Committee

Date: 13th August 2023

Communication schedule for uncorrected misstatements Entity: Period Ended: 31-Mar-2022 Currency: Incorrected misstatements Analysis of misstatements Debit/(Credit) Liabilities Account (Note 1) Effect on the W/P ref. Assets Assets Liabilities Equity ncome statement effect Current Current Non-current Non-current current period of the current period the prior period components OCI (misstatements are recorded as journal entries with a Debit/(Credit) Debit/(Credit) Debit/(Credit) Debit/(Credit) Debit/(Credit) Debit/(Credit) Debit/(Credit) Prior period taxable description) (Note 2) (Note 2) (Note 2) (Note 2) taxable Debit/(Credit) Judgmental misstatements: estment Properties Overstated because incorrect yield used by the valuer not supported by EYRE - Interface House, Interface Park, Royal Wootton Bassett, Wiltshire r Revaluation Reserves Or Investment Properties Connaught Theatre property is overstated by £121k because 23% external cost was added by the Valuer Or Revaluation Reserves Cr Property, Plant and Equipment 22 WBC We have noted a judgmental aggregate understatement of £654,083.84 when we compare the GE to the management Specialist (WHE)'s fair value movement Dr Property, Plant and Equipment Cr Revaluation Reserves We have noted a judgmental aggregate understatement of £654,083.84 when we compare the GE to the management Specialist (WHE)'s fair value movement Dr Investment Properties 433,35 Cr Revaluation Reserves Projected misstatements: Total of uncorrected misstatements before income tax Total of uncorrected misstatements Financial statement amounts 0.0% 0.0% 0.0% Effect of uncorrected misstatements on F/S amounts 0.0% Memo: Total of non-taxable items (marked 'X' above) Uncorrected misstatements before income tax Less: Tax effect of misstatements at current year marginal rate Uncorrected misstatements in income tax Cumulative effect of uncorrected misstatements after tax but before turnaround Turnaround effect of prior period uncorrected misstatements After tax Memo: Before tax All factual and projected misstatements: Judgmental misstatements (Note 3): Cumulative effect of uncorrected misstatements, after turnaround effect Current year income before tax Current year income after tax

Agenda Item 10



Joint Audit and Governance Committee 26 September 2023 Joint Strategic Committee 03 October 2023

Key Decision : No Ward(s) Affected: All

Annual Treasury Management Report 2022-23 for Adur District Council and Worthing Borough Council

Report by the Director for Digital, Sustainability and Resources

EXECUTIVE SUMMARY

1. PURPOSE

- 1.1 The purpose of this and the other treasury management reports that are submitted during the year is to ensure that proper scrutiny is undertaken of the treasury and capital expenditure activities of the Councils and that the activities are conducted in a prudent manner in order to safeguard the financial position of the Councils.
- 1.2 Councils are required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities; and a review of performance against the prudential and treasury indicators for the year.
- 1.3 The key message arising from this report is that both Adur and Worthing Councils have complied with the approved policies and the indicators agreed prior to the start of the financial year.
- 1.4 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2022/23 as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 Recommendation One

The Joint Audit and 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 3rd October 2023.

2.2 Recommendation Two

The Joint Strategic Committee is recommended to note the annual treasury management report for 2022/23.

3. CONTEXT

3.1 Treasury Management is defined as:

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

- 3.2 This report details the treasury management activities and portfolio positions for the 2022/23 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 2022/23. 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 2022/23 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 22nd February 2022 and by Adur Council on the 24th February 2022.
 - This is followed by a mid-year review of performance against the approved strategies (JAGC 29th November 2022, JSC 6 December 2022).
 - At the year end, there is an annual report which confirms actual performance for the year (this report).
- 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 in Our Plan.

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 matters is now a requirement of the Prudential Code. To facilitate this for the 2023/34 year officers are requesting quotations and specifications from appropriate providers. Once an appropriate provider has been identified members will be notified of the plan to deliver training sessions.

5. Summary of Prudential and Treasury Indicators

During 2022/23, 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.

Adur District Council

Prudential and treasury indicators	31.3.22 Actual	2022/23	31.3.23 Actual
	£m	Projected £m	£m
Capital expenditure · Non-HRA · HRA · Total	4.293	52.997	3.487
	7.007	19.513	10.212
	11.300	72.510	13.699
Capital Financing Requirement: · Non-HRA · HRA · Total	106.971	109.582	113.826
	61.802	69.608	60.60
	168.773	179.190	174.426
Gross borrowing	(161.517)	(247.304)	(164.962)
Investments Longer than 1 year Under 1 year Total	3.208	3.025	2.684
	21.965	15.000	8.090
	25.173	18.025	10.774
Net borrowing	(136.344)	(229.279)	(154.188)

Worthing Borough Council

Prudential and treasury indicators	31.3.22 Actual £m	2022/23 Projected £m	31.3.23 Actual £m
Gross Expenditure non-HRA	26.662	29.685	57.559
Capital Financing Requirement: Non-HRA	154.870	244.191	206.875
Gross borrowing	(153.751)	(242.272)	(203.948)
Investments Longer than 1 year Under 1 year Total	1.642 32.745 34.387	4.050 17.005 21.055	2.829 31.560 34.389
Net borrowing	(119.364)	(221.217)	(169.559)

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 both capital programmes. The impacts of the Covid-19 pandemic on supply chains continued to impact on delivery lead times for vehicles and materials, with vehicle lead times now in excess of 10 months. Additionally, staffing resources, in particular for surveyors, have limited the ability to deliver projects. The "current budget" includes subsequent approvals and reprofiled budgets approved during the year.

Adur District Council Total	2021/22 Actual	2022/23 Original Budget	2022/23 Current Budget	2022/23 Actual
Capital expenditure £m	11.300	87.646	19.734	13.717
Financed in year £m	11.022	6.014	7.437	6.138
Unfinanced capital expenditure £m	0.278	81.632	12.297	7.579

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

Adur District Council General Fund	2021/22 Actual	2022/23 Original Budget	2022/23 Current Budget	2022/23 Actual
Capital expenditure £m	4.293	57.961	5.728	3.505
Financed in year £m	4.226	1.914	1.337	1.478
Unfinanced capital expenditure £m	0.067	56.047	4.391	2.027

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

Adur District Council HRA	2021/22 Actual	2022/23 Original Budget	2022/23 Current Budget	2022/23 Actual
Capital expenditure £m	7.007	29.685	14.006	10.212
Financed in year £m	6.796	4.100	6.100	4.660
Unfinanced capital expenditure £m	0.211	25.585	7.906	5.552

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 extended lead times and staff resources on the ability to deliver some projects.

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

- re-profiling of £5.880m of the 2022/23 budget into 2023/24 of which £3.794m relates to HRA developments and works to current accommodation
- a net underspend of £0.137m

Worthing Borough Council	2021/22 Actual	2022/23 Original Budget	2022/23 Current Budget	2022/23 Actual
Capital expenditure £m	26.662	91.024	61.907	57.559
Financed in year £m	7.424	6.120	5.922	3.811
Unfinanced capital expenditure £m	19.238	84.904	55.985	53.748

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 extended lead times and staff resources on the ability to deliver some projects.

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

 re-profiling of £4.215m of the 2022/23 budget into 2023/24 including £0.577m relating to the Brooklands Park Redevelopment Works, £0.582m to the Union Place Development Works, £878k to Portland Road Improvement Works

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 2022/23 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.

- 7.2 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' 2022/23 MRP Policies (as required by DLUHC Guidance), were approved as part of the Treasury Management Strategy Report for 2022/23 by Worthing Council on the 22nd February 2022 and by Adur Council on the 24th February 2022

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):	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance	168.496	192.076	168.723
Add unfinanced capital expenditure (as above)	2.591	72.510	7.579
Less MRP/VRP	(2.314)	(1.997)	(1.876)
Closing balance	168.773	256.864	174.427

Adur General Fund share of the CFR

CFR (£m): General Fund	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance	106.905	112.363	106.921
Add unfinanced capital expenditure (as above)	2.380	52.997	1.460
Less MRP/VRP	(2.314)	(1.997)	(1.876)
Closing balance	106.971	161.638	107.072

Adur HRA share of the CFR

CFR (£m): HRA	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance	61.591	79.713	61.802
Add unfinanced capital expenditure (as above)	0.211	15.513	5.552
Less MRP/VRP	0.000	0.000	0.000
Closing balance	61.802	95.226	67.354

Worthing Borough Council

CFR (£m): General Fund	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance	135.632	178.996	154.820
Add unfinanced capital expenditure (as above)	20.774	67.264	53.748
Less MRP/VRP	(1.536)	(2.169)	(1.693)
Closing balance	154.870	244.191	206.875

7.3 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 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual
CFR £m	168.773	256.864	174.427
Gross borrowing position £m	161.517	247.304	164.942
Under/(over)funding of CFR £m	7.256	9.56	9.485

Adur District Council General Fund	31 March 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual	
CFR General Fund £m	106.971	161.638	107.072	
Gross borrowing position £m	104.892 155.379		97.344	
Under/(over)funding of CFR £m	2.079	6.259	9.09	

Adur District Council HRA	31 March 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual
CFR HRA £m	61.802	95.226	67.354
Gross borrowing position £m	56.625	91.925	66.960
Under/(over)funding of CFR £m	5.177	3.301	0.39

As at 31 March 2023, for Adur District Council, the HRA was under-borrowed by £0.39m. The General Fund was under-borrowed by £9.09m. 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.

Worthing Borough Council	31 March 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual
CFR General Fund £m	154.870	244.191	206.875
Gross borrowing position £m	153.751	242.272	203.948
Under/(over)funding of CFR £m	1.119	1.919	2.927

Worthing Borough Council was under-borrowed by £2.927m at 31 March 2023. 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.

7.4 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	2022/23
Authorised limit	£253.000m
Maximum gross borrowing position during the year	£164.962m
Operational boundary	£249.000m
Average gross borrowing position	£160.648m
Commercial properties financing as a proportion of net revenue stream	(11.66)%
Other GF financing costs as a proportion of net revenue stream	9.21%
HRA Financing costs as a proportion of net revenue stream	17.02%

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.

Worthing Borough Council	2022/23
Authorised limit	£248.500m
Maximum gross borrowing position during the year	£196.038m
Operational boundary	£245.000m
Average gross borrowing position	£171.382m
Commercial properties financing as a proportion of net revenue stream	(13.75%)
Other GF financing costs as a proportion of net revenue stream	8.87%

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.

8. TREASURY POSITION AS AT 31 MARCH 2023

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 2022/23 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 31.03.23 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.22 £m	Average Rate of Return	Average Life in Years
<u>Debt Portfolio</u>						
PWLB	(140.002)	3.59%	19.00	(138.527)	2.68%	15.62
Other Borrowing	(24.939)	4.56%	24.29	(22.990)	4.30%	34.41
Total Debt	(164.952)			(161.517)		
CFR	174.427			168.773		
(Over)/under borrowing	9.485			7.256		
<u>Investments</u>						
Bonds	0.025	n/a	n/a	0.025	n/a	n/a
Property Fund	2.659*	4.04%**	n/a	3.183*	3.82%**	n/a
Long Term	0.000	n/a	n/a	0.000	n/a	n/a
Short Term	8.090	3.49%	< 1 year	21.965	0.58%	< 1 year

TOTAL INVESTMENTS	10.774		25.173	
NET DEBT	(154.178)		(136.344)	

^{*} value of units at 31 March 2023

The maturity structure of debt table below 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 2023 actual	2022/23 original limits	31 March 2022 actual
under 12 months	9%	20%	8%
12 months and within 24 months	6%	30%	5%
24 months and within 5 years	8%	50%	12%
5 years and within 10 years	20%	70%	24%
10 years and within 20 years	35%	80%	29%
20 years and within 30 years	2%	60%	1%
30 years and within 40 years	8%	60%	9%
Over 40 years	12%	45%	12%

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

	Principal at 31.03.23 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.22 £m	Average Rate of Return	Average Life in Years
<u>Debt Portfolio</u>						
PWLB	(142.423)	2.24%	19.66	(114.376)	2.01%	16.20
Other Borrowing	(61.525)	2.25%	1.42	(39.375)	0.93%	1.35
TOTAL BORROWING	(203.948)			(153.751)		
CFR	206.875			154.870		
(Over)/under borrowing	2.927			1.119		
<u>Investments</u>						
Bonds Property Fund Long Term Short Term	0.050 1.329* 1.000 18.865	n/a 4.04%** 4.70% 3.29%	n/a n/a 1.8 < 1 year	0.050 1.592* 2.500 30.245	n/a 3.54%** 1.00% 0.58%	n/a n/a 0.25 < 1 year
TOTAL INVESTMENTS	21.244		, , , ,	34.387		
NET DEBT	(169.559)			(119.364)		

^{**} return on original investment (£3m) over the financial year 2022/23

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 2023 actual	2022/23 original limits	31 March 2022 actual
under 12 months	18%	35%	15%
12 months and within 24 months	21%	35%	12%
24 months and within 5 years	18%	75%	15%
5 years and within 10 years	15%	75%	27%
10 years and within 20 years	8%	75%	14%
20 years and within 30 years	3%	75%	4%
30 years and within 40 years	9%	75%	9%
Over 40 years	8%	75%	4%

8.3 Investments held by Adur District Council at 31 March 2023:

Counterparty	Issue Date	Maturity Date	Principal	31.03.23 Interest Rate*	Long Term Rating
Lloyds Bank call account	31/03/2023	n/a	£1,150,000	4.16%	A+
Close Bros	09/08/2022	09/08/2023	£1,000,000	2.80%	A-
Close Bros	09/08/2022	09/08/2024	£1,000,000	3.20%	A-
Goldman Sachs Int. Bank	06/04/2022	06/04/2023	£2,000,000	1.96%	A+
HSBC ESG Sterling MMF	14/04/2022	n/a	£1,840,000	variable	AAAmmf
CCLA MMF	01/04/2020	n/a	£760,000	variable	AAAmmf
Black Rock MMF	15/03/2022	n/a	£340,000	variable	AAAmmf
CCLA Local Authorities Property Fund	25/04/2017	n/a	£3,000,000	variable	n/a
Boom Credit Union	06/03/2015	n/a	£25,000	n/a	n/a
TOTAL			£11,115,000		

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.

^{*} value of units at 31 March 2023

^{**} return on original investment (£1.5m) over the financial year 2022/23

8.4 Investments held by Worthing Borough Council at 31 March 2023:

Counterparty	Issue Date	Maturity Date	Principal	31.03.23 Interest Rate	Long Term Rating
Redcar and Cleveland Council	20/03/2023	05/04/2023	£5,000,000	4.30%	Gov
PCC for West Yorkshire	31/03/2023	11/03/2023	£3,000,000	4.70%	Gov
Close Brothers Limited	05/01/2023	05/01/2024	£1,000,000	4.70%	A-
Close Brothers Limited	08/09/2022	11/09/2023	£1,000,000	3.90%	A-
Goldman Sachs Int. Bank	06/04/2022	06/04/2023	£3,000,000	1.95%	A+
Standard Chartered Bank	23/05/2022	23/05/2023	£1,000,000	2.13%	A+
Lloyds Bank call account	01/04/2021	n/a	£290,000	4.16%	A+
Lloyds Bank 32 day notice	07/04/2021	n/a	£10,000	0.10%	A+
Black Rock MMF	25/03/2022	n/a	£1,880,000	variable	AAAmmf
HSBC ESG Sterling MMF	07/02/2023	n/a	£2,185,000	variable	AAAmmf
CCLA Local Authorities Property Fund	25/04/2017	n/a	£1,500,000	variable	n/a
Boom Credit Union	06/03/2015	n/a	£50,000	n/a	n/a
TOTAL			£19,915,000		

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 £97k in 2022/23 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 2022/23

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.

The UK Economy

The easing of Covid 19 restrictions in most developed economies, the Russian invasion of Ukraine and UK Government policies to support household spending have all occurred against a backdrop of stubborn inflationary pressures. It is therefore of no surprise that over the course of the 2022/23 year UK interest rates have been volatile across the board.

Unemployment remained low across the year, and wage growth began to feature towards the end of the year, caused by employers choosing to award pay rises to retain staff, faced with the reality of a low labour supply which is hampering recruitment efforts. In economic terms the labour market can be described as extraordinarily tight. This upward trend in wages risks supporting domestic inflation in the coming year.

In response the Bank of England increased its base rate from 0.75% to 4.25% at successive meetings across the 2022/23 year.

Market commentators' have shown misplaced optimism at times around inflation. As such there were surprise upsides in data releases, this has been the root cause of upward pressures in bond markets internationally. UK, Eurozone and US 10-year bond yields have all risen by over 200 basis points across the 2022 year.

Both Councils take a cautious and prudent approach to investing, which historically has served their portfolios well. This approach continues to bear out in the current strategy, investing only with highly rated institutions and diversifying to ensure that significant reliance is not placed on any single institution.

The approach of keeping investment to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. Shields the Councils from 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 2022/23, both Councils maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry generally remained in place 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. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, owing to the repayment of excess grant funds received during the pandemic, both Councils have experienced a reduction in cash balances available to implement this strategy in the 2022/23 year. As with all elements of the treasury strategy, this policy is adaptive and remains under ongoing review to control the risk of both authorities being exposed to a higher market rate on refinancing the maturing debt.

- 9.3 Against this background and the risks within the economic forecast, significant were presented to treasury operations. The Chief Financial Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy to manage interest rate risks. The strategy is underpinned by two fundamental options:
 - Where it was felt that there was a significant risk of a sharp **fall** in long and short-term rates, (e.g a marked increase of risk indicators of a recession or indicators of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would be considered.
 - Where it was felt that there was a significant risk of a much sharper rise in the long and short-term rates than initially expected, perhaps arising from an acceleration in inflationary pressures and a rise in central bank rates in the UK, 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 were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. As at 31 March 2023 the CPI measure of inflation is still above 10% in the UK and was forecast to fall back to around 4% across the 2023/24 year.
- 9.5 The below tables show two variants of the interest rate forecast supplied by Link Group, the appointed treasury advisors for both Councils. The first table is the forecast used to inform Annual Treasury Management Strategy Statement 2022/23 from, and the second is the final forecast received in the 2022/23 financial year. The stark difference between the two forecasts in the short and medium term are an indicator of the severity of changes in economic conditions across the year.

Link Group Interest Ra	te View	20.12.21												
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave eamings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

PWLB rates are based on gilt (UK Government bonds) yields through HM 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. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned 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.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been on a continual rise since the start of the year and peaked in year in the autumn of 2022. At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18% (31 March 2022 1.11% - 1.84%) with the 1 year being the highest and 6-7.5 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing relevant to the 2022/23 year 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)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

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	£2m	Albion Street	5.06%	04/10/2038
PWLB	£3m	Albion Street	5.05%	04/10/2039
PWLB	£1m	HRA Refinancing	4.36%	08/11/2038
PWLB	£1m	HRA Refinancing	3.99%	22/11/2024
PWLB	£1m	HRA Refinancing	4.52%	21/10/2024

Halton BC	£1m	HRA Refinancing	1.90%	20/06/2024
North Herts DC	£1m	GF Refinancing	4.25%	20/06/2023
West Midlands Combined Authority	£3m	GF Refinancing	4.00%	14/02/2024
West Midlands Combined Authority	£2m	GF Refinancing	4.75%	12/03/2024

Worthing Borough Council

Lender	Principal	Purpose of Loan	Interest Rate	Maturity
PWLB	£2m	WICC	2.50%	09/08/2031
PWLB	£5m	WICC	3.82%	13/09/2072
PWLB	£5m	Southern House	4.00%	21/09/2067
PWLB	£5m	Southern House	4.05%	21/09/2062
PWLB	£5m	Southern House	5.12%	04/10/2034
PWLB	£7m	southern House	4.77%	07/10/2072
PWLB	£5m	WICC	4.52%	21/10/2024
North Herts DC	£5m	Refinancing	3.90%	17/08/2023
The Vale of Glamorgan	£2m	WICC	2.45%	29/09/2023
Wigan Metropolitan BC	£5m	Refinancing	4.50%	24/04/2023
West Midlands Combined Authority	£2m	Refinancing	2.25%	29/09/2023
West Midlands Combined Authority	£6m	Refinancing	4.00%	14/02/2024
Cornwall Council	£5m	WICC	5.00%	05/12/2025
Gloucestershire CC	£5m	Refinancing	1.70%	05/07/2024
Oxford County Council	£5m	Refinancing	3.45%	21/11/2025
Great Yarmouth BC	£3m	Refinancing	0.30%	18/04/2024
West Sussex Credit Union	£1.25m	Refinancing	3.80%	02/02/2024

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 2023	31 March 2022
General Fund Balances	(1.051)	(8.794)
HRA Balances	(1.079)	(9.332)
Earmarked reserves	(3.750)	(4.447)
Provisions	(0.862)	(0.862)
Usable capital receipts & grants	(4.027)	(4.271)
Total	(27.706)	(27.706)

Worthing Borough Council

Balance Sheet Resources (£m)	31 March 2023	31 March 2022
Balances	(1.347)	(4.055)
Earmarked reserves	(5.502)	(7.146)
Provisions	(0.832)	(0.832)
Usable capital receipts & grants	(14.668)	(7.697)
Total	(22.349)	(19.730)

11.3 Investments held by the Councils

Both Councils recorded investment income above the budgets, mainly due unprecedented interest rate rises which benefited investment markets. This resulted in higher than forecast investment returns.

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 2.24%.

Adur District Council:

Adur District Council maintained an average balance of £15.038m of internally managed short term investments, which earned an average rate of return of 1.77% and an average balance of £1.753m of long term investments, which earned an average rate of 1.52%. This excludes the £3m investment in the Local Authorities' Property Fund, which returned an average dividend rate of 3.84%.

The treasury investment returns included in the reported income of Adur Council for 2022/23 exceeded the General Fund and HRA budgets by £223k, due in large part to the acceleration of interest rates during the year. The Council's policy of holding more liquid investments during this time enabled Adur to realise the changes in interest rates more quickly than if investments were longer term.

The Council also made a saving of £219k against the budget on the interest payments on borrowing due careful management of cash flow resources and borrowing decisions. This was also aided by the reprofiling of capital expenditure as detailed earlier in the report.

Worthing Borough Council:

Worthing Borough Council maintained an average balance of £27.188m of internally managed short term investments, which earned an average rate of return of 1.99% and a long term investment of £0.788m which earned 3.34%. 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 £97k;
- the investment in the Local Authorities' Property Fund, which earned an average dividend rate of 3.84%.

The treasury investment returns included in the reported income of Worthing Borough Council for 2022/23 exceeded the General Fund budget by £508k, due in large part to the acceleration of interest rates during the year. The Council's policy of holding more liquid investments during this time enabled Worthing to realise the changes in interest rates more quickly than if investments were longer term. Due to the alphabetical nature of Covid related grant reconciliations Worthing held balances in relation to these for longer than Adur, which also benefited investment return.

The Council also made a saving of £77k against the budget on the interest payments on borrowing due careful management of cash flow resources and borrowing decisions. This was also aided by the reprofiling of capital expenditure as detailed earlier in the report.

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 2022/23 an amount of £1.876m 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 2023 was £20k. No voluntary amount has been set aside for the HRA.
- 12.3 For 2022/23 an amount of £1.693m 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 £310k.

13. CURRENT PERIOD TREASURY MATTERS

- 13.1 In previous years, 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 were 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 periods of short term excess liquidity. The funds could only be invested for short periods of time at lower interest rates than would be available were the timing of repayment more certain.
- 13.2 Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. 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. The only investment held by each Council relevant to this override is the CCLA Local Authorities Property Fund.

14 The Economy and Interest Rates - Economic Summary Provided by Link Group (Treasury Management Advisors)

UK Economy

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200 bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extraordinarily tight, making it an issue of fine judgement as to how far monetary policy needs to tighten.

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period.

That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%. In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror. As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

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 2022, 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 2022/23.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2022/23 to 2024/25 – Joint Governance Committee 25 January 2022, Joint Strategic Committee 8 February 2022, Worthing Council 22 February 2022, Adur Council 24 February 2022

Joint Mid-Year Treasury Management Review 2022/23 – Joint Governance Committee, 29 November 2022 and Joint Strategic Committee, 6 December 2022

Link Asset Services Annual Report Template 2022/23

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

Officer Contact Details:-

Joel Goacher Group Accountant (Strategic Finance) 01903 221236 joel.goacher@adur-worthing.gov.uk

SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

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

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

- 4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the 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 2022/23 2024/25, submitted and approved before the commencement of the 2022/23 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.



Agenda Item 11



Joint Audit and Governance Committee 26 September 2023

Key Decision No

Ward(s) Affected:

Organisational design and capability building - progress update

Report by the Chief Executive Officer

Officer Contact Details

Catherine Howe,
Chief Executive
catherine.howe@adur-worthing.gov.uk

1. Purpose

- 1.1. In 2022 the Chief Executive, the Corporate Leadership Team and the wider staff leadership team worked collaboratively together in order to design a new corporate plan for the organisation. This plan, which has come to be known as 'Our Plan', was agreed and adopted at the Joint Strategic Committee and both Councils in October 2022 and was launched to staff over the course of November 2022.
- **1.2.** As part of the implementation of Our Plan we have adopted a new operating model for the organisation which seeks to embody the three underpinning principles of Our Plan: participative, adaptive and resilient.
- **1.3.** Leadership design is a key element of any operating model and following adoption of the plan we have undertaken a redesign of the senior management team to strengthen corporate leadership capacity and support further redesign work across the organisation.

- **1.4.** The redesign process of the senior management team has reduced the cost of the most senior management layers of the organisation (250k), preserving frontline services.
- 1.5. Under the Councils' Constitutions, the Chief Executive Officer is to report to Full Councils (from time to time) on the overall departmental structure of the Councils, showing the management structure and the deployment of Officers. This paper outlines the progress made with regard to these organisational changes, describing the reshaping of the senior management team, including the organisation, management, number and grades of senior staff and their associated functions.
- **1.6.** The report also sets out the next stages of the councils work in reshaping our organisational design and structures, building in increased ability to prioritise, plan, innovate, engage and deliver.

2. Recommendations

- **2.1.** To note the progress made by the Chief Executive in undertaking the organisational design changes outlined in this report.
- **2.2.** To note the structure of the new senior leadership team, including the organisation, management, number and grades of senior staff and their associated functions.
- **2.3.** To note the ongoing work of reshaping the organisation, changing the way the councils work and improving the delivery of corporate priorities.
- **2.4.** In compliance with the Councils' Constitutions recommend to both Full Councils to note the overall departmental structure of the Councils, the management structure and the deployment of Officers.

3. Context

3.1. Background

- 3.1.1. On 2007 Adur and Worthing Councils came together in a groundbreaking delivery partnership that has helped both councils improve services and deliver savings. The partnership is designed to preserve the sovereignty of each elected body while maximising the ability to share delivery resources and staff under the leadership of a shared Head of Paid Service the Chief Executive.
- 3.1.2. In 2022 the Chief Executive, the Corporate Leadership Team and the wider leadership team worked collaboratively in order to design a new corporate plan for the organisation. This plan, which has come to be known as 'Our Plan', was agreed and adopted at the Joint Strategic Committee and both Councils in October 2022 and was launched to staff over the course of November 2022. Our Plan is there to help the councils prioritise and deliver their work while creating the right culture and environment for staff. It is also intended to help the councils navigate the complexity of being one workforce supporting two different administrations in the most effective way possible. The plan also informs the budget setting work of both councils and directs the overall organisational service planning and performance management.

As part of the implementation of Our Plan the councils have adopted a new operating model for the organisation which seeks to embody the three underpinning principles of Our Plan: participative, adaptive and resilient. Strong and appropriate leadership design is a key element of any operating model and following adoption of the plan the Chief Executive has undertaken a redesign of the senior management team to strengthen corporate leadership capacity and support further and deeper redesign work across the organisation. As part of the 2022/23 budget plans the redesign process of the senior management team has in addition reduced the cost of the most senior management layers of the organisation (250k) and in so doing helped preserve frontline services.

- 3.1.3 It is important to note that a complete organisational review has not been carried out since the partnership came together, since which time many incremental changes have been made to roles and structures.
- 3.1.4 The changes to the senior management team outlined in this report will enable the organisation to undertake a process of transformation,

Allowing the councils to create capacity for change and innovation and through this be able to better deliver the policy objectives of both Councils.

4 Issues for Consideration

The New High Level Leadership Design

- 4.1 In January 2023 the Chief Executive commenced a consultation exercise with senior staff setting out the need for change: to deliver both the new operating model and the required savings. The existing Corporate Leadership Team was identified as being too small, with mission critical functions such as legal and finance sitting outside of the group. Inconsistencies regarding the span of the Head of Service roles and accountabilities throughout the senior management team were also identified as needing clarification and review. Further outcomes sought from the redesign included:
 - Adjusting the current directorate boundaries in order to organise around the mission themes described in Our Plan;
 - Ensuring the councils have core and foundational services represented in our Corporate Leadership Team;
 - Clarity of leadership for our matrix managed functions (such as participation), which is a key element of our new operating model.
- 4.2 Details of the posts affected and the revised organisational structure following completion of the consultation process, including the organisation, discharge and coordination of functions, the number and grades of staff are provided for Members in Appendix 1.
- 4.3 Upon completion of the internal consultation and recruitment process, 3
 Assistant Director and 2 Head of Service Posts posts were vacant and it was agreed to externally recruit to these posts with the support of a specialist recruitment agency (Osborne Thomas). The vacant posts were as follows:
 - Assistant Director Housing, Homelessness and Prevention
 - Assistant Director for People and Change
 - Assistant Director for Regenerative Development
 - Head of Technology and Design
 - Head of Resident Services

With the announcement of Sarah's Gobey's retirement a replacement for the Assistant Director for Finance (Chief Finance Officer) was added to the process.

- 4.4 The recruitment process (following the requirements of both Constitutions) has been very successful and the councils have been able to both develop some exceptional internal candidates, as well as attract outstanding new talent to the organisation:
 - **Emma Thomas** (previously the Chief Accountant) has been appointed the Assistant Director for Finance,
 - Noel Hutch (Head of Policy Design, Scrutiny & Partnerships at the London Borough of Newham) has been appointed the Assistant Director for People and Change
 - Chris Maughan (formally Head of Strategic Policy and Projects
 Department for Levelling Up) has been appointed Assistant Director for
 Regenerative Development.
 - Rob Jarvis (Head of Housing and Community Services at Horsham District Council) has been appointed Head of Housing and Homelessness.
 - Tracey Strutt (Head of Customer Service, Business Support and Operations Office) has been appointed Head of Resident Services.
 - Adam Saunders (previously the Interim ICT & Digital Services Manager) has been appointed Head of Technology & Design.

Next Stages

- 4.6 Having established the new leadership design, work will now begin on deeper and further change across the organisation. This work will be undertaken incrementally and at a pace that is financially and organisationally sustainable:
 - The next stage will be to reshape the organisation to reflect both the budget setting process and the needs of the new Corporate Plan. This phase will be about responding to our budget challenges by looking at the organisational design as a whole rather than 'salami slicing'.
 - Future phases, will be concerned with working incrementally with staff to deliver future design changes as we develop the delivery of Our Plan.
- 4.7 Our Plan reflects the impact and learning from pandemic and the cost of living crisis in a number of ways by:
 - Seeking to ensure we put staff wellbeing and organisational resilience at the heart of what we do

- Further developing our work with communities especially those who are vulnerable and excluded - removing organisational barriers that make it difficult for us to be an effective partner
- Building into our structures the capacity to adapt and change treating change as a constant, rather than something that happens intermittently
- Harnessing creativity and building resilience by embedding the use of multidisciplinary teams and receding silo working.

This learning has been distilled in Our Plan into three principles that will be used to guide future service design work:

- Resilience: We will be resilient, making the best of limited resources and investing in our people.
- Adaptable: We will be adaptable: this means fixing the basics while finding innovative ways to meet changing needs effectively.
- Participative: We will make participation central to how we work, putting people at the heart of decision making and delivery both internally (staff) and externally (our communities, working alongside our elected representatives).
- 4.8 The transformation journey will be made over time and will be supported by a number priority areas:
 - Increased focus on Technology & Design is central to our ability to deliver change. We have made good progress but there is more to be done and the increased leadership capacity around this important area created through the restructure will support this.
 - In order to improve our approach to delivery and change more widely, we are developing a Project Management and Planning function (called 'Mission Control') to manage work in progress across the councils, to forward plan our resources and improve the use of data and performance to track progress.
 - To embed participation, internally and externally we are creating new leadership and delivery capacity in this area. This approach includes the development of the Communication function into Communication and Engagement function to create a stronger connection with our participation work and deliver changes to support the different needs of the two councils. As part of this we are bringing together internal and external engagement so that we can share skills and tools across both staff and community conversations.

 We have redesigned our HR function, now called the 'People Function' to improve our employee experience across the organisation and grow people capabilities within each service. Investment has also been made in organisational development to support change, improve design capabilities and embed behaviours and attitudes required to make our principles meaningful.

4. Engagement and Communication

The senior management team, staff and members have participated in the design and creation of Our Plan. Staff affected by the high level leadership design process were carefully consulted and members have been involved, as required by both Councils Constitutions, with the appointment of the vacant Assistant Director and Head of Service posts.

5. Financial Implications

5.1 The senior leadership redesign process has delivered the £250,000 savings identified in the 2022/23 budget, approved by Adur and Worthing Councils. The recruitment costs have been funded from the Councils' contingency budgets. Savings have been obtained through vacancy control and by undertaking the search and recruitment of all 6 senior posts at the same time.

Finance Officer:Emma Thomas Date: 15/09/2023

6. Legal Implications

- 6.1 The Corporate Plan forms part of each council's policy framework, which means any decisions of Committees or officers need to be consistent with the Plan. The adoption of a corporate plan assists the councils to deliver their shared and different priorities, whilst also helping them in the effective prioritisation of resources. The delivery of the plan through each councils' individual actions and in collaboration with each other, through the shared partnership agreement, will enable them to both deliver their distinct ambitions, whilst also complying with best value duty under the Local Government Act 1999.
- 6.2 Article 11 of each Council's Constitutions requires the Chief Executive Officer to Report on the matters contained in this Report.

Officer: Joanne Lee Date: 01/09/2023

Background Papers

- Our Plan -The New Corporate Plan for Adur and Worthing Councils
- Recruitment process for the Chief Financial Officer (Assistant Director for Finance and Section 151 Officer)

Officer Contact Details

Richard Tuset Strategy, Policy and Performance Manager richard.tuset@adur-worthing.gov.uk

Sustainability & Risk Assessment

Matter considered and no issues identified.

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

 An equality impact assessment was undertaken as part of the staff consultation process to ensure the process did not disproportionately affect staff members with protected characteristics.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

The activities undertaken should help the Councils in their work to advance and protect Human Rights. For example, it is hoped that through ongoing improvements to our delivery arrangements the Councils will be able accelerate and improve their work in enabling our residents, communities and places to thrive.

3. Environmental

Matter considered and no issues identified

4. Governance

Matter considered and no issues identified

Appendix 1

Old Establishment

Post	Grade
Chief Financial Officer	13
Head of Legal Services	13
Head of Customer & Digital	13
Head of Revenues & Benefits	13
Head of Housing	13
Head of Environmental Services	13
Head of Major Projects & Investments	12
Head of Planning & Development	12
Head of Place & Economy	12
Head of Facilities & Technical Services	12
Housing Transformation Programme Manager	11
Head of Wellbeing	11
Head of Human Resources	10
Head of Communications	10
Total Number of Posts	14

New Establishment and Structure

Post	Grade	Member of CLT	
Assistant Director - Operations & Sustainability	14	Yes	
Assistant Director - Finance	13	Yes	
Assistant Director - Legal Services and Democratic	emocratic		
Services	13	Yes	
Assistant Director - People & Change	13	Yes	
Assistant Director - Place & Economy	13	Yes	
Assistant Director - Regenerative Development	13	Yes	
Assistant Director - Housing, Homelessness & Prevention	13	Yes	
Head of Resident Services	12		
Head of Technology	12		
Head of Community Capacity & Resilience	12		
Head of Planning & Development	12		
Head of Place	11		
Head of Property Services	12		
Total Number of Posts	13		

Membership of the Corporate Leadership Team

Chief Executive

Director for Place
Director for Housing and Communities
Director for Sustainability and Resources

Assistant Director - Operations & Sustainability

Assistant Director - Finance

Assistant Director - Legal Services and Democratic Services

Assistant Director - People & Change

Assistant Director - Place & Economy

Assistant Director - Regenerative Development

Assistant Director - Housing, Homelessness & Prevention

See organisational chart for more information.





Adur & Worthing Councils, Worthing Town Hall, Chapel Road, Worthing, West Sussex, **BN11 1HA**

01903 239999 www.adur-worthing.gov.uk



Dr Catherine Howe Chief Executive (CLT)



Director for Place (CLT)

Assistant Director Place & Economy (CLT)



Andy Willems

- Economic Investment (LEP) Growth Deal / City Region
- Economic Development Inward Investment & Business Retention
- · Place Shaping, Urban Realm & Town Centre Management
- Skills & Enterprise
- Business Engagement & Partnerships
- BID (Business Improvement District) Levv
- External Funding
- Visitors & Events
- Commercial Development
- Parks & Open Spaces
- Engineering
- Coastal Monitoring
- Concessions Foreshore
- Worthing Pier

Head of Place



Fiona Burn

Parks & Foreshore

• Worthing's Creative

Hub, Colonnade

House

- Events & Markets • Public Realm
- Town Centres & Neighbourhood
 - (incl. maintenance)
 - management (incl. security, porters, pool cars)
 - Facilities Management (Worthing Town Hall, Portland
 - Housing Estate Regeneration Projects

Regenerative **Development (CLT)**



Chris Maughan

- Major Regeneration
- Property
- Building Surveying
- Facilities
- House)
- Development
- Asset Management

Assistant Director



- Estates & Property

- Housing

Head of **Planning**



James Appleton

- Planning Policy Major Planning
 - **Applications** Development
 - Management
 - Building Control Land Charges
 - Local Land & Property Gazetteer (LLPG)
 - Street Naming & Numbering
 - Fire Safety Advisory Services
 - Flood Defence (Strategic Flood Risk Assessments)

Housing Homelessness & Prevention (CLT)

Assistant Director



Rob Jarvis

- Housing Solutions
 - Housing Need & Homelessness
 - Housing Business Support
 - Housing Tenancy Services
 - (Adur Homes) · Housing Leasehold Services
 - (Adur Homes) Building Services
 - (Adur Homes) · Housing Repairs &
 - Maintenance (Adur Homes) Housing Systems &
 - Support Private Sector Housing
 - Disabled Facilities Grants
 - Community Alarm Housing Major

Works

Head of Community, Capacity & Resilience



Paula Doherty

- Health & Wellbeing Safer Communities
- Third Sector &
- Partnerships Places &
- Neighbourhoods Safeguarding
- Digital & financial inclusion
- Employability Social Prescribing

Tina Favier

Director for Housing & Communities (CLT)

- NNDR (National Non-Domestic
- Customer Service
- Proactive



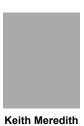
Tracey Strutt

Council Tax & Rates)

Head of

Resident Services

- Benefits
- · Customer Insight
- Business Support
- - Reprographics



Head of

Property Services

- · Building services Asset Management repairs and
- maintenance
- Compliance management
- Void Management



Emma Thomas

Assistant Director

Finance (CLT)

- Management & Technical Accounting
- Strategic Accounting:
- Treasury management
- Insurances Capital
- programme management and accounting
- Taxation advice • Exchequer &
- Fraud: Cashiers
- income Payroll
- · Payments and
- Corporate Fraud Internal Audit



Assistant Director

Legal & Democratic

Services (CLT)

Joanne Lee

- · Legal: • Monitoring Officer Function
- Projects & Governance
- Litigation & Regulatory
- Property Information
- Governance · Electoral Services
- Democratic Procurement &
- Contracts Scrutiny



Sustainability (CLT)

Jan Jonker

Paul Brewer

- Carbon reduction • Climate change & adaptation
 - Nature restoration & biodiversity
 - Recycling & Refuse Commercial Waste
 - Street Cleansing
 - Fleet Management Bereavement Services
 - Public Health & Regulation (Environmental Health, Licensing)
 - Parking Services Emergency

Planning

Safety

· Business Continuity Corporate Health &



Head of **Assistant Director** Technology People & Change & Design (CLT)



Digital

Transformation

• Systems Support &

· Service Design

Development

Management

Information

Security

Systems (MIS),

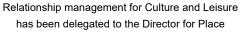
Data & Information

Adam Saunders Noel Hutch

- · People (HR):
 - Strategic HR Partnering
- Employee Relations
- Employee Resourcing
- Employee
- Organisational

Learning &

- development · Cultural change
- Organisational Performance & Effectiveness
- Communications & Engagement:
 - Press & Media Relations Social Media
 - Content Development Branding
- Mission Control. Participation & Policy and Strategy



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Agenda Item 12



Joint Audit and Governance Committee 26th September 2023

Ward(s) Affected: All

MOVEit Cyber Breach

Report by the Director for Sustainability & Resources

Officer Contact Details

Name: Paul Brewer

Role: Director of Sustainability and Resources

Telephone: 07881323471

Email: paul.brewer@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. This report aims to provide the Joint Audit and Governance Committee with a comprehensive overview of the MOVEit cyber attack and subsequent data breach by Rundles and Jacobs that occurred in May 2023.
- **1.2.** This report aims to analyse the incidents, the implications, and the investigations taken by Adur and Worthing Councils. Additionally, it will outline the measures implemented by our suppliers to address the breaches and mitigate the risk of similar incidents in the future.

2. Recommendations

2.1. The Joint Governance Committee is asked to consider the contents of this report, review and approve the actions taken by Officers and note the remaining contents of this report.

3. Context

3.1. Key Suppliers

- 3.1.1. MOVEit is a professionally developed managed file transfer software created by Ipswitch, Inc. Its primary function is to facilitate secure and encrypted file transfers by utilising robust File Transfer Protocols. MOVEit offers comprehensive features such as automation, analytics, and failover options, ensuring reliable and efficient data transfers.
- 3.1.2. **Progress** The company name that supplies and supports the MOVEit software.
- 3.1.3. **ONS** Office for National Statistics
- 3.1.4. **Rundles & Co Ltd** Debt collection agency used by Adur and Worthing Revenues and Benefits Team.
- 3.1.5. **Jacobs Enforcement** Debt collection agency, used by Adur and Worthing parking services team.
- 3.1.6. **Adare Sec -** This print supplier is contracted with Rundles and Jacobs and was impacted by the MOVEit cyber attack.

3.2. Background

- 3.2.1. On the 31st of May 2023, a Zero-day major vulnerability was discovered in the MOVEit software platform that could allow an unauthorised third party to access the MOVEit Transfer's database.
- 3.2.2. Adur & Worthing Councils do not have any MOVEit Transfer databases, and none of our internally hosted systems are associated with the MOVEit software. Therefore, our systems were unaffected by the discovered vulnerability. We can confirm that our servers and applications have been thoroughly assessed, and no further action is required at this time by the Digital team.
- 3.2.3. Adur and Worthing Councils are the data controllers and Rundles & Co Ltd and Jacobs Enforcement are the data processors, (they process the Councils' data under a contract).

3.2.4. The UK GDPR defines these relationships as follows:-

Controller - the natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of processing personal data.

Processor - the natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller. **Sub processors** - A data subprocessor is a data processor handling data on behalf of a company that is also acting as a data processor. Acting as a subprocessor, the company will have or potentially will get access to the personal data of the data controller's customers.

3.3. Nature of the breaches

- 3.3.1. Adare Sec as a print supplier, has a contract with Progress and uses the MOVEit software as a means to transfer files between themselves and multiple other suppliers.
- 3.3.2. They are the contracted print supplier for both Rundles and Jacobs and therefore sub processors. The Councils' do not have a contract with Adare Sec.
- 3.3.3. Upon discovering the vulnerability, Adare Sec promptly implemented containment measures with the supplier Progress by temporarily taking the MOVEit server offline. Their security team then worked to resolve the situation and address any related issues. The MOVEit service was safely restored after successful remediation on Sunday, June 4 2023.
- 3.3.4. When Adare Sec became aware of the vulnerability (31st May) and took the service offline (4th June), they became aware during forensic investigations that a cyber attack had indeed compromised some of the data within the MOVEit database. This contained some Adur and Worthing Council data.

3.4. Rundles & Co Ltd

- 3.4.1. Rundles uses MOVEit to send data to Adare Sec, a contracted print supplier for Rundles' debt collection activities.
- 3.4.2. An official letter was received by Rundles on the 8th June 2023 confirming the date of when they had transmitted via MOVEit had been compromised.

Adare have confirmed that this impacts files we transferred to them for processing on Wednesday 31st May and PDF archives of letters printed between Tuesday 23rd and Tuesday 30th May. The data files in question hold information used to generate the letters that form part of our collection activity and therefore contain customer names, addresses, debt types and amounts of debt owed.

Impact

3.4.3. The compromised data files primarily contain customer information, including names, addresses, debt types, and amounts. The breach has affected 20 customers in Adur, with 20 letters impacted, and 59 customers in Worthing, with 60 letters impacted.

Response

3.4.4. Rundles confirmed that it is only Adare's systems which had been affected by exploitation of the MOVEit vulnerability, and Rundles systems were unaffected. They confirmed that they do not use the breached software anywhere else in the supply chain and do not use it internally.

3.5. Jacobs Enforcement Agents

- 3.5.1. Jacobs contracts with Adare Sec, a contracted print supplier for Jacobs' debt collection activities. Jacobs confirm that they do not use MOVEit.
- 3.5.2. Jacobs were notified by Adare Sec of a vulnerability which had resulted in unauthorised access by a Third Party. This was part of the same cyber incident which has occurred globally and relates to MOVEit managed file transfer software.

Impact

3.5.3. As a result of the breach, data about Jacobs Returns** has been compromised. This report includes Jacobs Reference, Data Subject Name, Address, and Return code reason. In Adur, one record of Jacobs Returns has been impacted, while in Worthing, four records have been affected.

^{**} Jacobs Returns is where the post has been returned to Adare Sec having been through the postal system and returned as "gone away, addressee gone away, undeliverable". The data in this report includes Jacobs Reference, Data Subject Name, Address, and Return code reason.

3.5.4. Adare sec print and post letters to customers on behalf of Jacobs. They operate with Adare by producing the letter from their system and issuing a file that contains PDF letters to print. This is placed on the secure file transfer protocol (SFTP), which Adare Sec has configured to auto-delete the files within seven days provided to them from the SFTP upon receipt. This ensures data is not exposed to elevated risk. Adare Sec then prints and posts letters from the file to customers.

Response

- 3.5.5. Below is the official response from Jacobs and confirms actions taken by Jacobs to mitigate risks in the future.
- 3.5.5.1. Adare Sec issued two reports to Jacobs, which contain minimal data with Adare Sec using MOVEit software to place the file on the SFTP automatically. It was the MOVEit software that was compromised and not the SFTP.
- 3.5.5.2. The first report is where their system advises the address is incorrect at the point of posting, with the report containing just the name and incorrect address.
- 3.5.5.3. The second report is where the post has been issued through the postal system but has been returned as "Addressee has gone away". This report contains the account reference, name, incorrect address, and addressee gone away return code.
- 3.5.5.4. These reports are placed on the SFTP and were configured to be auto-deleted by Adare Sec after 7-days as the data contained within them made the risk of identifying an individual extremely low. However, since the incident we now auto-delete files returned back to Jacobs from Adare immediately on receipt.
- 3.5.5.5. We confirm that the file did not contain other data to enable the easy identification of an individual e.g., debt amounts, the council we are acting on behalf of, the reason for the notice. The files do not make any reference to Jacobs making the account reference number meaningless to a third party with the incorrect address listed against the individual removing the risk of identifying that person.

3.6. ONS

3.6.1. A monthly export is sent to ONS by our Revenues and Benefits team, this is completed using the web version of MOVEit.

- 3.6.2. The Office for National Statistics, which relies on MOVEit to receive our monthly data set from Adur and Worthing Councils, has not experienced any compromise to their files. These files primarily contain names and addresses only.
- 3.6.3. A formal letter from ONS was received on the 6th June 2023 confirming the MOVEit vulnerability, investigation actions taken and forensic data confirming that no ONS data had been compromised for any customers and that the ONS security team confirmed that they were satisfied in view of this that MOVEit was safe to use.

4. Risk

- **4.1.** The Councils received risk assessments from Rundles, Jacobs and also Adare Sec, together with forensic reports. Additionally, the Councils have completed their own risk assessments to demonstrate integrity, accountability and transparency.
- 4.2. A comprehensive risk assessment was conducted to evaluate potential risks to the rights and freedoms of affected data subjects, primarily customers but also risks to the Councils' data. This assessment was performed in accordance with the Data Protection Act 2018/UK GDPR and aligns with the guidance issued by the Information Commissioner's Office.
- **4.3.** Several factors were considered including the number of records, the number of data subjects, the sensitivity of the data, any potential impact on customers, and the likelihood of risk to the human rights and freedoms of any customers that may be affected. This can be seen in the table below at 4.6
- 4.4. There were also several factors considered within the risk assessment that was required to be answered by each data processor on behalf of the Councils, these included containment and mitigation measures that they each took upon discovery of the incident and their investigation. A data processor must cooperate and comply with their contractual obligations to the Councils, which includes cooperation with investigations and any corrective or investigative powers imposed by the Information Commissioner's Office. This is because an individual can also bring a claim directly against a processor and a data controller in court. A processor can be held liable under Article 82 UK GDPR to pay compensation for any damage caused by processing (including non-material damage such as distress). Processors will only be liable for the damage if they have failed to comply with UK GDPR provisions specifically relating to processors; or if a processor has

- acted without the controller's lawful instructions or against those instructions. Processors will not be liable if they can prove that they are not in any way responsible for the event giving rise to the damage.
- 4.5. Adur and Worthing Councils' carefully considered the incident. In the interests of transparency, the possibility of adverse reputational damages and accountability principle, the Data Protection Officer decided to report the incident concerning Rundles to the Information Commissioner's Office as a data breach within the statutory 72 hour timeframe. It is important that the Councils demonstrate their commitment to data protection and uphold the high standards and integrity of Adur and Worthing Councils.
- **4.6.** The risk assessment scores for each supplier (data processor) are as follows:-

Risk scoring matrix						
	0	1	2	3	4	5
A. Number of records	0	<500	501-1000	1001-5000	5001-10 000	>10 000
B. Number of data subjects	0	<100	101-200	201-500	501-1000	>1000
C. Sensitivity of data	No personal data	Email only/affiliation /nuisance	Name/addres s/phone number/ membership nr/etc.	Financial details	Special category personal data/vulnerab le adults/childre n	National security/terro rism/risk of physical harm
D. Potential impact	No personal data	No impact at	No impact - not sensitive info	Little impact: No claim of harm/distress - sensitive info	Claim of harm/distress - sensitive info	Actual/likely harm/distress suffered
E. Likely risk to Human Rights & Freedoms	No personal data	No impact at	Highly unlikely	Unlikely	May be likely - unsure	Yes

	Α	В	С	D	E
Calculator:	1	1	2	2	2

Formula A+B+C+D+E /9

4.7. **Jacobs - Score 1.78**

On 16 June 2023, Officers met with Jacobs and asked for a CSV file of the compromised data and also the forensic investigations from Adare Sec, all of which was provided. Jacobs emailed the CSV file of the 5 data subjects who were affected. These customers have gone away and therefore we did not write to notify them since we do not hold forwarding addresses for them.

Digital Officers asked for certainty on how can the Council be sure that the data is now secured and what assurances can be provided. Jacobs advised that the files are on auto delete which is controlled by Jacobs and most sensitive data disappears. Jacobs confirm that they are currently using a rolled back safe version of Adare Sec. Given the number of customers affected is low and that we are unable to contact them, and considering there is an unlikely risk to their rights and freedoms.

Confirmation was received from Adare Sec that no further cases were reported and as a result, Jacobs closed their investigation on 3 August 2023 and reported this to the Council.

RUNDLES SCORE 3.22

	А	В	С	D	E
Calculator:	1	1	3	4	4

4.8. Rundles - score 3.22-

The risk was assessed as a medium to high risk considering the details within the breach contain the customers name, address, amount and type of debt. A scammer could easily replicate and use these details to demand money fraudulently to vulnerable customers. Based on this risk assessment, the Data Protection Officer reported this breach to the Information Commissioners' Office (ICO) for both Adur and Worthing accounts. This was made as an initial report on the basis further details would be added at a later date.

At the time of writing this report, there has not been notification from the ICO to the Councils regarding concerns from customers in relation to this incident.

One theme that has emerged as a result of the breaches, is that both Rundles and Jacobs use sub processors that the Council was not aware of and did not consent to, these were not incorporated into the original contracts.

Therefore, the data controller (Council) demanded to be provided with details of all sub processors used by processors so that variations of contracts can be agreed, subject to the other sub processors being successfully vetted. This is currently being worked upon by Legal Services.

4.9. ONS

It was agreed that this is of relatively low risk and that the Councils' therefore decided to tolerate this because it is a minimal risk.

5. Engagement and Communication

- 5.1. Jacobs it was decided that it was appropriate to not take further action, especially considering that the Council does not hold up to date address details for the customers and risks the possibility of making a further breach by attempting to contact customers where the Council does not hold correct address information.
- 5.2. Rundles letters were sent to all customers (data subjects), that may be affected by the breach to apologise for the breach but also to warn customers that they were at risk. The Council wrote and advised customers:-

"On Tuesday 13 June we were contacted by Rundles to inform us that it had suffered a data breach on or after 31 May as part of a national cyber attack on MOVEit. We immediately launched an investigation.

Our contractors have informed us that they no longer use the MOVEit software, so any future communication will not be impacted by this issue. Our assessment is that there is a medium to high risk that this breach could cause you any financial or other kind of loss.

Nevertheless, this is your personal data and you have a right to expect that it would be protected. We would like to apologise to you for the

fact you have been affected by this incident and will keep you informed as we gain more information.

We take data protection extremely seriously and are currently seeking more details from our contractor on how the attack happened and reassurance that it could not happen again. We have also contacted the Information Commissioner's Office - the independent body set up to uphold people's information rights - to ensure it is aware of the situation.

Please do not call our contact centre. You do not need to do anything at this stage. However we would strongly advise you to be vigilant around the potential for fraudsters to attempt to deceive you into disclosing your personal information or login credentials. Do not click on any suspicious email links or share sensitive information with anyone you are not entirely sure of. For more information visit www.fca.org.uk/consumers/protect-yourself-scams

I understand that this incident could cause you some concern so if you have any questions, please do not hesitate to contact our data protection team by emailing data.protection@adur-worthing.gov.uk.

I would also once again like to apologise to you that your information is involved in this incident. "

To date, the Data Protection Officer confirms that there has not been any contact by any customers as a result of the letter sent.

- **5.3.** Press release Adur & Worthing Councils launch investigation into new contractor data breaches
- 5.4. Following from Joint Audit and Governance Committee of 13 July 2023, both the Data Protection Officer and the Security Officer attended a meeting on 27 August 2023 with several organisations including other Local Authorities, the Local Government Association (LGA) and Information Commissioner's Office (ICO) to discuss how to advance our efforts to improve supplier behaviour more broadly in cyber incident response.

Whilst the meeting was in connection with the Capita data breach, the aim of the meeting was for organisations to provide support to councils to strengthen their supply chains and talk through any regulatory uncertainty. One challenge identified was that Councils were taking different approaches to inform data subjects under the same legislation, and this was breeding uncertainty. At this session, we

- discussed supply chain challenges and how the LGA can best advance policy change and what support needs there are available.
- **5.5.** The author of this report took into account the recommendations made at this meeting and is satisfied with the actions taken on behalf of the Councils in that they met regulatory requirements and mitigated the breaches as far as practicable in their capacity as data controllers.

6. Lessons Learnt and Digital Recommendations

7. Financial Implications

- **7.1.** The costs associated with dealing with the breach are funded from within existing budgets.
- **7.2.** The Councils regularly invest in technology and digital facilities to ensure that our arrangements are kept up to date to mitigate against risks of data breaches and system failure.

Finance Officer: Emma Thomas Date: 15/09/2023

8. Legal Implications

- 8.1. In delivering services both Adur District and Worthing Borough Councils are required to comply with the legal provisions set out in the Data Protection Act 2018 and the UK General Data Protection Regulation and, when exercising this duty to have full regard to any guidance and interpretation of the legislation provided by the Information Commissioner's Office.
- **8.2.** 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.

Legal Officer: Joanne Lee 15/09/2023

Background Papers

- Joint Governance Committee 27 September 2022, Item 9
- Cyber Incident Response Plan

- Data Protection Policy
- Information Security Policy

Sustainability & Risk Assessment

1. Economic

1.1. Financial Losses:

1.1.1. Data breaches can lead to substantial financial losses for individuals, businesses, and government organisations. Organisations may face direct costs such as legal fees, investigation expenses, and customer compensation. Indirect costs include reputational damage, loss of customers, and decreased market value.

1.2. Productivity and Operational Disruption:

1.2.1. Breaches often disrupt normal operations, leading to downtime and decreased productivity. Recovery efforts can be time-consuming and expensive, including system repairs, data restoration, and enhanced security measures.

1.3. Intellectual Property Theft:

- 1.3.1. Breaches can result in the theft of valuable intellectual property, trade secrets, or proprietary information, causing severe financial damage to organisations.
- 1.3.2. The provision of effective digital services to citizens by the Councils supports the economy, for example by enabling the distribution of benefits to residents and the collection of council tax and business rates, among many other services.

2. Social

2.1. Social Value

2.1.1. **Privacy Concerns:**

Data breaches compromise the privacy of individuals, exposing their personal and sensitive information to unauthorised parties. This can lead to identity theft, fraud, and other forms of cybercrime, eroding public trust in online platforms.

2.1.2. Psychological Effects:

Data breaches can psychologically impact affected individuals, causing anxiety, stress, and a sense of violation. The fear of further breaches can also lead to a reluctance to engage in online activities, hindering digital participation.

2.1.3. Social Engineering and Targeted Attacks:

Cybercriminals can leverage the stolen data for social engineering purposes, manipulating individuals through phishing attempts, impersonation, or blackmail. This can further contribute to social instability and personal harm and distress.

2.2. Equality Issues

2.2.1. **Digital Divide:**

Data breaches can exacerbate existing inequalities in access to technology. Vulnerable populations, such as low-income individuals, may lack the resources or knowledge to protect themselves adequately, making them more susceptible to cyber-attacks.

2.2.2. **Discrimination and Bias:**

Breaches that expose sensitive information like race, gender, or health conditions can perpetuate discrimination and reinforce existing biases. Such data can be exploited to target individuals or discriminate in employment, housing, or financial decisions.

2.2.3. Trust and Confidence Gap:

Data breaches erode trust in online platforms and digital services. People who have previously been victimised or belong to marginalised communities may be less willing to engage with technology, limiting their access to opportunities and services.

2.3. Community Safety Issues (Section 17)

2.3.1. Financial Fraud:

Following a data breach, individuals' financial information, such as credit card details or bank account numbers, may be compromised. This can lead to financial fraud, including unauthorised transactions, identity theft, or fraudulent use of personal information, impacting the community's financial safety.

2.3.2. Cyber Extortion and Ransomware:

Some data breaches are accompanied by cyber extortion attempts or the deployment of ransomware. Cybercriminals may demand ransom payments in exchange for not releasing sensitive data or restoring affected systems. These activities can disrupt community safety by targeting critical infrastructure, businesses, or public services.

2.3.3. Online Scams and Phishing:

Cybercriminals may exploit the aftermath of a data breach by launching targeted phishing campaigns or online scams. They may impersonate legitimate organisations or individuals to deceive community members into providing sensitive information or fall victim to fraudulent schemes.

2.4. Human Rights Issues

2.4.1. We have considered the rights and freedoms of the data subjects within our risk assessments under <u>Article 8</u>, <u>Human Rights Act 1998</u> together with the Data Protection Act 2018 and UK GDPR, Article 5(1) requires that personal data shall be:

"(f) processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality')."

Regarding Jacobs, due to the fact that there is a low quantum of customers affected and personal data breached, this has resulted in a low risk to the rights and freedoms of the data subjects (customers).

With regard to Rundles, this was considered a medium to high risk which could result in a potentially likely risk to customers.

2.4.2. Right to Privacy:

Data breaches often involve the unauthorised access or disclosure of personal information, violating individuals' right to privacy. This breach of privacy can lead to a loss of control over personal data, exposing individuals to potential identity theft, fraud, or other malicious activities.

2.4.3. Right to Data Protection:

Data breaches can compromise the security measures to protect personal information, undermining the right to data protection. This right includes ensuring that personal data is processed securely and only used for legitimate purposes.

2.4.4. Right to Non-Discrimination:

Data breaches that expose sensitive personal information can contribute to discrimination. This includes instances where data containing racial or ethnic origin, religious beliefs, political opinions, or other protected characteristics are exposed, leading to potential discrimination or targeting.

3. Environmental

3.1.1. The matter was considered and no issues were identified.

4. Governance

- The digital strategy is aligned with the Council's corporate strategy.
- The Technology & Information Board oversees data protection, cyber and other digital and data issues.



Agenda Item 13



Joint Audit & Governance Committee 26 September 2023

Ward(s) Affected: None

Conferment of Honorary Aldermen

Report by the Director Digital and Sustainability

Executive Summary

1. Purpose

1.1. To consider conferring the title of Honorary Alderman of the Borough of Worthing on former Mayor Lionel Harman who has retired from the Council.

2. Recommendations

- 2.1. That the Joint Audit & Governance Committee recommend that Worthing Borough Council confer the title of Honorary Alderman to former Mayor, Lionel Harman
- 2.2. That the Joint Audit & Governance Committee agrees 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 1972 for the specific purpose of conferring the title of Honorary Alderman to Lionel Harman.

3. Context

- 3.1. At the meeting of Worthing Borough Council on 18th July 2023 a Motion was passed on the following terms:-
 - Make no further appointments under the Council's Honorary Alderman/Alderwoman scheme and therefore ask officers to remove this scheme from its constitution;
 - Allow existing holders of this title to continue to use it if they so wish, but not provide any special recognition or treatment for them that is not offered to other former members of the council;
 - Those councillors who are currently eligible for Alderman/Alderwoman status can receive it at the end of their term of office should they choose to do so. After this there will be no further conferment of the title.
- 3.2. The recommendations within this Report are therefore made pursuant to the Motion that was approved by Full Council and the final bullet point at 3.1 above.
- 3.3. Section 249(1) of the Local Government Act 1972 provides the following criteria for conferring the Honorary titles of Alderman and 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."
- 3.4. Full Council has previously determined its own criteria for the conferment of the honorary title. The previously approved criteria is attached at Appendix A.
- 3.5. The appointments are honorary in nature so the persons appointed to the office do not carry out Council duties or have a vote.
- 3.6. Honorary Alderwomen / Aldermen may attend and take part in civic ceremonies as the council may from time to time decide, but shall not have the right to attend meetings of the council or a committee of the council (including a joint committee upon which they are represented),

or to receive any allowances or payments under section 173 to 176 of the Local Government Act 1972.

3.7. Group Leaders have been consulted on the contents of this report.

4. Issues for consideration

- 4.1. The Joint Audit & Governance Committee is invited to consider conferring the title of Honorary Aldermen for the Borough of Worthing to former Councillor Lionel Harman who retired from the Council in May 2023 on the terms set out in this report.
- 4.2. Councillor Lionel Harman represented the Castle ward from May 2015 to May 2023 and was Mayor of Worthing from 2020-2022.

5. Financial Implications

5.1. It is customary to present a scroll commemorating the conferment, expenditure for which would be contained within the existing budget.

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 Council's agreed criteria for appointment is set out in Appendix A.

Local Government Act 1972 Background Papers:None.

Officer Contact Details:-

Simon Filler
Democratic Services Officer
01903 221438
simon.filler@adur-worthing.gov.uk

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

Matter considered, no matters arising

Criteria for 'eminent service' in the appointment of Honorary Aldermen or Honorary Alderwomen

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

Nominations for conferment of Honorary Alderman or Honorary Alderwoman will be considered by the Joint Audit & Governance Committee and Council at the next available meetings when an application is made by a political group leader along with reasons why it is felt that the criteria have been met.

When considering the conferment of the title Honorary Alderman or Honorary Alderwoman on a past member of the Council, then each of the following four criteria should apply:

1. Past Councillor:

- (A) No longer serving on the Council:
 - (i) 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.
 - (ii) In circumstances of resignation or defeat at an election, 4 years should elapse before consideration for conferment of the honour.

And:

2. Service on the Council:

(i) The nominee should have served more than 12 years on Worthing Borough Council, being at least 3 consecutive election wins.

And:

3. Community representative:

(i) Should have a known record of eminent and 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:

4. Either:

- (i) 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. Chair of the Council or a Committee
 - d. A political group leader

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

Or:

(ii) 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 three representatives from two different political groups in the Council chamber at the time of the nomination. In making the nomination, a supporting statement should be presented by these three representatives showing how the nominee meets the four criteria.



Agenda Item 14



Joint Audit and Governance Committee 26 September 2023 Adur Joint Strategic Sub-Committee 27 September 2023

Key Decision [No]

Ward(s) Affected:All Adur

Housing Improvement Plan: September Progress Report

Report by the Director for Housing and Communities and the Monitoring Officer

Executive Summary

1. Purpose

- 1.1. This report provides a progress overview of the Housing Improvement Plan to both the Adur Joint Strategic Sub-Committee and the Joint Audit and Governance Committee, following the self-referral to the Regulator for Social Housing earlier this year.
- 1.2. Previous reports shared with both these Committees have detailed the rationale for the self-referral, the response from the Regulator, and the scope of the work planned to address these issues in Adur Homes. This report sets out a summary of the work underway, the early progress being made to improve performance and meet the required standards, and the issues that remain. The purpose and focus of all of this work is about delivering the Council's mission to ensure that everyone has a safe, secure and sustainable home.
- 1.3. For the specific purposes of the Joint Audit and Governance Committee, this report provides an update on the progress being made on the outstanding Audit Actions, which have been integrated into the Improvement Plan. This includes an update on work being done to address outstanding Freedom of Information Act requests.

1.4. For Members of the Joint Audit and Governance Committee, this report also complies with the Monitoring Officer's statutory duty under s5 and s5A of the Local Government & Housing Act 1989 to report on a finding of maladministration by the Housing Ombudsman.

2. Recommendations

- 2.1. The Joint Audit and Governance Committee is asked to:
- 2.1.1. Note the good progress being made to ensure that Adur Homes becomes fully compliant with regulatory standards and the wider programme of transformation to create safe, secure and sustainable homes for our residents.
- 2.1.2. Consider the progress being made on the outstanding audit actions as captured in paragraph (4.21, 7).
- 2.1.3. Note the progress being made with the overdue Freedom of Information Request at paragraph 2.1 (12) of this Report
- 2.1.4. Approve the Cabinet Member for Health and Wellbeing to act as the Member to oversee the Complaints Culture role as part of the new national changes as set out within the report (4.21, 11).
- 2.1.5. Note the fact and circumstances surrounding the Housing Ombudsman's findings of maladministration at Paragraph 5 of this Report and attached redacted Appendices 6 & 7 and consider the proposed remedial actions.
- 2.1.6. Consider the contents of this report and provide any comments for consideration to the Adur Joint Strategic Sub-Committee.
- 2.2. The Adur Joint Strategic Sub-Committee is asked to:
- 2.2.1. Note the good progress being made to ensure that Adur Homes becomes fully compliant with regulatory standards and the wider programme of transformation to create safe, secure and sustainable homes for our residents.
- 2.2.2. Approve the change in the terms of reference for the Adur Homes 'Advisory' Board to clarify and strengthen the purpose and remit of this group (Paragraph 4.21, 2, C, Appendix 4).

- 2.2.3. Approve the changes to the Compensation Policy (4.21, 7).
- 2.2.4. Consider any comments received from the Joint Audit & Government Committee.

3. Background context

3.1. Self-Referral to the Regulator

- 3.1.1. This Council has established a clear ambition to ensure that everyone has a safe, secure and sustainable home. Our residents' safety and wellbeing is paramount and there is a strong commitment to ensuring that the management of our housing provides homes for people that are good places to live and that the management of this service is deeply influenced and shaped by residents.
- 3.1.2. We know that we are not yet providing this for all of our residents.

 Members will recall that a diagnostic review of Adur Homes was carried out in 2022/23, the results of which were shared with both of these Committees, set out in these reports:

Adur Homes Compliance with Housing Regulator Standards - Joint Audit and Governance Committee 23 March 2023

Regulatory Compliance Notice for Adur Homes - Joint Audit and Governance Committee 30 May 2023 and Adur Joint Strategic Sub-Committee 15 June 2023

- 3.1.3. The Notice issued to the Council on May 10th 2023 confirmed a breach of two sections of the Home Standard. For clarity, the Home Standard sets expectations for registered providers of social housing to provide tenants with quality accommodation, including the provision of decent homes, effective management of health and safety compliance and the provision of cost-effective repairs and maintenance.
- 3.1.4. The draft Regulator's decision was accepted in full by the Council.
- 3.1.5. In addition to the specific areas of concern, the Regulator also requested regular reports and meetings to update on the progress being made on the journey to improvement.
- 3.1.6. Members are also reminded that there is significant legislative change underway through the new Social Housing (Regulation) Act (a summary is provided below) which has now been passed into law. The purpose of

- this is about driving significant change in landlord behaviour, providing more tenants with greater powers and improving and strengthening the powers of the Regulator of Social Housing.
- 3.1.7. Following the Regulatory Notice, Officers have met with the Regulator a number of times, progress of which is detailed below.

3.2. Outstanding audit issues for Housing for the JACG Committee

3.2.1. Previous reports to the Joint Audit and Governance Committee have highlighted a number of outstanding audit issues and Freedom of Information Requests (FOI) for Housing. In order to align reporting, these outstanding issues are addressed within this report and have been aligned to the work in our Improvement Plan (please see section 4.21 paragraph 12 below).

4. Adur Homes road to improvement and transformation

- 4.1. Adur Homes Improvement Plan
- 4.1.1. The Adur Homes Improvement Plan sets out a number of key priorities for the service, which primarily address the concerns of the Regulator (around compliance and decent homes) and also include wider-ranging priorities to ensure the whole service is transformed, including: workforce, governance, asset management, health and safety compliance issues, tenancy management and engagement, complaints and FOIs.
- 4.1.2. Phased over a 24-month period, this is a relatively high level plan, which sets out clear accountable leadership and delivery, against challenging but realistic timeframes. Whilst this plan will deliver the work to address issues in the short to medium term, we recognise that the road to transformation of Adur Homes will require a longer-term approach and this is referenced within the plan.
- 4.1.3. Importantly, the plan also includes a high level risk assessment and an environment scan highlighting issues on the horizon that the service needs to plan for and adapt to.
 - 4.2. Summary of progress against the Improvement Plan
- 4.2.1. The full Improvement Plan is set out below as a set of actions (Appendix 1) and a risk assessment (Appendix 2). Each of these

priorities is being tracked and regularly reviewed to drive forward progress through a new Housing Improvement Board. Below are some key areas to highlight for Members of these Committees. Each summary area referenced the relevant priority area (referenced as P):

1. Establishing the right leadership and workforce (Ps 26 and 32) Securing good leadership and management for this programme of work is essential. We have now appointed an Assistant Director for Housing and Homelessness Prevention, who will start their position in early November. The Head of Property Services (focusing on property) - a new post - started in May this year and the Interim Head of Housing (focusing on tenancy management and engagement) started in April.

We have also recently appointed a new Compliance Manager, to focus on health and safety and the development of a cyclical maintenance programme, and we have created a new Asset Management post (currently being recruited to). We have enhanced the Voids Team and successfully recruited a Tenant Engagement Lead.

There remain some significant gaps in the rest of the team including neighbourhood services (providing tenancy management), systems and wider infrastructure to support our work on complaints for example. Work is underway to address these issues and provide the right skills/capabilities, some of which is waiting for the new Assistant Director for Housing to join the Council.

It should also be noted that there are significant challenges in recruiting housing workforces (nationwide) and the new legislation will be bringing in new requirements around training and qualifications.

- 2. Reviewing and strengthening governance (P 29)
 - We have established a new approach to governance including:
 - a. Creating a new officer-led Housing Improvement Board, led by the Director for Housing and Communities, which is providing regular progress reports to the Corporate Leadership Team.
 - b. Developing a new set of performance indicators for (the whole of) housing, to track progress. These are included in this report

(Appendix 3). It should be noted that not all of this data can be captured at this time due to system issues.

c. A proposal for the Adur Joint Strategic Sub-Committee to agree to a change in the terms of reference for the Adur Homes Management Board to become the Adur Homes <u>Advisory</u> Board, which was agreed by this Board on 21 June 2023. The changes proposed are aimed at clarifying and strengthening the purpose and remit of this group (see Appendix 4).

3. Compliance and health and safety (Ps 10.11)

This has been the significant area of focus given the Regulatory Notice.

To date Adur Homes has not met its statutory requirements in a number of different areas across compliance and the spectrum of health and safety measures including electrical tests (EICR), fire safety actions and the installation of smoke/CO2 alarms.

The focus of the initial work has been to concentrate on ensuring the work is being programmed and completed with suitable and relevant contractors to identify, undertake and manage the work and record the data to meet Adur Homes standards as well as the statutory and legal requirements. Over the last 3 months the focus has been placed on changing operations and on data and systems to ensure that this work is planned, recorded and evidenced.

Performance data (Appendix 3) illustrates the progress being made, starting with June through to August. This shows good direction of travel over these first few months. The focus and attention to both operational and contractual arrangements has created a positive momentum and a confidence that we will be able to meet all of our compliance targets and standards within the reasonable and realistic timeframe of the Improvement Plan, with some sooner than others.

4. Improving data and systems (Ps3, 4)

This is a critical area of work to ensure that the team can work effectively, evidence and prioritise work and identify and programme relevant works. It is important to state that we have poor legacy systems throughout Adur Homes which do not enable our teams to do their work efficiently. This is deeply frustrating for staff and residents and contributes to many of the issues which Members will

be aware of.

Our Digital Team has been supporting Adur Homes, starting with compliance systems and data and moving into the requisite system to manage our assets, capital works programme, repairs service and tenancy management. We have been making good progress with our compliance system in the short term and this is now starting to provide the data we require to record progress.

We have critical issues with the system that serves our tenancy management, arising from an old legacy system and a lack of support provided by the supplier, which causes issues with functionality and integration with other Council systems. This has been highlighted as a corporate risk and work is underway to upgrade this system in the short term and to move into longer-term solutions.

We don't yet have the right systems capacity or skills in the team and this is also being addressed through our workforce programme.

Nevertheless, the performance data set that has been established will start to provide Members with the ability to oversee and scrutinise the work of Adur Homes.

5. Achieving "Decent Homes" (P1)

The Government has defined what Decent Homes means (see below) and Members should note that this will be amended over the course of this year through the changes to the Regulatory Standards.

For now however, 'decent homes' is one area of concern under our Regulatory Notice. In order to evidence that our homes are decent, housing authorities must have up-to-date stock condition data.

The focus for our Improvement Plan is to use the data from our compliance / health and safety programme and the stock condition data gathered following an extensive survey in 2017. This data has enabled the team to develop a draft short/medium-term programme of works, detailing the improvements required to bring the housing stock up to Decent Homes standards. This is enabling officers to work up a clear plan and associated costs to be used to procure a cyclical stock condition surveying programme that will continually update the information we hold on our homes. This will provide us

with the ability to identify and deliver a programme of works that will ensure all homes reach the Decent Homes standard within a reasonable and acceptable timeframe.

6. Management of void properties (P 7)

The number of void properties has increased significantly over the last several years and this has impacted Adur Homes in two ways. Firstly, it has caused a loss of rental income and the need to meet associated costs, thereby reducing the money available for reinvestment. Secondly, it has reduced the homes available for local people of Adur to rent to help alleviate homelessness in the local area and increased emergency accommodation costs for the Council.

The void properties are being monitored in two categories - one to keep track of the old backlog of properties (those that have been empty since before April 2023) and one for those that have become vacant this financial year. This is mainly to ensure that the older ones are not neglected any longer than necessary and to prevent further deterioration within the properties due to the lack of occupancy, but also to monitor the numbers of more recent properties becoming vacant so that demand for homes in Adur is correctly monitored.

There is the urgent need to be able to increase the work undertaken on the outstanding void properties to bring them back into the rental market as quickly as possible.

To reduce the backlog of void properties and to return the properties back to enable re-let, the approach being taken is to employ two contractors to support the process of completing this work within this financial year and increasing the staff resources to manage this process until the backlog of void properties is cleared. In addition to this, their efforts are concentrating on the quick turnaround properties, those that do not need a lot of work and can be re-let quicker.

7. Policies and Procedures(P 10)

As part of the improvement plan preparations, a set of revised interim and operational policies and procedures were presented to the Joint Strategic Sub-Committee on 7th March. These policies will be further refined and updated in the coming months through engagement with the Adur Homes Management/Advisory Board (and tenants).

For the purposes of this Joint Strategic Sub-Committee, Members are asked to review and approve one policy, which is the revised Compensation Policy (Appendix 5).

8. Damp and mould (P13)

Damp and mould are a key national concern since the Housing Ombudsman released its report two years ago following the tragic event in Rochdale and changes have started to be implemented on this subject.

Adur has significant issues due to its ageing stock, with certain archetype and construction methods used not lending themselves to managing the moisture levels within the buildings. Linked to this, the living environment and habits of residents can also contribute to problems.

When a property is identified with damp and mould either from our own surveys or reported by the resident, Adur Homes undertakes a thorough investigation at the property including, but not limited to, the walls, floors and structure; identifying, arranging and managing any work that is needed.

In addition to the above works, usually the start of the process involves cleaning away any existing mould. Following the inspection and monitoring of the property the contributing factors are usually identified that could be the main causes influencing the build-up of moisture/condensation that ultimately leads to the growth of mould.

From this the relevant repair/improvements are made or the resident advised on suggested changes to their living habits with relevant advice being provided e.g. around ventilation and heating.

Additional resources are being employed to tackle the backlog of properties being dealt with to ensure that when the winter arrives there is a more manageable level of damp and mould cases to deal with.

The monitoring and undertakings in this area of work will continually result in improvements being made to the process and these will only benefit the residents and Adur Homes as the Landlord.

Tenant communication and engagement (P20-23) This Council has big ambitions around participation and involving

residents in the development of the service.

To this end, work has been underway over this year to start to engage with residents across Adur. A full round of engagement sessions have been held in Southwick, Fishersgate, Lancing, Shoreham and Sompting. The Director for Housing and Communities has attended all of these sessions with members of the team and Elected Members. Their purpose has been to meet with, listen to and engage with residents as well as inform them about the work underway.

Through these sessions, residents have expressed a range of frustration around a lack of communication and engagement, lack of responsiveness, poor services and issues and some delays in dealing with complaints. However a number of residents have turned up to these sessions and have expressed a willingness to be informed, engaged and involved in the work going forward.

We are pleased to note that the new Tenant Engagement Lead has now started her position and has hit the ground running, supporting these sessions and starting to build a programme of resident engagement that is so desperately needed for this service.

Tenant empowerment is of course a key part of the new legislative changes to promote transparency and accountability in housing. The Adur Tenants' Forum, which had been active for some time, has been dormant over the last few years due to this Council pausing the work. This has been frustrating for those involved who have shown such passion and energy to get on with this work. Part of the Tenant Engagement Lead's role will be to work with residents to re-form this group and build more formal mechanisms for involvement, including representation on the Adur Homes Management/Advisory Board.

Part of the new regulatory requirements require housing authorities to survey all their residents annually around a range of satisfaction measures. Adur Council has partnered with Runnymede & Tandridge councils to deliver the TSM (tenant satisfaction measures) survey. We are working with a provider that has extensive experience of accessible and inclusive surveys and are planning to survey residents of Adur Homes between October and November, with a

final report to Members in January 2024. Officers have begun work on a communications plan to promote this work during September and Members are asked to note and help communicate this to our residents.

In addition to this, the Communications Team have also been supporting the team by creating the <u>Adur Together newsletter</u>. Each newsletter includes updates on key issues affecting Adur Homes tenants and leaseholders, including action we'd like our residents to take. Three editions of the newsletter have been published to date, the most recent of them at the beginning of September 2023.

10. Managing outstanding audit recommendations (P31)

Members of the Joint Audit and Governance Committee will recall the issues with progress against a number of outstanding audit areas for housing.

Work has been carried out on each of these outstanding audit actions as part of the Improvement Plan (not including complaints which is detailed below under 11), identified between 2017/18 and the present time.

Of the outstanding audit actions for Adur Homes:

- 14 have now been completed
- 17 remain outstanding but are 'on track' and each of these has been integrated into the Improvement Plan to be progressed by the relevant lead and tracked as part of the programme.

For the rest of housing (not including Adur Homes)

- 4 have been completed
- 1 is outstanding

Officers will now be working to ensure that each of these actions is progressed as part of the core priorities and this will be reviewed by the Improvement Board and reported back to this Committee.

11. Managing complaints

How we manage and respond to complaints is very important to the service, our residents and the ongoing improvement journey.

Officers have been working to address new complaints alongside a significant and longstanding backlog, in line with the outstanding audit by Mazars and the Housing Ombudsman. We currently have 138 outstanding complaints for Adur Homes over the period between

January 2020 and July 2023. Of the 138 outstanding, 84 are pre-2023 and 54 are from this year.

Our work to address this includes:

- An Ombudsman self assessment which has informed our Action Plan
- A significant and renewed focus on complaints and developing a clear process for the team
- Developing a new Housing Complaints Policy and an action plan, which was agreed earlier this year and now requires updating to reflect the Housing Ombudman's Code of Practice
- Updating all our communications to publicise the Housing Ombudsman's contact details and role in complaints intervention
- Developing a new approach as required by the Ombudsman to agree resolutions with tenants before sending a formal response.

It should be noted that there are significant capacity issues in the team which are impacting this work and service improvement work is required to develop the right size team with the requisite capabilities and capacity. This will be carried out when the new Assistant Director for Housing and Homelessness Prevention and the new Head of Resident Services (who holds the corporate lead for complaints policy) start their roles.

As part of the national changes a new Member role for 'complaints' is required for housing authorities, to hold responsibility for complaints and to support a 'positive culture'. Regular reports are also required to show volume, categories and outcomes of complaints and performance/compliance with Housing Ombudsman Orders.

To this end it is proposed that the Cabinet Member for Health and Wellbeing fulfils this Member role, given that they are currently overseeing the Improvement Plan on behalf of the Joint Audit and Governance Committee Member. More detailed reporting on complaints can then be provided to the Joint Audit and Governance Committee as part of this Improvement Plan progress update going forward.

12. Freedom of Information Requests (P 19)

Under the Freedom of Information Act 2000 there is a statutory process for dealing with Freedom of Information Act requests within

a statutory timeframe, which is 20 working days from receipt of the request. A snapshot of the state of play was taken on 28/4/23 when there was a total of 49 outstanding FOIs for the service dating back to 2021, including:

- 17 for Adur Homes, of which 13 have been completed and 4 remain outstanding
- 32 for the rest of Housing, of which 28 have been completed and 4 remain outstanding
 It is anticipated that these will all be completed by October 2023

As of 30/8/23 there were 28 open requests for information across Housing, including the 8 mentioned above. These are 3 Subject Access Requests and 25 Freedom of Information requests. Of the 28 open requests for information, 17 have passed the deadline of 20 working days. In addition to the FOIs recorded on 28/4/23, there have been a further 16 requests completed, 13 of which were within the deadline.

As confirmed above, progress continues to be made to respond to outstanding requests. Officers are continuing to monitor performance with Housing to help mitigate the issues and drive forward compliance.

4.3. Working with the Regulator in a changing legislative context

- 4.3.1. To monitor progress towards regulatory compliance the Regulator has stipulated that there will be 'intensive engagement' until Adur Homes is deemed to be compliant. The Regulator has reviewed our Improvement Plan and some of our early performance in relation to compliance and safety. It has expressed satisfaction with the plan, the scope of the work, direction of travel and the timelines that we have proposed.
- 4.3.2. Officers have been informed that the Regulator will want to receive third party assurance of rectification as we work towards the conclusion of this improvement plan, through an external consultant audit. This will be required prior to the removal of the notice.
- 4.3.3. It is important to note that the scrutiny of Adur Homes by the Regulator falls under the current regulatory standards. As previously reported, this year will see these standards change through the assent of the new Social Housing Regulator Act 2023, which has now received Royal Assent. This will provide greater powers for tenants against serious

- hazards in their homes, ensure a better quality of service and quality of life.
- 4.3.4. This new legislation will enact the reforms outlined in the <u>Social Housing White Paper</u> aimed at improving the regulation of social housing, strengthening tenants' rights and ensuring better quality and safer homes for residents. This is currently out to consultation.
- 4.3.5. This sets out a new charter outlining what every social housing resident should expect from their landlord:
 - To be safe in your home: Landlords will be required to ensure every home is safe and secure
 - To know how your landlord is performing: Landlords will be held to account regarding repairs, complaints, safety, and how they spend their HRA money
 - To have your complaints dealt with promptly and fairly: The Ombudsman will be strengthened, giving swift and fair redress for tenants when needed
 - To be treated with respect: The Regulator of Social Housing will be strengthened and there will be improved consumer standards
 - To have your voice heard by your landlord: Tenant voice will be increased, for example, through regular meetings, scrutiny panels or being on housing boards
 - To have a good quality home and neighbourhood to live in:
 Landlords will be required to keep homes in good repair and the
 Decent Homes Standard will be reviewed
 - To be supported to take your first step to ownership: Increasing the supply of good quality social homes, and working to give as many residents as possible the right to purchase their own home.
- 4.3.6. As we work with the Regulator over the coming year, there will be a focus on the transition to these new standards to ensure that compliance is adapted to meet these.

5. Finding of Maladministration by the Housing Ombudsman Service

5.1. Members of the Joint Audit and Governance Committee are asked to note that following a resident complaint to the Housing Ombudsman (regarding an infestation of mice at a property), the Ombudsman has determined that:-

- In accordance with paragraph 52 of the Housing Ombudsman Scheme there was maladministration by the landlord in respect of the resident's report of an infestation of mice; and
- In accordance with paragraph 52 of the Housing Ombudsman Scheme there was severe maladministration by the landlord in respect of its complaints handling.

A redacted copy of the Ombudsman's investigative report is attached to this Report at Appendix 6 and Members are referred to pages 17 and 18. At Appendix 7 is the Ombudsman's Determination Letter dated 29th August 2023 which confirms the Orders made by the Ombudsman and the Ombudsman's next steps.

- 5.2. The Director for Housing and Communities has taken the following remedial steps to avoid further incidents of maladministration by the Council:
 - Reviewed the complaints process and the system in place to support this work, focusing on early intervention.
 - Developed a complaints action plan setting out a number of key actions required to improve the process of complaint and our responses to residents.
 - Provided a clear direction to staff to ensure:
 - There is clarity around identifying key staff to manage and coordinate complaints;
 - All managers are trained to deal with and manage complaints effectively on behalf of their service area;
 - Contractors are informed of the importance of regular and consistent communications with residents during works;
 - Contractors are quality checked especially on larger schemes;
 - Other agencies are identified to support as soon as possible;
 - Officers accept responsibility where appropriate and put things right on behalf of the Council;
 - That we learn from mistakes and review outcomes to ensure they are not repeated;
 - We manage services with regard to equality and equity and respect to our residents.

In addition to the above remedial measures the newly appointed Head of Resident Services will, working closely with the Director for Housing & Communities, be leading on a thorough review and assessment of resident complaints handling and procedures.

6. Engagement and Communication

- 6.1. In undertaking this work a range of engagement and communication has been carried out, as referenced above as part of the Improvement Plan. In addition, Members have been briefed about this work throughout.
- 6.2. A communication and engagement plan has been developed and a new newsletter developed to inform residents about the work underway.

7. Financial Implications

- 7.1. The resources to ensure compliance with the Regulator's Standards must be found within the Adur HRA which is a ring-fenced account. Overall, the HRA has a significant budget available to it (£14.8m) and every endeavour will be made regarding best use of this existing resource to deliver the improvement plan.
- 7.2. However, to improve financial capacity to deliver any additional requirements arising which cannot be accommodated with the existing approved revenue budget the Council has re-engineered the depreciation calculation for Adur Homes. The calculation has been reviewed and the proportion of the overall valuation on council dwellings applied to residual value has been increased from 30% to 40%, residual value is not depreciated. The proportion applied is a matter for professional judgement and given the scarcity of land within the South East of England, we believe that this is appropriate. In addition to this change the council Instituted a de minimis value for componentisation where components are less than £10,000 in value are depreciated with the main structure, components are depreciated. This followed some benchmarking which identified that our depreciation charge per dwelling was significantly higher than other similarly sized Councils. The annual depreciation charge is transferred to the Major Repairs Reserve. This has built additional capacity into the HRA of around £400,000 a year.

However, any capital resources used to support the revenue budget will need to be replaced by borrowing at an estimated revenue impact of £45,000 per £1m additional borrowing in a full year.

7.3. Development of a new Housing Revenue Account Business Plan is currently underway and this will enable the service to track the

management of resources to deliver against the government's Decent Homes Standard and to ensure compliance in all other service areas.

8. Legal Implications

- 8.1. Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 8.2. s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing Legislation.
- 8.3. 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.
- 8.4. Section 8 of the Housing Act 1985 continues to place a duty on every local housing authority to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation.
- 8.5. The Monitoring Officer has a duty to report on a finding of maladministration by the Ombudsman under s5 and 5A Local Government and Housing Act 1989

Background Papers

- Adur Homes Compliance with Housing Regulator Standards Joint Audit and Governance Committee 23 March 2023
- Regulatory Compliance Notice for Adur Homes Joint Audit and Governance
 Committee 30 May 2023 and Adur Joint Strategic Sub-Committee 15 June
 2023
- Newsletter for tenants and leaseholders Adur & Worthing Councils
- Regulatory Standards
- Decent Homes Standards
- Housing Strategy: Enabling communities to thrive in their own home" 2020-2023;
- Social Housing Act summary
- The Charter for Social Housing Residents Social Housing White Paper

- Landmark Social Housing Act receives Royal Assent to become law
- Adur District Council Constitution
- Our Plan

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Sustainability & Risk Assessment

1. Economic

- 1.1 Thriving Economy is one of the four Missions identified in Our Plan and will therefore become one of the key documents informing the direction and prioritisation of the council's work with regard to Adur Homes.
- 1.2 Providing a decent home that is secure, affordable, warm and modern, supports the wellbeing of our residents, enabling those who are able to work to enter and sustain employment and contribute to economic activity.

2. Social

2.1 Social Value

- 2.1.1 Residents and communities are central to Our Plan and 'Thriving People' is one of the four Missions identified in Our Plan. This mission aims to ensure people are healthy, resilient and resourceful, that they can access the right help when they need it and everyone has a safe, secure and sustainable home.
- 2.1.2 One of the three overarching Principles in Our Plan is Participative, which is based on the explicit intention to work more closely with citizens to involve them in deeper and more meaningful conversations about service design and delivery. Our work to meet the Decent Homes Standard (and the other housing standards linked to tenant participation) therefore forms a central part of the Council's commitments.

2.2 Equality Issues

- 2.2.1 The council is subject to the general equality duty set out in section 149 of the Equality Act 2010. This duty covers the following protected characteristics: age, gender, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation.
- 2.2.2 In delivering housing services the Council must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation

- Advance equality of opportunity between different groups
- Foster good relations between different groups
- 2.2.3 The participative principle in Our Plan describes the Council's commitment to providing truly inclusive services by listening to underrepresented voices, creating equal access and meeting our equality duties.
- 2.2.4 The Council's legal duties (Equality Act 2010) will inform the development and delivery of the improvement plan, in relation to eliminating discrimination, advancing equality of opportunity and fostering good relations.
- 2.2.5 Decisions, actions and areas of investment relating to implementation of the improvement plan, may require Equality Impact Assessments.

2.3 Community Safety Issues (Section 17)

- 2.3.1 The Council is committed to the promotion of communities as safe places. Our Plan seeks to progress delivery of the Council's community safety commitments by strengthening working partnerships with the Police, communities, businesses and multidisciplinary teams across the council.
- 2.3.2 As part of our ongoing work to meet the Neighbourhood and Community Housing Standard will see to keep the neighbourhood and communal areas associated with the Adur Homes clean and safe, co-operate with relevant partners to promote the wellbeing and help prevent and tackle anti-social behaviour.

2.4 Human Rights Issues

2.4.1 The actions set out in the report will enable the Council to identify solutions that will enable our residents, communities and neighbourhoods to flourish.

3. Environmental

3.1 Thriving Environment is one of the four Missions identified in Our Plan and key actions include achieving net zero carbon, resilience to climate change and increased biodiversity by restoring natural habitats and minimising waste.

3.2 The improvement plan, as part of the wider work plan for Adur Homes, will as part of these commitments actively contribute to carbon reduction, waste minimisation and biodiversity improvement objectives.

4. Governance

- 4.1 In line with the constitution this report is being taken to the Joint Audit and Governance Committee to note and comment. Additional engagement has been undertaken with the Adur Joint Strategic Sub-Committee and the Adur Homes Management Board.
- 4.2 Further updates, including the improvement plan will be brought to the Joint Audit and Governance Committee on a quarterly basis.

Appendix 1 - Improvement Plan

Appendix 2 - Risk Assessment

Appendix 3 - Performance Indicators

Appendix 4 - Adur Homes Advisory Board amendments

Appendix 5 - Revised Compensation Policy

Appendix 6 - Maladministration report

Appendix 7 - Maladministration Determination Letter

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
1	Home Standard - Quality of Accommodati on	All properties meet the 'decent homes' standard	Review of assets and data that will enable informed decisions regarding the investment opportunities and future requirements for homes and ensure suitable systems are in place to support this work	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Asset Manager/HoP	01/05/23
2		A clear set of priorities for planned and cyclical maintenance and compliance work	Review current position and develop programme to meet regularity and legislative standards	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Asset Manager/Compli ance Manager/HoP	01/05/23
3		Develop a clear performance framework	Establish KPIs for each performance area that address regulatory standards and provide a common set of data for regular reporting	Service/ efficiency improvement	Property and Technical Services	Director for Housing & Communities	Strategy and Policy Manager	01/04/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
4		Effective integrated IT system supporting all housing activity	Deliver a programme of system improvements, upgrades and procurement, focusing on delivering asset management with an updated tenancy management system	Service/ efficiency improvement	Property, Tenancy and Digital Services	Director for Housing & Communities	Digital Applications and Innovations Manager	01/05/23
5		Consolidated asset management stock condition data	Enhance IT capacity to manage stock condition data	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Asset Manager/HoP	01/05/23
6		Stock condition audit programme	Improve asset information to inform investment decisions including identified work and budget costs	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Asset Manager/HoP	01/06/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
7		Voids managed effectively	Review processes for managing voids to reduce cost and improve turn around time	Service/ efficiency improvement	Property and Housing Services	Head of Property Services	Compliance Manager/HoP	01/04/23
8	Home Standard - Repairs and Maintenance	Repairs service delivers first time fix - quality outcomes, value for money, and tenant satisfaction	Undertake a 'rapid review' of the repairs service and implement changes to the service as required	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Repairs Manager	01/05/23
9		Effective contracts in place for asset programmes	Review and where necessary reissue contracts for asset programmes	Service/ efficiency improvement	Property and Technical Services	Head of Property Services	Asset Manager/Compli ance Manager	01/05/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
10		Clarity and compliance with health and safety, compliance policies and procedures	Review and update all health and safety compliance policies and procedures to ensure effective control - develop a compliance dashboard	Legislative/ Regulatory Change	Property and Housing Services	Interim Head of Housing Head of Property Services	Service Managers	01/01/23
11		Clarity of data around compliance issues/progress	Review data to identify areas that require compliance action and initiate action to address this	Legislative/ Regulatory Change	Property and Housing Services	Head of Property Services	Compliance Manager/HoP	01/05/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
12		All health and safety compliance requirements are met	Ensure compliance with all legislative requirements for; - gas - fire safety - electrical safety (including EICRs) - legionella - carbon monoxide - asbestos - FRAs for sheltered housing - lifts and stair lifts - new building regulations	Legislative/ Regulatory Change	Property and Housing Services	Head of Property Services	Compliance Manager/HoP	01/01/23
13		An effective approach to managing damp and mould for tenants	Review and implement processes to proactively identify, prioritise and mitigate damp and mould	Legislative/ Regulatory Change	Property and Housing Services	Head of Property Services	Compliance Manager/HoP	01/05/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
14		An effective customer access procedure	Review current access procedures for compliance work and ensure an effective procedure is in place	Legislative/ Regulatory Change	Property and Housing Services	Interim Head of Housing	Neighbourhood Services Manager	01/05/23
15	Tenant Involvement and Empowermen t Standard - Customer service, choice, complaints	Tenancy type allocated accurately	Review current tenancy type allocation policy and procedure	Legislative/ Regulatory Change	Housing Services	Interim Head of H	Neighbourhood Services Manager	01/08/23
16		Clear, accessible information for tenants	Update Tenant Handbook to provide clear information about services and tenant and landlord responsibilities. Improve the self-service offer for tenants	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing	Neighbourhood Services Manager	01/05/23
17		Transparent and effective housing management polices	Review and update housing (tenancy and asset) management policies	Business Development and Service Improvement	Housing Services	Interim Head of Housing	Neighbourhood Services Manager	30/05/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
18		Leasehold properties are well managed	Develop new leaseholder management policies, including income and major works payment	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing	Leasehold and Right to Buy Manager	01/06/23
19		Complaints and FOIs are managed in line with service standards	Implement improved processes for managing: - complaints - appeals - FOIs	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing	Housing Business Support Team Leader	01/03/23
20		Tenants and leaseholders understand, and are engaged in, developing policy and practice	Develop and implement a Tenant Engagement Strategy that reflects best practice and a proactive approach to engaging tenants	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing	Tenant Engagement Lead	01/03/23
21		Tenant participation is resourced	Employ new Tenant Engagement Lead	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing		01/03/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
22		Tenants and leaseholders are informed and engaged	Regular communication about practice and performance	Legislative/ Regulatory Change	Property and Housing Services	Director for Housing & Communities	Communications lead	01/03/23
23		Tenant satisfaction is measured	Tenant Satisfaction Perception Survey for 100% of all tenants to report April 2024 Review current mechanisms for collecting tenant satisfaction data t portal and STAR survey Investigate use of tenant portal to collect data and carrying out a STAR survey	Legislative/ Regulatory Change	Housing Services	Interim Head of Housing	Tenant Engagement Lead	01/04/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
24		Good housing representation from tenants, leaseholders and sheltered housing feeding into the work of the Adur Homes Advisory Board	Tenant, Leaseholder and Sheltered housing representation to be sought for the new Adur Homes Advisory Board	Legislative/ Regulatory Change	Housing Services	Director for Housing & Communities	Tenant Engagement Lead	01/03/23
25		Anti-social behaviour is effectively managed with resident involvement	Develop ASB policy for Adur Homes in accordance with Councils' wider ASB approach Secure ASB capacity for Adur Homes to deliver this work.	Legislative/ Regulatory Change	Lead for Early Help and Wellbeing and Neighbourhood Services Manager	Interim Head of Housing and Head of Community Capacity and Resilience	Neighbourhood Services Manager	01/04/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
26	Business objectives to support regulatory compliance	A leadership structure that enables AHs to serve its residents well	Review the staffing structure for Adur Homes and drive the necessary change to deliver a good structure, focus and right culture for service improvement	Business Development and Service Improvement	Housing Services	Director for Housing & Communities	Head of Property Services Interim Head of Housing	01/06/23
27		Strategic approach to asset management developed	Develop 5 year and then a 30 year SAMP to guide asset management decision making	Business Development and Service Improvement	Director for Housing & Communities and Director of Finance	Director for Housing & Communities	Head of Property Services	01/05/23
28		A long-term sustainanable business plan for Adur Homes in place	Develop new 30 year Housing Revenue Account Business Plan Review options for the future direction of the service	Business Development and Service Improvement	Business Development & Finance	Director for Housing & Communities and Director of Fiannce	Director for Housing & Communities	01/04/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
29		An accountable service that makes decisions well	Review governance arrangements to ensure clear accountability, oversight and scrutiny is in place against key service objectives and KPIs Provide support to the team managers on decision making and report writing	Business Development and Service Improvement	Business Development & Policy	Director for Housing and Communities	Policy, Performance and Strategy Lead	01/05/23
30		Improve financial performance	Improve income and debt/cost recovery in line with Councils' new corporate debt policy and Proactive work	Business Development and Service Improvement	Housing Services	Director for Housing & Communities	Head of Housing & Head of Property	01/04/23

Pri ori ty nu mb er	Relevant Standard to be addressed	Delivery outcome This is the overall change we want to make	Description of Activity 2023/24	Type of Initiative	Service Area accountable	Sponsor	Accountable Delivery Lead	Start date
31		Embed all Audit recommendations into this Improvement Plan	Resolve outstanding Housing Audit Recommendations	Business Development and Service Improvement	Housing Property Services Interim Head of Housing	Director for Housing & Communities	Interim Head of Housing & Head of Property	01/06/23
32		A workforce fit for the future for Adur Homes	Implement a Workforce Strategy to support professional accreditation and skills development and the effective deployment of resources	Business Development and Service Improvement	AD Housing and Homelessness Prevention	Director for Housing & Communities	AD Housing and Homelessness Prevention	01/09/23

Probab ility Key	Impact Key	Risk Rating Key								
Low - 1	Low - 1	Low - 1-2								
Moder ate - 2		Moderate - 3-5								
High - 3	High - 3	High - 6								
			Pre Contr ol Meas ures				Post Control Measur es			
Housin g Improv ement Plan Referen ce/s	Risk/ Issue description	Impact/ consequence	Prob abilit y	Impac t	Risk Rating	Control Measure(s)	Probabi lity	Impact	Rating	Owner
AII	Failure to comply with Social Housing Regulation	Reputational damage, increasing complaints from tenants & leaseholders about servie levels, financial consequences for not being compliant	3	3	6	Establishment and monitoring of KPIs by senior management, council committees and the Adur Homes Board, systems and procedures in place - including rent analytics and escalation policy, IT system purchased, new HRA Business Plan	2	4	6	Adur Homes Board, Director for Housing & Commu nities
All	Housing Revenue Account income forecast not met.	Performance targets not met, insufficient funds for R&M, questions about viability of service	3	3	6	Establishment and monitoring of KPIs by senior management, council committees and the Adur Homes Board, systems and procedures in place - including rent analytics and escalation policy, IT system purchased, new HRA Business Plan	2	2	4	Adur Homes Board, Director for Housing & Commu nities
All	Loss of key staff	Poor service delivery, low tenant satisfaction, targets not met	3	3	6	Business continuity plans. Staff trained to cover. Contractors sourced for emergency/interim cover	1	1	2	Head of Housing
3, 5	Data collated/report ed may be	Performance not able to be monitored, poor	2	3	5	Purchase of new integrated IT system and staff training	2	2	4	Head of Digital & Director

	inaccurate	decision making, compliance targets unmet								for Housing & Commu nities
5	Asset Management Plan is not fit for purpose	Poor asset management investment decisions	2	2	4	New Strategic Asset Management Plan developed identifying priorities for investment for the portfolio - new integrated asset management IT sytem purchased	1	1	2	Director for Housing & Commu nities & Director for Place
12	Health and Safety requirements are not met within the Housing stock relating to fire risk control, asbestos, legionella, gas and electrical safety, lifts and safe working practices within the housing stock.	Failure to meet Council's responsibilities leading to death or injury - Council held liable for this and/or damage to property	3	3	6	Audit of all compliance requirements, review of big 6 policies and procedures, new damp and mould policy - purchase of asset management sytem with fully integrated compliance tracking and reporting capacity - key compliance tenders in place and appropriately monitored - effective oversight through Council governance arrangements	1	1		Adur Homes Board, Director of Cmmuni ties Head of Property Service s
1, 5	Regeneration of HRA stock not achieved	Properties deteriorating impacting on their value and tenant satisfaction, reduction in soacial housing stock in the Council impacting on homelessness outcomes	_α	2	5	New Strategic Asset Management Plan identifying oinvestment priorities for the HRA - planned maintenance programme developed and contracts procured for Decent Homes and compliance work - delivery of captial programmes closely moritred and tracked through a new KPI regime	2	3	5	Adur Homes Board, Chief Executiv e, Director for Housing & Commu nities
1, 5	New development targets not achieved	New, additional provision not delivered - increased need for TA if suitable housing offers cannot be made - Right to Buy receipts may not be able to be used for additional housing if not used within the timeframe allowed	3	2	5	Strategic Asset Managemernt Strategy identifies development targets which are regularly monitored, escalation pathways are in place where targets are slipping	1	1	2	Director for Housing & Commu nities & Director for Place

15	Allocations scheme is not fit for purpose	Nominations to RSLs not successful blocking up TA and PRS availability - appopriate stock not avaliable to meet applicant need	2	2	4	Housing Strategy and local Housing Needs Assessment for Adur completed setting out priorities for property requirements and partnership arrangements with local RSLs	1	1	2	Head of Housing
30	Increase in rent arrears and poor debt recovery leading to evictions and impacting on homelessness	Loss of income for Council resulting in less caapcity for service delivery - increased evictions and homelessness	2	2	6	Revised rent and debt managment policies- improved IT system supporting tenancy management, arrears and debt performance targets set and regularly monitored	1	1	2	Head of Housing
All	Increasing complaints from tenants and leaseholders	Capacity to manage and respond to complaints is diminshed and resources diverted, reptuational and compliance risk	3	3	6	Revised complaints policy and procedures, effective triaging of complaints and appeals, appointment of new complaints officer, new IT system enables clear view of customer asset and tenancy records for quick response	1	1	2	Director for Housing & Commu nities
All	Tenant satisfaction is low and does not meet regulatory requirements	Tenant satisfation levels do not show signs of improvement and do not meet regulatory threshholds leading to reputation and regulatory risk	3	3	6	Carry out the new TMS perception survey in accordance with statutory requirements in partnership with other Local Authority landlords - deliver improved satisfaction outcomes year on year	1	2	3	Head of Housing



Adur and Worthing Housing and Homelessness Performance Indicators											
Adur Homes											
Number	Performance Indicator	Quarter 1 Total	Year End Total 2022/23	2023/24 Target	July 23 Result	Aug 23 Result	Sept 23 Result	Quarter 2 Total	Result Against Target - RAG rating	Direction of Travel	Reporting period
Tenancy Mai	nagement	,							,		
1	Total rent collected										Monthly
2	Arrears as % of total rent due					3.75%					Monthly
3	Number of rent accounts in arrears										Monthly
4	Number of residents with a suspended possession order										Monthly
5	Total number of evictions	2	1		0	0					Monthly
Tenant Enga	agement										
6	Numbers of tenant/leaseholders attending meetings/ events										
7	Types of tenant engagement activity : surveys / 'have your say' meetings				3 - 'have your say' meetings / 41 - surveys completed by residents						
8	Tenant Satisfaction Measurement										
Right to Buy	y and Leaseholds										
9	Number of RTB Active applications	Not available			8	9					Quarterly
10	Total Leasehold Arrears as a % of anual rent roll *July result to be amended as % of rent roll	Not available			£235,535	1.80%					Quarterly
Feedback &	Complaints										
11	Number of new complaints	47	138		16	16					Quarterly
12	Number of complaints not met in time	33	N/A		8						Quarterly
13	Number of new FOIs				7	4					Quarterly
Asset manag	gement - Repairs										
14	Number of responsive repairs completed	2337	9841		717	814					Quarterly
15	% of repair appointments met	84.5%	85.3%		63.71%	61.97%					Quarterly
16	% of repairs post-inspected	77.7%	85.22%		76.36%	65.22%					Quarterly
Voids											
17	Number of void properties (general needs & sheltered)	142			139	136					Monthlty
18	Voids as a % of total stock	5.60%			5.5%	5.4%					Monthlty
19	Average number of void days	307			303	317					Monthlty
20	Void loss as % of total rental income	3.8%			3.8%	3.8%					Monthlty
Asset manag	gement - Compliance										
21	% of dwellings Decent Homes Standard compliant	N/A			N/A	N/A					Monthly
22	Number of dwellings awaiting damp and mould survey				70						Monthly
23	Number of dwellings with works raised for damp and mould										Monthly
24	% of dwellings with an in-date gas safety certificate	99.30%			99.30%	99.30%					Monthly
25	% of dwellings with an in-date EICR	37.20%			41.90%	45.20%					Monthly
26	% of properties with an in-date ACM survey (asbestos)	20.50%			31.30%	31.60%					Monthly
27	% of properties with an in-date Water Risk Assessment	100%			100%	100%					Monthly
28	Number of new* disrepair claims										Monthly

	Adur and Wo	rthing Hou	using and H	omelessn	ess Perfor	mance li	ndicato	rs				
			Adur	Homes								
Number	Performance Indicator	Quarter 1 Total	Year End Total 2022/23	2023/24 Target	July 23 Result	Aug 23 Result	Sept 23 Result	Quarter 2 Total	Result Against Target - RAG rating	Direction of Travel	Reporting period	
29	Value of disrepair claims paid out										Monthly	
30	% stock condition audit targets met	N/A			N/A	N/A					Monthly	
			Adur and	d Worth	ing							
lousing Re	egister											
1	Total number live housing register applications - Adur	936	902		941	940					Monthly	
2	Number of properties allocated - Adur	12	38		13	9					Monthly	
3	Total number live housing register applications - Worthing	1796	1729		1812	1823					Monthly	
4	Number of properties allocated - Worthing	35	106		22	5					Monthly	
lomelessn	ess											
5	Number of households in Temporary Accommodation (at end of quarter/month) - <i>Adur</i>	91			107	TBC					Monthly	
6	Cases assessed as homeless or threatened with homelessness & a statutory duty owed - Adur	48	169		13	16					Monthly	
7	Gross expenditure on Temporary Accommodation - Adur										Monthly	
8	Number of people sleeping rough across the month/quarter - Adur	13			6	6					Monthly	
9	Number of households in Temporary Accommodation (at end of quarter/month) - Worthing	349			351	твс					Monthly	
10	Assessed as homeless or threatened with homelessness & a statutory duty owed - Worthing	108	534		38	43					Monthly	
11	Gross expenditure on Temporary Accommodation - Worthing										Monthly	
12	Number of people sleeping rough across the month/quarter - Worthing	58			33	34					Monthly	
lousing De	evelopment											
7	Number of new property commencements	0	74		0	0					Monthly	
8	Number of new property completions	0	6		0	0					Monthly	
rivate Sec	tor Housing											
9	New service requests received	79	359		20	27					Monthly	
10	New enforcement notices issued	15	101		2	7					Monthly	





[Proposed changes are highlighted in Italics]

Adur Homes Advisory Board

Terms of reference

1.0 Purpose

- 1.1 Adur District Council's residential housing stock is generally referred to as Adur Homes.
- 1.2 The purpose of the Adur Homes Advisory Board is to
 - advise on strategic and operational issues affecting the performance of Adur Homes
 - scrutinise and challenge policies and procedures with a view to the long-term health and success of the business and the tenants and leaseholders of Adur Homes.

2.0 Responsibilities of the Board

- 2.1 Contribute to the development of the strategic vision, values and objectives of the Adur Homes as incorporated into Adur District Council's plans and Adur District Councils role within the strategic housing and homelessness plans.
- 2.2 Ensure that Adur Homes operational practice and policies reflect the needs of all stakeholders including tenants, leaseholders and the broader community and that the organisation is inclusive.
- 2.3 Review service delivery in relation to tenancy and asset management and provide advice to support improvements in performance and service delivery.
- 2.4 Receive and review reports on the Adur Home's performance against key performance indicators including measures of tenant and leaseholder satisfaction, customer feedback, and customer service standards.

- 2.5 Assist in identifying issues relating to statutory or regulatory compliance, specifically in relation to the Regulator of Social Housing (RSH) consumer standards and report concerns to the Adur Joint Governance Committee and Adur Cabinet.
- 2.6 Advise the Adur Joint Audit and Governance Committee and Adur Cabinet where there are any serious performance concerns which require improvement.
- 2.7 Contribute to the development of Adur Home's efficiency and value for money strategy, with particular reference to operational service delivery.
- 2.8 Ensure that all aspects of Adur Homes services are delivered with respect for fairness and inclusion.

3.0 Composition of the Board

3.1 The board will consist of the following

Board Role	Officer Title	Name	Email
Cabinet Member lead role	Adur Cabinet Member for Customer Services and Housing	Cllr Carson Albury	carson.albury@adur .gov.uk
Tenants representative	The chairperson of the Adur Homes general housing tenants representative group	Vacant	
Member representative of the Joint Audit and Governance Committee	Cabinet Member for Health and Wellbeing	Cllr Kevin Boram	kevin.boram@adur. gov.uk
Member of the Joint Overview and Scrutiny Meeting	Councillor	Councillor Mandy Buxton	mandy.buxton@adu r.gov.uk
Sheltered housing representative.	The chairperson of the sheltered housing tenants residents representative group	Vacant	
Leaseholder representative	The chairperson of the leaseholder representative group	Gloria Eveleigh	gloriaeveleigh@iclou d.com
Young person's		Vacant	

representative			
Accountable strategic officer	Director for Housing and Communities	Tina Favier	tina.favier@adur-wo rthing.gov.uk
Accountable chief finance officer	Chief Financial Officer (ir delegate)	Emma Thomas (Donna Temple)	emma.thomas@adu r-worthing.gov.uk donna.temple@adur -worthing.gov.uk
Senior Officer	Interim Head of Housing	Amanda Eremie	amanda.eremie@ad ur-worthing.gov.uk
Senior Officer	Head of Property Services	Keith Meredith	keith.meredith@adu r-worthing.gov.uk
Strategy/Policy Manager	Homeless Prevention Team Leader	Catriona Donnelly	catriona.donnelly@a dur-worthing.gov.uk

4.0 Board Meetings

- 4.1 The Board will meet four times per year to coincide with the quarter end reporting.
- 4.2 Additional meetings can be convened where business is critical but the use of special meetings will be avoided as much as possible.
- 4.3 After the first meeting of a Board, the Board will agree the date of the next meeting
- 4.4 Members will receive at least seven (7) days' notice of a meeting however, a forward plan will be agreed and papers will be sent out the week before the meeting.

5.0 Code of Conduct

5.1 The Board will operate within the Adur District Council's Code of Conduct for Members

6.0 Training and Development

- 6.1 The Board will agree to an annual training and development plan as part of its annual appraisal of the Board's and its effectiveness.
- 6.2 Board Away days will be hosted at least once a year. The purpose of Board Away days is to deliberate and provide input into the strategic direction of the Adur Homes, to dedicate more time to specific issues, and to include training and development to raise Board awareness of external issues and requirements.





Adur Homes

Interim Compensation Policy

Adopted: March 2023

Review Date: September 2024

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1. Aims and Objectives

- 1.1 Adur District Council ("ADC") is committed to providing an excellent service to its customers at all times, however, we recognise that there will be occasions when our services may not meet these high standards and customers are inconvenienced as a result.
- 1.2 Where a complaint is justified, an acknowledgement and apology will normally be sufficient. However, we recognise that where a complainant has suffered some disadvantage, inconvenience or loss as a result, other remedial action may need to be considered. This includes financial compensation.
- 1.3 This policy applies to tenants and leaseholders of ADC. It covers both mandatory compensation and discretionary compensation. Discretionary compensation relates to loss, damage or inconvenience due to a failure in service.
- 1.4 The aims of the Compensation Policy to make it clear the circumstances in which compensation will be paid
 - To ensure fairness and consistency when calculating compensation
 - To provide guidance on how and when compensation can be claimed
- 1.5 While each case will be considered individually based on the circumstances, this policy aims to promote a consistent approach that is reasonable, fair and treats all customers equally.

2. Scope

- 2.1 This policy outlines the circumstances when we might pay compensation to a tenant or leaseholder.
- 2.2 This policy does not apply to people who may be occupying any of our properties by way of license, or to other members of the public to whom we do not have a housing related contractual relationship.
- 2.3 This policy should be read in conjunction with ADC Housing Complaints Policy.

3. Legal Framework

- The Commonhold and Leasehold Reform Act 2002
- The Secure Tenants of Local Housing Authorities (Right to Repair) Regulations Statutory Instrument 1994 No. 133

- The Housing Act 1985 and the Secure Tenants of Local Authorities (Compensation for Improvements) Regulations 1994 – Statutory Instrument 1994 No. 613
- The Leasehold Reform, Housing and Urban Development Act 1993
- The Land Compensation Act 1973 as amended by the Planning Act 1991
- The Secure Tenants of Local Housing Authority (Compensation for Improvements)
 Regulations 1994 and Local Government 2000 and Home Loss Payments
 (Prescribed Amount) England Regulations 2007, 2020 and 2022 and 2023.

4. Circumstances in which Compensation will be Issued

- 4.1 There are two types of compensation covered by this policy: compensation that ADC is obliged to pay (mandatory compensation required by law), and discretionary compensation which we can choose to pay where circumstances warrant.
- 4.2 **Mandatory Compensation** ADC is obliged to award mandatory compensation under:

4.2.1 Right to Repair

The Right to Repair scheme sets out certain repairs that require completion within a certain timescale. Such repairs include small repairs which can be done quickly and easily and urgent repairs where there is a possible risk to health, safety and/or security. These repairs are known as 'Qualifying Repairs'.

Adur District Council is developing its approach to qualifying repairs and these will be added to the Compensation policy following consultation with Adur Homes Management Board.

4.2.2 Improvements

Customers may be entitled to claim compensation for improvements that they have carried out to the property. Any such entitlement is an entitlement to compensation (in certain circumstances), not an entitlement to improve.

Adur District Council is developing its approach to compensation for improvements and these will be added to the Compensation Policy following consultation with Adur Homes Management Board.

4.2.3 Home Loss and Disturbance

Where a customer is required by ADC to move to another property, compensation will, where appropriate, be paid in accordance with the Home Loss Payments (Prescribed Amount) England Regulations 2023. Such payments are made in recognition of the personal distress and inconvenience experienced by customers who need to leave their home through no fault of their own.

4.2.4 Right to Buy

Customers who have made an application to buy their home are entitled to claim compensation if the sale has not completed within the statutory timescales, as a result of ADC's inaction. By way of compensation, ADC will deduct a sum from the final purchase price, calculated by multiplying the weekly rent by the number of weeks that the sale has been delayed.

To make a claim for such compensation, the customer is required to (1) provide an "Initial Notice of Delay" form to ADC, providing one month in which to resolve the delay and (2) provide a further "Operative Notice of Delay" form, if the delay is not resolved within that month.

4.3 **Discretionary Compensation** – ADC may pay discretionary compensation in the following circumstances:

4.3.1 Loss of Room or Facility

Compensation in the form of a rent rebate may be paid when a customer is not able to use a room(s) in their home because of a repair issue that is our responsibility, and which caused prolonged and unreasonable disruption. We may not pay compensation for a fault or loss that is caused by the customer's misuse, negligence or damage.

4.3.2 Failure of Amenity or Service

Compensation in the form of a service charge refund may be paid when a service that is charged for via service charge, and is the responsibility of ADC, has failed and the deadline for completing the repair has passed. Compensation may not be payable if the loss is due to planned works agreed in advance with the customer or the loss of facility is caused by a utility supplier or the customer's misuse, negligence or damage.

4.3.3 Damage to Decoration or Fixtures

While carrying out repairs, improvements or other works there may be unavoidable damage to a customer's decorations or fixtures. ADC will endeavor to identify possible damage before starting any works and will discuss with the customer options available to minimise the damage. Where decorations or fixtures are damaged as a result of works carried out by ADC or its agents, the resident may be offered the choice to allow ADC or its agents to rectify the damage or be paid an allowance to carry the work out themselves. ADC will consider the value of the fixtures at the time of the loss and/or damage rather than the full replacement value.

4.3.4 Failure to follow Housing Landlord Service Procedure, Policy or Guideline

In these circumstances' compensation may be paid as a gesture of good will and will be paid without prejudice. Compensation will only be considered where the customer has experienced actual and proven financial loss and/or severe avoidable inconvenience, distress, detriment or other unfair impact of service failure. ADC will not pay compensation for loss of earnings due to service failure. However, may offer a goodwill payment in recognition of the time and trouble the customer may have taken to get the issue resolved.

5. Circumstances in which Compensation will Not be Issued

- 5.1 This policy does <u>not</u> cover the following claims:
 - Claims that are covered by ADC's liability insurance
 - Claims that would normally be dealt with by ADC's insurers
 - Claims that should be covered by a home contents insurance policy, this
 includes damage to a customer's belongings such a floor coverings caused by
 flood or fire
 - Claims for personal injury
 - Claims for loss of earnings
 - Claims where a legal claim has been issued

5.2 ADC will <u>not</u> consider making an offer of compensation where:

- The loss damage or service failure was caused or significantly contributed to by the customer, a member of their household or visitor. This includes a failure to report a repair promptly or to keep an appointment
- The cause of the loss, damage or service failure was reasonably unforeseeable and/or caused by a third party and/or ADC had no control over the cause. This includes a water leak from a neighbouring property not owned by ADC
- The cause of loss damage or service failure was the result of extreme or unforeseen conditions. This includes adverse weather
- The cause of loss of amenity such as the supply of gas, electricity or water is outside of ADC's control
- 5.3 Compensation under this policy is not intended as a substitute for home contents insurance. Customers should ensure they have sufficient home contents insurance to cover damage to their property that occurs through no fault of ADC.
- 5.4 Compensation is not automatic and will not apply where a service failure or mistake has not caused any inconvenience or loss and has been easily and quickly remedied.

6. Investigating Claims and Calculating Compensation

- 6.1 ADC will investigate all claims thoroughly. Officers investigating claims should consult all relevant service area policies, procedures or guidance in determining whether or not ADC is responsible for the service failure.
- 6.2 Where it is determined that discretionary compensation is appropriate, the amount of compensation should be fair, reasonable, justifiable and proportionate in the circumstances of the case. Officers are expected to use their reasonable discretion when considering individual cases.
- 6.3 Prior to a payment of compensation being offered to the customer the appropriate authorisation must be obtained, as follows:

Level of impact	Inconvenience cause	Authorisation level
	One instance of mild inconvenience	Manager
	A succession of service failures and/or the problem has not been resolved within a reasonable timescale	Head of Housing/Technical Services
	Serious or prolonged service failure resulting in severe stress, disruption, inconvenience, or loss of income	Corporate Head of Housing

- 6.4 Each case will be considered on an individual basis and take into account all relevant known circumstances and supporting evidence. Reports of loss or inconvenience will be investigated and compensation payments may be paid at the discretion of the investigating manager and where appropriate compensation will be offered. Any payments to our customers are used to offset rent or other arrears or debt in the first instance. In determining an appropriate discretionary compensation payment, all relevant circumstances of the matter will be taken into account, including:
 - Duration of the issue
 - Circumstances of the customer and their household, including any vulnerabilities or specific needs

- Quantifiable financial loss that would otherwise have not been incurred.
 Quantifiable loss could include: increased heating bills due to disrepair, having to pay for alternative accommodation or take away food, paying for cleaning or carrying out repairs where Adur Homes has failed to meet its obligations. Any such costs must have been reasonably incurred and evidence of such loss has been provided.
- Unquantifiable financial loss that would otherwise have not been incurred
- Distress and inconvenience to the customer as a result of the service failure and in seeking to resolve the issue
- Time and trouble of the customer
- Actions of the customer, household or visitor, whether the mitigated or contributed to any loss damage distress or inconvenience
- The levels of compensation awarded for similar cases by the Housing Ombudsman

6.5 Assessment Guidance

6.5.1 Delay and Distress

	Impact on Customer			
Level of ADC's Responsibility	No Impact	Low Impact	Medium Impact	High Impact
None				
Partial				
Full				

Compensation payments for delay and distress will be made based on the level of ADC's responsibility for the loss or inconvenience and the degree of impact on the customer. This matrix is used to assess impact and inform any compensation award that may be made.

Low Impact

Where the complaint is upheld but no significant inconvenience or distress was caused, and the impact has been no more than a reasonable person could be expected to accept. Any compensation is offered as a token in acknowledgement of ADC's responsibility.

Medium Impact

Where inconvenience and/or distress has clearly been caused. A repeated failure of a low impact event could result in the impact being increased to medium impact.

High impact

Where there is a serious failure in service. This could either be due to the severity of the event and/or a persistent failure over a prolonged period of time, or where an unacceptable number of attempts to resolve the complaint have failed.

6.5.3 Gesture of Goodwill

ADC may decide, even without acceptance of fault, to offer a gesture of goodwill. This can take the form of a physical, token or financial gesture. Such gestures of goodwill will be considered on a case by case basis.

6.6 The relevant officer will decide on a case by case basis the most appropriate way to pay the compensation. ADC will provide an explanation of how the discretionary compensation has been calculated so that the customer is clear as to the basis for the payment.

7. Payments

- 7.1 Confirmation of an offer of compensation will be confirmed to the customer in writing. A customer is required to confirm in writing their acceptance of the offer prior to any payment being issued.
- 7.2 ADC considers acceptance of discretionary compensation to be a full and final settlement of a case. Cases will not be reopened, nor further compensation considered via the same or alternative process unless the circumstances of the original case have significantly changed or escalated.
- 7.3 Any payment or other form of discretionary compensation under this policy is not an admission of liability by ADC.
- 7.4 Where the customer owes money to ADC in connection to housing services, such as rent or service charges, any compensation will be credited directly to the relevant account by way of offset against the balance owing. The exception to this is if the compensation offered is intended to be used for a specific purpose, for example, to replace a damaged item. In such circumstances, the payment of compensation will be made to the customer.

8. Appeal and Review

8.1 A customer can appeal the refusal of any claim for compensation or the level of compensation awarded under this Policy.

complaint through the Adur Homes Complaint Policy.

9. Other remedies

9.1 It may be appropriate that other action is taken to remedy a complaint either separately from or in conjunction with an offer of financial compensation. These may include practical action – such as remedial decorations which might otherwise be the customer's responsibility, or non-financial gestures of goodwill.

10. Compensation Payments Ordered by the Ombudsman

10.1 When a complainant escalates a complaint to the Housing Ombudsman Service, having exhausted ADC's formal complaints process, ADC will pay compensation and/or carry out works or follow action to comply with the Housing Ombudsman's recommendation.

11. Performance Monitoring

- 11.1 ADC will review its services with the aim of achieving continuous improvement and to ensure compliance with best practice.
- 11.2 ADC will monitor its performance in acting and learning from complaints ADC notes that compensation payments are relevant to this.
- 11.3 To help achieve ADC's aims of ensuring continuous improvement in the services it provides and to ensure that all statutory obligations are met, systems and processes will be implemented to monitor and evaluate performance.

12. Review of Compensation Policy

- 12.1 This policy will be reviewed after year 1 to evaluate its effectiveness and after that every 5 years unless there is a change in legislation or regulation.
- 12.2 Statutory amounts that are subject to annual uplift will be automatically added without the need for the entire policy to be reviewed.
- 12.3 Where there has been a change in legislation which has an impact on the policy, the policy will be reviewed within a reasonable time of the legislation or regulation coming into effect.

13. Equality and Diversity

- 13.1 ADC will ensure that this policy is applied fairly and consistently to our customers.
- 13.2 This policy will be implemented in accordance with ADC's Equality and Diversity Policy.

upon the request of a customer



Housing Ombudsman Service

REPORT

COMPLAINT



Adur District Council

29 August 2023

Our approach

The Housing Ombudsman's approach to investigating and determining complaints is to decide what is fair in all the circumstances of the case. This is set out in the Housing Act 1996 and the Housing Ombudsman Scheme (the Scheme). The Ombudsman considers the evidence and looks to see if there has been any 'maladministration', for example whether the landlord has failed to keep to the law, followed proper procedure, followed good practice, or behaved in a reasonable and competent manner.

Both the resident and the landlord have submitted information to the Ombudsman, and this has been carefully considered. Their accounts of what has happened are summarised below. This report is not an exhaustive description of all the events that have occurred in relation to this case, but an outline of the key issues as a background to the investigation's findings.

The complaint

- 1. The complaint is about the landlord's handling of:
 - a. The resident's report of an infestation of a mice.
 - b. The associated complaint.

Background and summary of events

- 2. The resident is a secure tenant of the landlord, a local authority. The tenancy commenced on 19 September 2016 and the property is a flat. Since the complaint was brought to this Service, the resident moved to alternative accommodation on 18 February 2022.
- 3. The resident has which the landlord is aware of.
- 4. On 19 November 2020 the landlord sent a letter to the resident to advise that on 25 November 2020 it was carrying out a survey of the whole of the block in order to look for evidence of mice. It said that it appreciated it was short notice, but it would require access to the property. It invited the resident to contact it if he had any questions or concerns.
- 5. On 24 November 2020 the resident's called the landlord in the morning to report a mice infestation in the resident's kitchen. Later that day the resident called the landlord and said:
 - a. He had already reported that contractors had left holes in his kitchen walls and mice were now getting in as a result.

- b. He had to have some of the kitchen dismantled in order for works to be completed. As he was the was not in a position to do this again and financially could not afford to get someone to do it for him.
- c. He had been informed that pest control was his responsibility but felt this was unfair under the circumstances. He requested a call back.
- 6. The resident called again the next day to chase a response. There are no records to show whether the landlord called the resident back.
- 7. On the same day the landlord's pest control contractor attended to complete an inspection of the entire block. The report said:
 - a. It knocked on the resident's door to inspect but there was no answer.
 - b. There were no obvious entry points for mice.
 - c. Proofing had been carried out to various pipes.
 - d. Pointing around the brickwork at ground level was poor.
 - e. It was significant that external doors were sometimes left open and ground floor balconies had doors left open even in the rain. This would be a possible entry point.
 - f. It was unable to ascertain the full extent of the infestation as many residents were not home or did not answer the door.
 - g. A three-month control programme in the current affected properties along with proofing should be undertaken.
 - h. Avoiding a reinfestation could not be guaranteed owing to the points raised above.
- 8. On 16 December 2020 the resident contacted this Service, and we contacted the landlord about the complaint. In summary we said:
 - a. The resident had complained about the landlord's response to his reports of mice infesting the property and its handling of his request to repair holes in his kitchen wall left by contractors in July or August 2020. He said that mice were getting in through the holes.
 - b. The resident had also complained about the length of time the landlord was taking to resolve the issues and that it had not considered his dealing with his complaint and service requests.
 - c. We asked the landlord to contact the resident for further details of the complaint and resolution sought.
 - d. We suggested that the landlord may wish to consider the following resolution:

- i. The property to be inspected, a schedule of work with completion dates to be provided to the resident and all remedial works be completed within an agreed timeframe.
- ii. Consider redress for its handling of the repairs and any delays in completing these.
- e. If the resident was yet to exhaust the complaint process, then to get in contact with the resident to discuss the outstanding issues and provide a written response and ensure this was done within the timescales of its complaint policy.
- 9. On 22 December 2020 the landlord's pest control contractor attended the resident's property amongst other properties and placed bait in the kitchen. It attended again on 5 January 2021 but was unable to gain access to the resident's property. It returned on 6 January 2021 and reported that some of the bait had been taken but there was still sufficient left for ongoing control of the infestation. It would revisit in four weeks.
- 10. On 2 February 2021 the pest control contractor visited the resident's property to inspect. It stated that the property was undergoing refurbishment and that there had been some small activity in the kitchen area. It would follow up in four weeks.
- 11. On 8 March 2021 the resident contacted this Service, and we contacted the landlord on behalf of the resident. We said:
 - a. We acknowledged that a complaint response had been issued on 24 December 2020, but this response was about the adaptations which was a case that had already been referred to this Service for investigation.
 - b. The complaint response did not address the handling of the pest infestation and repair of holes in the kitchen. We asked the landlord to engage with the resident and issue a complaint response on the outstanding issues within 20 working days.
 - c. The response should clarify what stage the landlord was responding to, the finding into how the issues had been handled, detail remedial action and include details of how the resident could escalate the complaint if he remained unhappy.
- 12. The landlord responded on the same day and confirmed the issues were still outstanding and had not been addressed. It stated that it had started the stage one complaint process.
- 13. On 29 July 2021 the resident called the landlord and said that the landlord instructed the main supplier of gas to fit new gas supplies for all residents the previous year. This was to ensure everyone was on an individual supply. He was unhappy with the works as the company ailed to block holes left after moving the

meter from the hallway to the kitchen and replacing the pipes. He had found mice droppings on the shelf next to the gas meter, and had seen mice behind the meter. He said this was exasperating his health conditions, and he had tried complaining but had not got anywhere. He said this appeared to be an issue throughout the block. Records do not confirm that the landlord returned the resident's call.

- 14. On 31 August 2021 the landlord's pest control contractor visited the block. The report said:
 - a. It had visited the property previously to carry out rodent control however residents had missed or were not available for the appointments. It only managed two visits and was unable to retrieve the bait boxes at the end, so it was not clear how successful the treatment was.
 - b. There were no obvious entry points around the perimeter of the block but the pointing on the brickwork had eroded to the effect that a "determined" rodent could climb up them.
 - c. Tenants were leaving the main communal door open. This would have allowed mice inside and gaps under residents' front doors were big enough to allow mice in.
 - d. There was a build-up of rubbish in places and pictures were attached. There was a hole in the brick work outside the resident's property but inspection of the brickwork behind the rubbish was not possible.
 - e. No further treatment was done as no residents answered their doors.
- 15. On 23 September 2021 the landlord visited the resident. The resident told the landlord that mice were getting through a gap around a pipe and possibly through the vent in the area to the side under the kitchen sink.
- 16. Internal email correspondence dated 1 October 2021 attached photographs from the visit of 23 September. The landlord said:
 - a. Pest control was required to treat the mice.
 - b. The property was ______, and this would need to be addressed to facilitate the pest control treatment. It was likely that mice were nesting in piles of undisturbed possessions. If treatment was started there was a possibility that the vermin could die under the possessions and cause a further health hazard.
- 17. On 4 October 2021 the landlord sent a letter to all residents about the storing of items in the communal areas. It stated these posed a health and safety risk and asked that items were removed as soon as possible. It stated that it would

- inspect again, and stickers would be placed on items and the cost of removal of the items would be charged.
- 18. On the same day the resident called the landlord to follow up a visit from just over a week ago. He requested that the holes to the gas pipes be filled as mice were coming into his property via the cavity walls. He said the dust coming in from the walls was exacerbating his the was seeking legal advice, and wanted a date within the next week as to when the works would be finished. He stated the repairs should be completed despite his upcoming move.
- 19. On 6 October 2021 the resident called the landlord several times. In summary he said he was emotionally distressed by the letter received dated 4 October 2021 which threatened to remove his belongings from the communal area. He said the landlord knew the possessions were only there due to renovations it had not completed. He also said the landlord had not given him a move date or a solution to fix any of the problems in the property, he had nowhere to put his belongings, and this was explained and agreed during a recent visit by the landlord. He requested a call back.
- 20. On 7 October 2021 the landlord emailed the resident confirming it had received his telephone messages and had tried to call him twice the previous day and once that day. It asked him to call back. On 9 October 2021 the resident responded and asked if the landlord could deal with the matter via email.
- 21. On 11 October 2021 the landlord emailed the resident. It said that following its visit it had been advised that items stored outside his home needed to be removed immediately. It was aware that he had stored items to make space to allow it to attend to seal the holes, however during the visit it assessed his home as on the and there was a necessity to free his home from clutter. It stated the items needed to be removed from the communal area immediately, and offered to clear the items should he wish it to. It said it was chasing an appointment date for it to attend to seal the holes.
- 22. The resident responded on 13 October 2021 and asked why the repairs had not been completed so he could put his belongings back in his property. He stated the landlord had had weeks to do this since he cleared the space for the inspection and the work to be done.
- 23. The landlord emailed the resident on 14 October 2021 and said:
 - a. Its maintenance team had visited the resident that day to block the access points to his property to prevent the vermin infestation in his home.
 - b. The next stage in the process was to engage pest control services.

- c. There were concerns that due to pest control steps could fail. It asked how best it could support him to clear the property in preparation for his proposed move.
- d. It asked if he could share his current support service contacts so that it could work out a strategy of how to create space in the property.
- e. If any items were stored in the communal area after 15 October 2021, then the items would be removed as they were a fire hazard. It asked if the items could be removed immediately.
- 24. Later the same day internal emails evidenced that the resident had contacted the landlord's out of hours team. He said that he could not tolerate the "smell or filth" from the level of the infestation of mice. He had an was worse. He was advised by the out of hours team that it was not aware of any diseases from mice that would cause this.
- 25. The resident said he thought that the landlord would block the holes up that day when they visited but it did not. He had taken considerable care to keep the property clean and dropping free.
- 26. The out of hours team placed him in hotel accommodation for one night but advised that he would be contacted in the morning by its housing team to establish the extent of the issue.
- 27. Internal emails of 15 October 2021 show that the landlord determined the placement was an exception and that it would not place the resident in the hotel again. It asked its tenancy services team to contact the resident and advise him to contact his GP or A&E if the symptoms continued. It also said that he needed to be advised that any treatment was unlikely to be effective until the property was decluttered.
- 28. The landlord contacted the resident on the same day. It was informed by the resident that its contractor who attended the previous day did not complete works but completed a further inspection which had already been done. It asked its maintenance team to contact the resident that day to complete the works as agreed. Once this was done it would help to deal with clearance of the communal area, moving home and support issues.
- 29. On 20 October 2021 the landlord's pest control contractor attended the resident's property. It confirmed that the mouse infestation had returned, and it placed bait points in the kitchen. It stated it would revisit in one week.

30. On 26 October 2021 the	resident contacted the landlord. He said he had be	en
advised by Citizen Advic	e to declare himself homeless. The mice infestation	in
his flat was causing him	, and he was	
. He said he was cu	rrently sleeping on the floor of a houseboat.	

re	n the same day the county council contacted the landlord. It said that the sident had contacted its service about his property being uninhabitable and that would not be returning to his property that night. It requested a call back.
ac pr lai his as	the resident called the landlord On 27 October 2021 and asked for emergency ecommodation. He said that his GP and Social Services had said that his operty was uninhabitable. On the same day the resident's emailed the indlord and said that the resident was not but trying to downsize from a previous accommodation. The issues were due to the pipework and contract a explained when the landlord visited. She asked it not to involve Social ervices.
be	ternal emails of 28 October 2021 show that the landlord had requested contact made with its pest control contractor as a week had passed since it had done treatment.
	ne landlord emailed the resident on 28 October 2021. It thanked him for his nails and said:
a.	It was aware that he was contacting several agencies and different departments within the council.
b.	The pest treatment company would be visiting again to check the baits that had been laid and he would be contacted with a date. The treatment would not be effective if there were so many items in the property that could easily create a nest and provide easy access to food and water source for the mice.
C.	It visited his property because of the resident's concern about works done. It agreed that some of the work could have been better but it did not make the property unsafe or unusable. The property should not have been as the bathroom was too small to allow the green recommended by a literative property which was now being
d.	If the mice infestation in his current property was not properly treated, It would move with him into the new flat. Keeping belongings outside created a suitable warm place for the mice to nest as the weather got colder. The infestation would continue when he moved the items in doors. It could also cause a bigger infestation as the items left outside enabled the mice to multiply.
e.	As it was already another property it would not carry out any further work on his current property. It had asked all current him to work together to support him to deal with the infestation and help him prepare for the move to the new property once the complete.

- f. As no repair works were planned it was important for him to remove the items he had stored in the communal area.
- 35. The resident responded that the holes were still left where he had told the landlord they were. He said he would ask was unwell, and these would be sent to all agencies later that day. He said the landlord had not completed an inspection despite many requests from him that week. In a second email he requested that someone attend that day to make good the gas pipework as it was access to the property for mice. He asked for this to take place after 2pm as would be present and would be able to facilitate access.
- 36. Later that day internal emails show that a local councillor contacted the landlord to ask if the resident had a social worker. The email stated that its repairs team had confirmed that the proof work had been completed around the gas meter, and that all holes had been blocked with wire wool, mesh, and "fila". The landlord also contacted who advised that the resident was on a waiting list to be re-assessed.
- 37. Also on 28 October 2021 the landlord's pest control contractor visited the property. Its report said:
 - a. Initially the resident refused entry as he had forgotten there was another appointment that day. The resident then called the contractor as he was leaving and asked him to remove the bait points as he said the bigger mice were dying in his flat which was causing his
 - b. The mice had not taken any of the bait points in the last week indicating that there were no mice in the property. The resident did point out some old mouse droppings, but it was difficult to say how old they were as droppings dried up quickly. The resident also misidentified some old food waste as mouse droppings.
 - c. The resident said that the proofing work required around the gas meter had not been completed and there was no point in any further treatment until the landlord had completed the works.
- 38. On 29 October 2021 the landlord met with
 - a. It was agreed that as the landlord it would engage with the resident to remove the clutter in the property pending the move to alternative accommodation.
 - b. The resident received money each week to arrange his own
 - c. Clearance of the property had not been achieved as the resident was concerned that there was a continuous flow of dust coming in from the cavity walls which he said rendered his property uninhabitable due to

- d. A meeting would be put in place to clarify:
 - i. The outstanding repairs.
 - ii. How it would identify the home is uninhabitable. It had previously asked the resident to seek a GP referral, but he had not done this.
 - iii. What actions would be necessary to safeguard the resident's wellbeing.
- e. Once it could address the above it could communicate the decision to the resident.
- 39. On 29 October 2021 the resident sent photographs of holes around the piping.
- 40. On 30 October 2021 contacted the resident by email in response to an earlier phone call It had with the resident. It said that it understood he had stayed in a hotel the night before but had slipped and fallen in the level access shower. He had made the decision to leave and stay with his father but could not remain there. It had contacted his landlord who had advised that emergency housing was not being provided as his property was considered suitable for him to return to. As the situation pertained to his landlord it was unable to offer support to his enquiries.
- 41. On 1 November 2021 the landlord emailed the resident and all agencies involved including informing them of the history of the case. It said it would invite them to a multi-agency meeting to discuss and agree how they could support the resident to resolve the issues.
- 42. On 2 November 2021 the resident asked the landlord to stop writing "false information" about him and sharing it with other agencies. He said he felt upset by what was said in the previous email, and he felt that it should be a simple repair matter.
- 43. The landlord responded and apologised that he felt the information shared was incorrect. It said the information shared was based on observation from a previous visit and the emails both the resident and other agencies had shared. It also explained the concerns it had for his safety and his health.
- 44. The landlord said its aim was to support the resident to enjoy his accommodation. It had visited the property twice and filled up the holes that had been pointed out. It had been told by its pest control that none of the baits had been taken which indicated that no mice were in the property. As the resident had asked it to remove all the bait points there was no other way to treat the mice. It had copied the resident into the emails so that he could see that all agencies were trying to help as best they can.

45	res	re multi-agency meeting went ahead on 15 November 2021. Two friends of the sident also attended but the resident did not. In summary the minutes of the seting recorded that:
	a.	The resident was paying for alternative accommodation because he considered his property was uninhabitable despite housing affirming that it was suitable. He had to leave that accommodation on 17 November 2021.
	b.	Serious concerns were raised about the resident's wellbeing. He did not have any currently and there were concerns about his ability to find appropriate.
	c.	The resident was on a list to be allocated a
	d.	Consideration was given to the landlord providing temporary accommodation after 17 November 2021 as a short-term measure. There were concerns about finding appropriate accommodation with short notice given the needs of the resident. It was agreed to try to support the resident to return to his property for the short term as this had already been It agreed that the support would include removing a significant amount of the within the property and the communal area as this would improve his and safety in the short term, and make the property easier to clean.
	e.	Actions were agreed which included:
		 The resident's friends to provide a list of the repair works that were still outstanding and to speak to the resident about moving most of the items in his flat into storage in the short term.
		ii. Arrangements to be made for the resident to be prioritised for allocation of a and referred to the so that a case review could take place as soon as possible.
		iii. to see if it could assist the resident with de-cluttering and cleaning the bathroom and kitchen, and to support him to travel back to his property.
46. On 15 November 2021 the resident's friend emailed the landlord with a list of matters that needed to be addressed. The list included the filling of the holes in the cupboard where the old gas supply had been located. It also stated that mice droppings had been found there. The landlord responded advising there may not be sufficient time to get all actions completed prior to the resident returning.		
47	his da Th	16 November 2021 the resident said that the last time he had tried to sleep in a property he had a severe . He attached a letter from his GP ted 26 October 2021 which he said he had already forwarded to the landlord. The letter stated that he had symptoms that presented rapidly after being in his me. This would suggest that along with the mouse infestation being unsanitary

it was also provoking an allergic reaction.

- 48. Further email correspondence indicates that the resident was then placed in temporary hotel accommodation by the landlord. It is not known what date he was placed in temporary accommodation.
- 49. On 19 November 2021 the resident was allocated a who emailed him to introduce herself. In the email she stated that the newly identified holes had been filled by the landlord the previous day but that the landlord would not be able to identify further issues until some of his belongings were cleared.
- 50. On 25 November 2021 the resident contacted this Service. We then contacted the landlord on the resident's behalf and said:
 - a. The resident had stated that he had raised a formal complaint but had not received a written response.
 - b. We provided details of the contact we had already made on the resident's behalf in respect of his complaint.
 - c. To date we had not received confirmation that the stage one formal complaint had been provided to us or the resident.
 - d. We requested that a response be provided by 2 December 2021.
- 51. The landlord responded on the same day and apologised for not responding sooner. It said this was an oversight due to a clerical error which it had now addressed. It said it would collate the communication relevant to the case and update on the current status as soon as possible.
- 53. On 15 December 2021 the landlord issued a stage two response relating to a complaint made by the resident in respect of the landlord's handling of the and anti social behaviour reported by the resident. In this response the landlord stated that the mice had not taken bait in the property since it was last treated, which indicated that the problem was now eradicated.
- 54. On 13 January 2022 this Service contacted the landlord. We advised that the update provided was in relation to another case, and explained that the resident had another complaint relating to his reports of a mice infestation and outstanding repairs. The landlord confirmed in an email to this Service on 8 March 2021 that it had registered this as a stage one complaint. The landlord then advised the next

- day that in its stage two complaint response in the other case, it had addressed the pest control matter.
- 55. The resident remained dissatisfied and contacted this Service. He said the problem was not sorted, and holes left by the gas meter had not been filled. He wanted compensation for the cost he incurred for temporary accommodation and distress caused.

Obligations, policies and procedures

56. The tenancy agreement states:

- a. The landlord must carry out the repairs and maintenance it is required to do by law.
- b. The landlord must maintain the structure and common parts of the property in sound repair.

57. The landlord's repair and improvement policy states:

- a. It is responsible for the main structure of the building including roof, ceilings, walls and floors and all communal areas.
- b. Its response times are one day for an emergency repair, seven days for an urgent repair and 42 days for non-urgent repairs.

58. The landlord's safeguarding policy states:

- a. It supports the principle of sharing safeguarding information with other agencies in accordance with data protection requirements.
- b. It is committed to close working with partners in all matters relating to safeguarding.

59. The landlord's complaint procedure states:

- a. A complaint is an expression of dissatisfaction that requires a response about the standards of service, action, or lack of action by the landlord or its staff.
- b. It should aim to resolve all complaints quickly and effectively.
- c. It has a two-stage complaint process.
- d. It should acknowledge a stage one complaint within five working days and provide a full response within 10 working days.
- e. It should acknowledge a stage two complaint within five working days and provide a full response within 15 working days.

- f. It is important to keep the customer informed of the stages in the complaints procedure and to ensure that all timescales for responding to complaints are adhered to.
- g. If the complaint is about a service, the landlord should be clear what it is the customer wants. If it meets its criteria, then it needs to ensure that the resident gets that service.
- h. It should check if there are any previous complaints but do not make assumptions based on the outcome of a previous complaint.
- i. The complaint response should be clear and concise and address all the issues raised in the original complaint.

Assessment and findings

The landlord's handling of the resident's report of an infestation of mice

- 60. The resident has said he considers that the issues affecting the property have impacted . The resident's description of the impact on him are acknowledged. However, it is beyond the remit of this Service to make a determination on whether there was a direct link between the landlord's actions, and the resident's . The resident may wish to seek independent advice on making a personal injury claim, if he considers that affected by any action or lack thereof by the landlord.
- 61. This investigation has considered the landlord's response to the resident's reports that the issue was affecting and whether this response was reasonable in view of all the circumstances. Consideration has also been given to any adverse effect, including distress and inconvenience, which the resident experienced because of any failings by the landlord.
- 62. The landlord acted appropriately by arranging for its pest control to attend the block to inspect when it received several reports of an infestation within the block. A three-month control and proofing programme was appropriately put in place.
- 63. The pest control treatment continued until February 2021 but then there was a five-month gap until treatment was reinstated in August 2021. The resident had complained in March 2021 but did not receive any response. He called again on 29 July to report that there were mice droppings next to the gaps where the old meter was. The pest control report in August 2021 stated that the contractor had only been able to access the property twice previously and had not been able to access since to establish whether the treatment had been successful.
- 64. If this was correct then given the resident's and the fact that the infestation was affecting the whole block, it would have been reasonable for the landlord to have intervened where access was an issue to enable it to satisfy

- itself that the issue was resolved. That it did not would have contributed to the break in the treatment and was a failing in the landlord's handling of the resident's reports of an infestation.
- 65. There remained a dispute over how the mice were entering the property. The resident clearly had concerns about holes in the kitchen in the first instance and then holes around the gas meter. He raised this on 24 November 2020 and 29 July 2021. The landlord told this Service that the mice were not entering via this point as the gaps or holes did not go out to the external wall. No evidence has been provided to show whether this was explained to the resident. The pest control reports state the specific entry points were unknown but had made recommendations.
- 66. Regardless of the exact entry points the holes in the walls and around the gas pipes were the landlord's responsibility to repair/ make good once it was made aware in accordance with its own repair policy and the tenancy agreement. If the landlord considered the resident was responsible and it did not constitute a repair, it should have explained this to the resident when he reported it.
- 67. It was evident that these repairs were causing the resident distress because of his belief that the mice were entering the property via these holes and the impact he said that the dust was having on This Service has not been provided any evidence to show that that the repairs to the walls and gaps around the meter were completed. Evidence does show that the holes around the gas meter were still being reported and the landlord visited but failed to complete the repair in October 2021. This was 3 months after the matter was first reported, which was outside the landlord's repair timescales.
- 68. On 29 July 2021 the resident advised the landlord that the infestation was affecting . There is no further correspondence to show what happened in the following month and whether the resident was contacted in response to this matter. This was inappropriate, and would have caused the resident further distress.
- 69. The landlord had however instructed its pest control contractor to visit the resident on 31 August 2021. It was another failed access, but the landlord did then visit the resident itself on 23 September 2021. The landlord stated it visited because the resident had concerns about the it would have been reasonable for the landlord to attend or contact the resident sooner than it did. Particularly as he had expressed concerns about the impact on in July 2021.
- 70. Pictures from the visit showed that there was wire mesh and filler around some pipes. It is unknown however whether the landlord or the resident did this. It is also noted that at this point the landlord assessed that the number of items in the

property presented a hazard which needed to be resolved to ensure that pest treatment was successful. It had also appropriately asked the resident to provide details of his support contacts so it could formulate a plan of how these items could be reduced.

- 71. The resident was clearly distressed by the fact that the landlord attended again on 14 October 2021 but failed to complete the works to block the holes around the gas meter. The resident had moved items around to ensure that these holes could be blocked as they were a cause of concern for him. The landlord provided temporary accommodation that evening as it was out of hours, and it was unable to contact the relevant departments to establish the issues. This was reasonable in the circumstances.
- 72. The next day the landlord confirmed that the property was habitable and did not agree to extend the provision of temporary accommodation. It is not within the remit of this Service to establish whether a property is habitable or not but to assess how the landlord considered this matter, and how it responded to the resident's concerns that it was not habitable.
- 73. The landlord advised this Service it had assessed that the mice infestation was not resulting from disrepair so its obligation to provide temporary accommodation did not arise. This view was limited and unreasonable. It would have been appropriate given the circumstances for the landlord to consider the extent of the infestation, the property condition, and the impact this was having on the resident as an individual taking into account his
- 74. It is acknowledged that the landlord visited the resident on 23 September 2021 so had sight of the property condition. It said that it had assessed the within the property, but this Service has not been provided with a copy of this assessment. The pest control contractor had not accessed the property for eight months, so the extent of the infestation was certainly unknown at this point.
- 75. The resident was also and which the landlord was aware of. This Service would have liked to have seen evidence of how the landlord had risk assessed the situation at this point and what referrals were appropriate as a result of this assessment given the resident's own perception of the infestation, his and distress. That it did not was a failing and delayed the matter for a further few weeks which resulted in the resident leaving the property and having to contact other agencies himself for assistance.
- 76. The landlord did however ensure that its pest control contractor attended the property five days later and this visit confirmed that the infestation had returned, and treatment commenced. The report itself did not indicate that the property was uninhabitable due to the infestation but as stated above this was not the only factor that needed to be considered to assess the risk to the resident.

- 77. Ten days later the resident contacted several agencies as he was distressed and did not feel he could stay at the property. The landlord responded appropriately this time and made a safeguarding referral, and it arranged a multi-agency meeting to ensure that all agencies were now involved and a plan to resolve the issues could be agreed. The landlord appropriately contacted the resident to advise what its plan of action was and offered to assist with reducing the
- 78. On 16 November 2021 the resident provided medical evidence to the landlord which he said he had provided before. The medical letter was dated 26 October 2021. It is unknown whether the landlord had sight of this before to enable it to consider this earlier; there is no indication in the evidence provided that it had received this prior to November.
- 79. This Service acknowledges that the landlord was struggling to get other agencies to assist the resident and was escalating this as a result. At this time, the landlord reasonably considered the impact on the resident and identified that further support was required.
- 80. Shortly after the multi-agency meeting and as part of the safeguarding issue identified, it was agreed that the landlord would provide a discretionary placement of temporary accommodation. This was appropriate given the other agencies' recommendations and agreed plan of action.
- 81. Overall, there was maladministration in the landlord's handling of the resident's reports of an infestation. While the landlord appropriately put a treatment plan in place, it failed to appropriately intervene when there were access issues which meant that it failed to satisfy itself that the issue had been resolved. It also failed to reasonably assess the impact on the resident at an earlier stage despite the resident's . However, once it did, it ensured that matters were progressed with the correct agencies. The landlord failed to acknowledge the resident's concerns about the holes near the gas meter and complete the repair in accordance with its repair policy.

The landlord's handling of the associated complaint.

- 82. The landlord's handling of the resident's complaint was poor. The evidence shows that in order to have his complaint raised under the landlord's complaint procedure he was required to request intervention from this Service on at least four occasions. This is unsatisfactory as a complaint process exists in order to ensure a resident's concerns are addressed at the earliest stage so that things are put right as soon as possible. The landlord did not do this in this case.
- 83. The landlord failed to provide any reasonable explanation as to why it chose to depart from its complaint procedure and not consider the complaint at stage one,

- despite it re-assuring this Service that a stage one complaint had been raised in March 2021.
- 84. Furthermore, it took the landlord 12 months to respond to the complaint which is outside its own timescales. This was inappropriate. There is no evidence that the landlord acknowledged or apologised for the delays in its response. This was inappropriate as the delays had been made clear and the impact on the resident was not acknowledged or put right by the landlord. Additionally, the matters complained of were ongoing, and the landlord's delay in considering the complaint meant that it missed opportunities to review its handling of the infestation and repairs, and put right what had gone wrong.
- 85. The landlord's complaint responses did not show that it had investigated the resident's complaint reasonably, or that it had addressed all the issues that this Service had made the landlord aware of on behalf of the resident. It simply stated that the pest infestation had been eradicated. The lack of response to the resident's concerns was inappropriate and falls significantly below the standards the landlord has set out in its own complaint policy, and those set out in the Ombudsman's Complaint Handling Code.
- 86. Taken altogether it is clear that the landlord's poor complaint handling had a detrimental impact on the resident, in terms of the time and trouble, distress and inconvenience he spent trying to pursue matters. It is also clear that the complaint handling failings compounded the failings in the landlord's handling of the infestation and associated repairs. Given the failings identified, the Ombudsman has made a finding of severe maladministration by the landlord in respect of its handling of the resident's complaint.

Determination (decision)

- 87. In accordance with paragraph 52 of the Housing Ombudsman Scheme there was maladministration by the landlord in respect of the resident's report of an infestation of mice.
- 88. In accordance with paragraph 52 of the Housing Ombudsman Scheme there was severe maladministration by the landlord in respect of its complaints handling.

Reasons

89. The landlord failed to intervene when there were access issues which contributed to delays in the pest control treatment. It failed to risk assess the impact the infestation was having on the resident at the earliest opportunity despite the resident's . It failed to complete the repair to the holes in the wall within a reasonable period of time.

90. There were significant delays in the landlord's handling of the complaint. It then failed to acknowledge the delays within its response. It gave no reasonable explanation as to why it departed from its own complaint procedure, and it failed to investigate and address all the issues raised.

Orders and recommendations

- 91. The landlord is ordered within four weeks of the date of this report to:
 - a. Apologise to the resident for the failings identified in this report.
 - b. Pay the resident a total sum of £850. This is comprised of:
 - i. £250 for the distress, inconvenience, time, and trouble incurred by the resident as a result of the failings in responding to the resident's reports of a mice infestation in the property.
 - ii. £600 for the distress, inconvenience, time, and trouble incurred by the resident as a result of the failings in the landlord's complaint handling.
- 92. Considering the complaint handling failings in this case, the landlord should take steps (in the form of a refresher course or workshop, based on the contents of this Service's Complaint Handling Code) to remind its relevant staff of their complaint handling responsibilities and the best practice approaches.
- 93. Once the above orders have been completed the landlord is to provide confirmation to this Service.



Housing Ombudsman Service

PO Box 152 Liverpool L33 7WQ Tel: 0300 111 3000 info@housing-ombudsman.org.uk www.housing-ombudsman.org.uk

Customer Feedback Team Adur District Council Town Hall Worthing West Sussex BN11 1HA

Dear Customer Feedback Team

Complaint: -

I am writing to you following complaint to the Housing Ombudsman. Thank you for the information you have provided and I apologise for the delay in determining this complaint.

This letter sets out the complaints I have considered and the Ombudsman's decisions (the determination) on each complaint. The reasons for my decisions are set out in the accompanying report.

Complaint definitions

- 1. The complaint is about the landlord's handling of:
 - a. The resident's report of an infestation of a mice.
 - b. The associated complaint.

Determination

- 2. In accordance with paragraph 52 of the Housing Ombudsman Scheme there was maladministration by the landlord in respect of the resident's report of an infestation of mice.
- 3. In accordance with paragraph 52 of the Housing Ombudsman Scheme there was severe maladministration by the landlord in respect of its complaints handling.

Orders

4. The landlord is ordered within four weeks of the date of this report to:

- a. Apologise to the resident for the failings identified in this report.
- b. Pay the resident a total sum of £850. This is comprised of:
 - i. £250 for the distress, inconvenience, time, and trouble incurred by the resident as a result of the failings in responding to the resident's reports of a mice infestation in the property.
 - ii. £600 for the distress, inconvenience, time, and trouble incurred by the resident as a result of the failings in the landlord's complaint handling.
- 5. Considering the complaint handling failings in this case, the landlord should take steps (in the form of a refresher course or workshop, based on the contents of this Service's Complaint Handling Code) to remind its relevant staff of their complaint handling responsibilities and the best practice approaches.
- 6. Once the above orders have been completed the landlord is to provide confirmation to this Service.

Next steps

This case is now closed. If you have new facts and/or evidence or wish to challenge the facts and/or evidence that I have relied on, you can request a review of this decision. You should make sure that we receive the information by 19 September 2022. Your request will be considered by a senior member of staff.

Customer feedback is important to us as it helps us to ensure our service continues to meet customer needs. We may contact you about this case. The feedback is very brief, so please help us by responding.

We publish all decisions three months after the date of the final decision unless there is a risk of identification. Our reports do not reveal your identity or that of the people involved but do name the organisation investigated.

If you believe there is risk of identification if this decision is published please provide details within three weeks of the date of this decision.

To find out how we use your personal data together with your rights under the Data Protection Act 2018 go to www.housing-ombudsman.org.uk/about-us/your-data/.

Yours sincerely

Adjudicator