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ADUR & WORTHING
COUNCILS

31 January 2024

Joint Strategic Committee	
Date:	**8 February 2024**
Time:	**6.30 pm**
Venue:	**The Shoreham Centre, QEII Room**

Committee Membership:

Adur District Council: Councillors; Neil Parkin (Adur Chair), Angus Dunn (Adur Vice-Chair), Carson Albury, Kevin Boram, Emma Evans and Steve Neocleous

Worthing Borough Council: Councillors; Dr Beccy Cooper (Worthing Chairman), Carl Walker (Worthing Vice-Chairman), Caroline Baxter, Sophie Cox, Rita Garner, Emma Taylor-Beal, John Turley, Vicki Wells and Rosey Whorlow

Agenda

Part A

1. Declarations of Interests

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

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

2. Minutes

To approve the minutes of the Joint Strategic Committee meeting held on 7 December 2023, copies of which have previously been circulated.

3. Public Question Time

To receive any questions from members of the public.

Questions should be submitted by noon on Monday 5 February 2024 to Democratic Services, democratic.services@adur-worthing.gov.uk

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

4. Members Questions

Pre-submitted Members questions are pursuant to rule 12 of the Council & Committee Procedure Rules.

Questions should be submitted by noon on Monday 5 February 2024 to Democratic Services, democratic.services@adur-worthing.gov.uk

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

5. Items Raised under Urgency Provisions

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

6. 2024/25 Final revenue budget estimates (Pages 5 - 48)

To consider a report by the Director for Sustainability and Resources, copy attached as item 6

7. Joint Treasury Management Strategy and Annual Investment Strategy 2024/25 to 2026/27, Adur District Council and Worthing Borough Council (Pages 49 - 104)

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

8. Adoption of Carbon Reduction Plan (Pages 105 - 128)

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

9. Simpler Recycling and Food Waste Collection (Pages 129 - 146)

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

10. Corporate Risks and Opportunities (Pages 147 - 166)

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

Part B - Not for Publication – Exempt Information Reports

None.

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

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Chris Cadman-Dando Senior Democratic Services Officer 01903 221364 chris.cadman-dando@adur-worthing.gov.uk	Andrew Mathias Senior Solicitor 01903 221032 andrew.mathias@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.

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Joint Strategic Committee
8th February 2024

ADUR & WORTHING
COUNCILS

Key Decision [~~Yes~~/No]
Ward(s) Affected: All

2024/25 Final revenue budget estimates

Report by the Director for Sustainability & Resources

Executive Summary

1. **Purpose**

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

- The full update on the impact of the annual grant settlement as detailed in section 5.
- The final revenue estimates for 2024/25; and
- An updated outline 5-year forecast;

1.2. These budgets reflect the decisions taken by members to date in relation to agreed savings proposals and any committed growth. The budgets are still to be adjusted for the proposals to balance the budget detailed in Appendix 2 which were considered by the Cabinets last week.

1.3 For the purposes of the JSC discussion, the budget is analysed by each Directorate and service block. Portfolio responsibilities differ between Adur and Worthing Cabinet members and so the individual cabinet portfolio breakdowns were included in the preceding cabinet reports. In addition, the draft estimates for 2024/25 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension cost adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.4 The respective Adur and Worthing 2024/25 Estimates and Council Tax setting reports have already been considered by the Worthing Cabinet on 6th February 2024 and the Adur

Cabinet on 1st February 2024. Both the estimates for Adur District Council and Worthing Borough Council include their respective share of the cost of the Joint Strategic Committee.

1.5 These cabinet meetings also made recommendations with respect to council tax setting for each council which are reflected in this report.

1.6 The following appendices have been attached to the report:

Appendix 1 - 5 year forecasts for the Joint Strategic Committee

Appendix 2 - Proposals for savings

Appendix 3 - Proposals for investment in services

Appendix 4 - Summary of Cabinet Member Portfolio budgets for 2024/25

Appendix 5 - Organisational design programme

1.7 In light of the challenging context in which the councils this report also outline risks and key assumptions underpinning the budget proposals as well as risk mitigation actions which are planned.

1.8 This is a joint revenue report that reflects the shared service delivery between the two councils with impacts for Adur and Worthing outlined as necessary.

1.9 This report reflects decisions taken at the cabinet meetings with respect to fees and charges.

2. Recommendations

2.1 The Joint Strategic Committee is recommended to:

(a) Note the proposals for savings and the invest in services outlined in Appendix 2 which were considered at meetings of both Adur and Worthing Cabinets in early February;

(b) Note the proposed 2024/25 budget detailed in Appendix 3. The respective council shares have been approved by the Adur and Worthing Cabinets. Please note, that the budget will be adjusted for any changes to the Investment in

Services proposals agreed by each Cabinet at the February meetings.

(c) Note the proposed use of capital receipts to support the delivery of the budget as set out at section 9.2 and Appendix 5 which were considered at the Adur and Worthing Cabinet meetings in early February .

3. Context

3.1 The operating context for Adur and Worthing Councils is the most difficult environment that has been experienced to date, as outlined in the December 2023 budget update report. The combined impacts of inflation, increased interest rates, and reducing grant funding alongside increased need with respect to key services such as housing, mean that the work to produce a balanced budget has been challenging.

3.2 Despite this, the proposed budget does show a continued path towards a transformed organisation which is able to deliver on the strategic goals outlined by both administrations, and the essential services which both councils continue to prioritise.

3.3 The senior leadership team, who have worked to prepare these proposals, would like to thank the many people who have contributed to this process as well as the staff who continue to deliver excellent services despite the considerable challenges faced.

3.4 This budget has been created alongside the implementation of in-year spending controls which have been necessary to manage the 2023/24 position. These controls have been largely successful in maintaining an addressable overspend for 2023/24 for both Adur and Worthing. The controls have been a useful foundation for the 2024/25 budget process and are now being mainstreamed as part of the organisation's financial management arrangements providing tight control over spending and investment. These controls will be necessary throughout the 2024/25 and will be in place in some form until the reserves position has recovered from its current level.

3.5 This report takes into account the recent grant agreement from central government which has had limited impact on the overall position of the councils since it was reported in December 2023.

The proposals which were developed in draft form for that update report are now here in detail for consideration.

3.6 Specifically, the position of the two councils continues to be materially different. This is something that has been considered at all stages of the process and is reflected in the budget recommendations being made here.

3.7 The Joint Strategic Committee considered the outline 5-year forecast for 2024/25 to 2028/29 and the Budget Strategy on 11th July 2023 which was subsequently adopted by each full Council. At this stage in the budget cycle, the report identified the following cumulative shortfalls in funding for the respective General Funds:

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adur	941	1,606	2,388	3,137	3,855
Worthing	2,754	4,024	5,490	6,640	8,299

3.8 The cumulative impact of required savings is significant and has been the case for a considerable period. To respond to this Adur and Worthing Councils will be undertaking the annual review of the MTFS early in 2024/25 in preparation for the next budget cycle. This will explore what steps are needed in order to secure a more sustainable position over time.

3.9 For this budget cycle the leadership team has refreshed the format of the MTFS here to reflect three different types of assumptions and projections:

- External or macro economic factors such as cost of borrowing, inflation and interest rates.
- Assumptions around fixed long term obligations such as delivery of the WICC for Worthing or purchase of key sites such as New Salts Farm and Pad Farm in Adur.
- Assumptions with respect to specific budget pressures/opportunities such as housing or capital disposals which are subject either to market conditions or delivery risks.

3.10 The approach to delivering a balanced budget has continued from the last update and includes:

- The ongoing work to develop a new organisational design to reflect the corporate plan (‘Our Plan’) has been accelerated
- More effective integration between the different elements of the budget and delivery; service planning and the link between capital and revenue expenditure
- Ongoing work on commercial income; both looking at property investments and income lines for both councils
- Significant work on the in-year spending pressures has been used to shape budget proposals for 2024/25 and beyond. This area of work has included deep analysis of longstanding budget items and work across the board on contracts and services.
- Work to address the financial impact of increased housing needs including a focus on developing and acquiring a more affordable pipeline of emergency and temporary accommodation. Work is also underway to develop a stronger focus on prevention of homelessness and to more effectively triage and manage the caseload of households in emergency and temporary accommodation.
- Work to address Housing Benefit overspend in Worthing including focusing on the subsidy levels.
- A detailed review of priorities in Worthing has been undertaken with the Administration - reflecting the additional pressures which Worthing faces

3.11 This report presents the combined position of Adur and Worthing Councils as it is seen through the lens of the joint operating model and shared services agreement. The cabinet reports from February 1st and 6th have outlined the priorities of each administration that this revenue budget supports.

4. Key risks and assumptions following impact of settlement

4.1 The risks for each council were outlined in sections 7 of the related cabinet reports and will not be repeated here. There are, however, two risks which impact on the shared services.

4.2 The impact of the Environment Act 2021

4.2.1 This was raised in each of those reports but as a significant shared delivery activity which is expanded upon below:

4.2.2 The Act is a vehicle for the implementation of key policies set out in the National Resource and Waste Strategy as well as the legal framework for significant reforms to local authority waste and recycling services. It also creates new statutory duties for local authorities on nature recovery.

4.2.3 Following numerous delays the government has now announced details of the simpler recycling scheme as part of the Act which places additional burdens on the Councils. The most significant one is the requirement to provide food waste collections from all residential properties by 1 April 2026.

4.2.4 Given the financial position of the Councils, we will only be able to introduce the new services, and comply with the new statutory requirements, if they are fully funded in terms of both revenue and capital. The Government has made a commitment to new burdens funding, and ongoing funding through extended producer responsibility (a levy raised on the manufacturing industry) to support councils with the roll out of food waste collections. Details have been released of the capital funding to be made available, which we do not believe will cover all our costs (detailed analysis is being undertaken). At the time of writing no details regarding revenue funding were available.

4.2.5 Officers are working to estimate what this financial impact might be taking into account the unknowns, particularly around the extent and scope of new burdens funding, and any future funding through the EPR scheme.

4.2.6 For these reasons it has been impossible to add any projections to the MTFS as yet but will do once the new burdens funding is clear. This was due to be announced by the end of 2023, but no further details have been forthcoming from the Government. Without additional funding the overall costs could bring an impact in excess of £1.6m on the revenue budget which would bring a severe pressure to bear.

4.2.7 The Simpler Recycling scheme also requires businesses to recycle and separate food waste by 31 March 2025. Our commercial waste service does already offer these services to businesses, but the uptake is around 26% for recycling and less for food waste. We will need to increase our capacity for these services in order to ensure all our customers can comply with the new requirements by 31 March 2025, or risk them moving to other service providers.

4.3 **Pressure on the shared service arrangements**

4.3.1 The shared service arrangement has successfully delivered for both councils since 2007. It has provided effective service delivery and enabled each council to deliver on their priorities and separate commitments. This has continued to be the case despite experiencing a period of considerable turbulence.

4.3.2 However, the financial positions of the two councils are not the same. This brings with it risk for the partnership as any asymmetry in the capacity of each council needs to be addressed in the shared delivery model. This has been taken into account in the organisational design work, however it remains a considerable risk for both councils and the share service arrangement.

5. Update of the 5-year Forecast (Medium Term Financial Strategy)

5.1 Detailed budgetary work for the Joint Strategic Committee is now complete (subject to any decisions arising from the Adur and Worthing Cabinet in February) and the estimate of the Joint Service budget requirement is £26,233,540. This includes the savings set out in Appendix 2. Attached at Appendix 3 are the additional proposals for investment into services recently considered by the Cabinets.

5.2 A breakdown of each Cabinet Member's summary budget is attached in Appendix 4. The changes to the Joint Services budget in 2024/25 can be summarised briefly as follows:

Joint Service	**£'000**
2023/24 Original Estimate	26,347
Add: Committed and Unavoidable Growth:	
Pay inflation	1,558
Impact of 2023/24 pay award	433
Other Inflation	104
Review of Clinical Waste budgets	30
Heat Network energy costs	24
	28,496
Less: Proposed Savings (appendix 2)	-2,262
Net cost to be funded by the Councils	26,234
Net cost allocated as follows:	
- Adur District Council	10,575
- Worthing Borough Council	15,659
Cost reallocated to both Councils	26,234

5.3 The main changes to the forecast for 2024/25 for Adur District and Worthing Borough Council are summarised in the table below:

Changes in Budgetary Shortfall/Savings since report to Joint Strategic Committee on 11th July 2023		
	Adur	**Worthing**
		£'000
Original 2024/25 budget shortfall	**941**	**2,754**
Other changes:		
(a) Final impact of 2023/24 pay award	-115	-160
(b) Financing costs of capital programme	-40	-75
(c) Investment income	78	-51
(d) Increase in budget for Housing Needs	100	150
(e) Committed growth - Increase in audit fee costs	40	40
(f) Addition of reduced WTAM contract costs		-23
(g) Council tax - impact of taxbase	-139	51
(h) Review of additional business rates	35	239
(i) Collection Fund surplus/deficit	100	-69
(j) Removal of contingency budget for committed growth item	-40	-40
Revised Budget Shortfall in December	960	2,816
Impact of Settlement:		
Change to Business Rates	117	-12
One off funding	-239	-385
Final adjustments:		
Final assessment of Council Tax Income for 2024/25 based on a 2.99% increase	-73	-102
Review of capital programme programming	71	90
Increase/-reduction in Inflation budget	146	-42
Contingency Budget	35	-
Removal of contingency for committed growth	-30	-80
Removal of Budget for new investment in Service proposals	-100	-150
Increase to provision to build reserves	100	-
Total Budget Shortfall	987	2,135
(k) Potential savings identified (Appendix 3)	-1,087	-2,285
Budget surplus based on a 2.99% Council Tax increase available to fund new initiatives (before any further action is agreed)	**-100**	**-150**

** Adur and Worthing budgets in the table above include the respective share of the Joint Service budget*

5.4 Explanations of the movements shown in the table above are as follows:

(a) Final impact of 2023/24 pay award

The pay award has now been agreed for 2023/24 at £1,925 per spinal column point up to point 42 with a 3.88% for the scale points above, which is an average increase of 5.82%. This is lower than the assumption included within the MTFS presented in July 2023.

(b) Financing Costs of the capital programme:

Costs have been updated to reflect both the current estimated costs of the capital programme and current average interest rates. The budget includes two elements:

- minimum revenue provision (MRP) for the repayment of debt. MRP does not start to be charged to the revenue account until the financial year after the debt is incurred.

- Interest cost of borrowing to finance the capital programme.

The cost of financing the capital programmes will be reassessed again in December.

(c) Investment income.

Interest rates have been updated within the outline forecast to reflect revised average rates based on the Bank of England projections. The assumptions for the amounts available for investment include the estimates for the minimum repayment of debt associated with the current capital programmes, these estimates have also been updated. Based on the forecast capital spend, this has led to an increase in projected income for Worthing and a decrease for Adur.

(d) Housing Needs

The councils have experienced increasing cost pressures within the Housing needs service. To address this allowance has been made to increase these budgets for 2024/25.

(e) Committed growth

An increase in external audit costs have been confirmed for 2024/25 and built into the budget as committed growth.

(f) Worthing Theatres and Museum contract costs (Worhting only).

The agreed contract payment for 2024/25 from Worthing Borough Council contract to Worthing Theatres and Museum is £23k lower than 2023/24. This reduction had not been reflected in the outline forecast presented to committee in July 2023.

(g) Council Tax.

The forecast has been updated to include the updated estimates of the council tax bases calculated in October 2023. Adur has seen an increase in its taxbase largely as a result of new developments within the district. Worthing has seen a decrease, the main reason being the impact of an increase in Council Tax Support.

(h) Business Rates

The estimates of potential additional income from business rates has been updated to reflect the current rateable values and assumptions regarding increases. Information is still awaited from the government regarding confirmation of multiplier figures for 2024/25 and the impact of any changes to reliefs. The expected income will be reviewed as part of the development for the final budget. Additional income within the MTFP includes an assumption of growth, for Worthing this includes the new Medical Centre.

(i) Collection Fund surplus/deficit

These have also been updated to take account of the updated calculation for the estimated 2023/24 surplus/deficit position on the collection fund. The estimated positions are used to either collect a deficit or repay a surplus to the preceptors in the following financial year.

(j) Removal of committed growth

The committed growth allowance has been reduced by the audit fee increase allowance in item (e).

5.5 General government funding allocated for 2024/25 in the provisional settlement are shown in the table below:

	Adur	Worthing
Lower Tier Services Grant	£11,246	£17,135
Funding Guarantee Grant	£446,933	£602,110
New Homes Bonus	£2,800	£14,840

6. Reserves and future plans

6.1 In order to rebuild each council's reserve position, the MTFS allows for provision into council reserves which is outlined in each of the respective cabinet reports:

6.2 Provision for transfer to General Fund Reserves

The medium term financial strategy includes the provision for the contribution to reserves for both councils to replenish the general fund revenue reserves that have required draw down for the last couple of years.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Adur District Council	200	100	100	100	100
Worthing Borough Council	200	200	200	200	200

6.3 Provision to the Property Risk Reserve

As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund future investment needs. Contributions over the next 5 years are set out below:

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Adur District Council	850	950	1050	1150	1250
Worthing Borough Council	650	750	850	950	1050

6.4 The overall estimated reserves for both councils over the next 3 years is:

	Adur			Worthing		
	2024/25 £000	2025/26 £000	2026/27 £000	2024/25 £000	2025/26 £000	2026/27 £000
General Earmarked Reserves	968	792	1,642	1,993	848	1498
Collection Fund Smoothing Reserves	1,826	586	0	2,756	0	0
Grants and Contributions	914	914	914	754	754	754
Total Earmarked Reserves	3,708	2,292	2,556	5,503	1602	2252

7. Saving Proposals

7.1 The outline savings for 2024/25 are attached at Appendix . The total saving proposals forecast over the next 5 years are:

	2024/25	2025/26	2026/27	2027/28	2028/29
Joint	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Budget shortfall (as per Appendix 1)	2,262	2,929	3,834	4,720	5,623
Savings identified to date	-92	-425	-767	-782	-798
Organisation Redesign	-2,170	-4,000	-4,080	-4,162	-4,245
Revised budget shortfall / Surplus (-)	-	-1,496	-1,013	-224	580

7.2 The savings exercise continues to challenge officers but good progress has been made with the additional insight provided by the in-year spending controls.

7.3 Looking ahead to 2025/26 and beyond, the continuing financial pressure for the two Councils is not likely to ease and it is essential to look further ahead to create a long term sustainable position for the councils. Officers are therefore developing a two year organisational change programme which will address shortfalls in

2024/25 and 2025/26 with a significant and far reaching programme of service redesign. Year one of this programme is outlined in this report with 2025/26 proposals being developed early in 2024/25.

8. Delivering the savings proposals: The path to balanced budgets

8.1 Appendix 2 outlines proposed savings and growth items which have been developed in order to balance the 2024/25 budget as well as positively improve the 2025/26 position and beyond. As outlined in 3.8 these fall into 4 areas:

8.2 Organisational redesign

8.2.1 Appendix 5 outlines the proposed organisational design and provides more detail with respect to areas of focus that are in scope for this work:

- Housing
- Neighbourhoods
- Community Capacity and Resilience
- Residents services

This appendix has also been considered as part of the related cabinet reports from 1st February (Adur) and 6th February (Worthing).

8.2.2 This work underpins the savings outlined in appendix 2 but also represents significant steps towards the new organisational design which is being delivered to support the corporate strategy 'Our Plan'.

8.2.3 The head of paid service, subject to these proposals being agreed as part of the budget setting process, will bring a programme overview report to JSC in March and quarterly progress reports subsequent to that as part of the monitoring process. This will include an overview of the staff engagement approach for this work which will be critical to its success.

8.3 **Review of contracts and services**

8.3.1 We have implemented a programme of measures to assist with the budget setting process to include:-

- A review of essential spend only, defining essential spend as:-

a) Existing staff expenditure and pension cost
b) Existing contract spend
c) Statutory spend
d) Urgent expenditure
e) For safeguarding purposes
f) Ring-fence grant spend
g) Spend necessary to mitigate additional expenditure
h) Spend from the Housing Revenue Account

- A daily triage team to review all essential spend below £25,000 requested via requisitions raised, with a weekly budget management group for all essential spend above £25,000.
- A request for all officers to value engineer existing contracts.
- Increased levels of procurement and decision making training.
- Corporate leadership messaging to review all existing expenditure to update the Councils' Contracts Register with all 2022/2023 contract spend and existing contracts.
- The Procurement Instruction Form requires officers to provide procurement instructions with sufficient information to enable an advanced digital notification for re-procurement and pre-procurement planning.
- Greater use of the Contracts Register and more detailed instructions, will enable officers to track efficiency and spend against an updated procurement strategy and target spend, ultimately enabling total control over officer spend.

8.3.2 There are areas where significant impact can be made on spend in 2024/2025. A contracts and procurement savings programme under development will deliver important in-year and 2025/26 savings benefits beyond those that have already been factored into the 2024/25 budget and will be reported on as part of the organisational design work.

The programme will include:-

- A review of the contracts register spend analysis data will enable the Councils to consider where to target internal department procurement reviews; consider where contracts may be merged or terminated to drive efficiencies; establish further contracts for value engineering; link contract spend to organisation re-design for efficiencies in procurement spending habits and contract management.

- Ensuring maximum use of the contracts register will enable advance procurement planning, ensuring officers are proactive and not reactive to contract renewals and spend. This will in turn enable more effective contract management enabling a vital change in approach management approach.
- The procurement strategy is under review to incorporate changes made by the Procurement Act 2023 this will make procurement quicker, simpler and more transparent with a digital central platform for all suppliers to see all opportunities in one place, this will in turn drive competition and efficiencies with a more agile and resilient supply chain.
- Rather than using open tenders and frameworks, the Council is keen to restrict procurement (where lawful) to local businesses. This is to be done by creating a local supply chain list of SMEs for different areas of below threshold spend.
- The strategy will also provide for local procurement; maximise social value and will aim (subject to further review) to be more closely linked to community groups, providing greater public benefit. This is now being achieved by requiring the provision of social value to be a pass or fail question to suppliers prior to submitting a tender.
- Contract spend analysis has highlighted the highest costs are in professional consultancy spend across the Councils. The redesign will go some way to addressing this need, with the People and Change function encouraging home grown talent across the Councils.

8.4 Development of commercial income proposals

8.4.1 Both councils continue to drive significant benefits from fees and charges and in fact could not produce a balanced budget without this element of income. In considering the changes in these areas officers consider three main factors:

- Inflationary pressures on the cost to deliver
- Market benchmarks
- Affordability for residents

8.4.2 Fees and charges are set by Directors, Assistant Directors and Heads of Service in consultation and agreement with relevant Cabinet members. These charges can be amended or changed throughout the year but most follow an annual cycle, whether calendar year or financial year. It should be noted that car parking pricing must follow a statutory process.

8.4.3 Over the course of 24/25 we will continue the detailed review of our commercial services to ensure that where we are charging for products and services it is meeting criteria of profitability and public value. As with previous years, this review will be conducted over the summer and report back to each sub committee in the Autumn in advance of the budget setting process.

8.4.4 For the majority of the income lines it should be noted that the councils invest capital funding to maintain or replace equipment or infrastructure associated with these income lines, therefore this estimated additional income contributes to ongoing maintenance or replacement. For example, the councils periodically invest in waste vehicles to ensure the commercial and green waste services can be delivered.

8.4.5 The portfolio of commercial lines flows across a number of departments and portfolio holders, whilst it should be noted that some commercial activity is weighted to each council depending on the activity and level of activity. For example, for Worthing there is a higher volume of car parking and beach huts, whilst street markets are solely delivered in Adur.

8.4.6 The estimated budget impact for the shared service has been modelled on a minimum inflationary increase of 3% increase, whilst some are projected to increase to match the current inflation level of 6.3% or beyond. The commercial services highlighted in the table within exempt Appendix three signal those services that are estimated to rise above the minimum 3%. A number of these income lines have been reviewed and assessed to ensure the correct governance process is in place and any change in the pricing can be made ahead of the next billing cycle, whether calendar or financial year. For example, for products or services such as Community Alarm or Beach Huts, customers must be notified of any price changes two months in advance of them coming into action.

8.4.7 All commercial lines, especially those services that will rise above the minimum 3%, have been considered in the context of individual reports to Cabinet Members for detailed consideration.

These reports were presented and considered through October - December 2023 and provide the rationale for the fees and charges increases in the context of the service and the Council as a whole. The 2024/25 fees and charges are being set in the context of this report and the overall budget setting for the Councils.

8.4.8 Alongside fees and charges, the other significant area of income are the strategic property investment funds (SPIF) for each council. The SPIFs are expected to generate £11.6m in 2023/24, exclusive of VAT and borrowing costs, across Adur and Worthing Councils. This makes up around a fifth of the councils' income and is up £2.0m on the previous year. This is due to active management of the assets including rent reviews, securing minimal voids (zero for the Worthing SPIF and 2 long-term vacant properties in the Adur SPIF), and through positive additions to the portfolio such as the acquisition of Southern House in November 2022. No properties were acquired in 2023.

8.4.9 Looking to 2024/25, the portfolio will continue to be reviewed against its strategic objectives to ensure that it is the best use of borrowing, continues to generate revenue, and to ensure that they meet any legal requirements such as the 2027 requirement that commercial properties hold an EPC of C or above (and a minimum of B from 2030) or they cannot be re let at lease end. Currently 15 of the councils' 26 units are not compliant - an upgrade and/or disposals programme is being considered to address this. Assets will continue to be proactively managed.

8.5 Work to manage the impact of increasing housing need

8.5.1 There has been a rapid growth in housing demand in both Council areas. In Adur the demand for Temporary Accommodation (TA) has risen by 98% over a three year period. By March 2025 it is projected to rise further by 42%. Whilst a significant amount of work has been underway to secure cheaper nightly accommodation, the current average cost of accommodation is £42 per night (September 23).

In Worthing, demand for Temporary Accommodation is even greater and has risen more rapidly, with the numbers of households in TA having risen by 157% over a three year period. By March 2025 we project a further rise of 38%. Nightly average cost of accommodation is £49 per night (Sept 23).

There remains a significant shortfall between Local Housing Allowance (LHA) rates - the rate we can claim - and market rents for a 2 bed property in both councils with the estimated monthly shortfalls below:

- Adur = £321.00
- Worthing = £578.00

8.5.2 To help shape this area of work the Councils are developing a new Housing Strategy to reflect the approach to the changing demands upon the service. This will look at the priorities for the local authorities around homelessness, housing allocations, housing delivery and supporting residents to thrive in their home and places. It is anticipated that a new Housing Strategy will be adopted in the Autumn 2024 with an extension to the current strategy in the interim period.

There is also significant focus upon identifying and securing more local and cost effective TA for homeless households in self contained accommodation. This is being achieved through a number of leased arrangements with accommodation providers and the delivery of new TA units owned and developed by the respective councils. In Adur specifically a development programme to deliver permanent accommodation is also in place with a number of schemes estimated for completion in 2024/25.

8.5.3 As detailed above, the purpose of the housing service redesign focuses on a number of areas but most importantly how the wider council can wrap around our housing front door and the significant demand being experienced. This will enhance the contact experience, develop alternative ways for citizens to easily access appropriate information and the service in the right way for them. Specifically for Adur Homes residents it aims to ensure residents are supported to thrive in decent homes.

In addition the service redesign will help shift the service towards a more data informed approach which will identify and embed opportunities to prevent homelessness earlier to reduce the need for emergency and temporary accommodation.

8.5.4 Funding of wider housing services remains a challenging area with varied funding opportunities becoming available for specific groups, capital funding from Homes England currently suspended and Right to Buy receipts and S106 affordable housing contribution funding either anticipated to reduce or be finite and time limited.

8.6 Review of major projects

8.6.1 The context for the delivery of major development projects has changed significantly in recent years. Construction price inflation and supply chain uncertainty have undermined confidence in the development sector and we have seen the impact most recently in the foreclosure of a number of building companies.

8.6.2 These factors, combined with a lack of certainty over the availability of public funding for regeneration and the added financial pressures Worthing faces, have informed a review of our approach to delivering our strategic objectives and unlocking major development opportunities. The review has focussed on a number of major, complex projects at various stages of delivery and has focussed on:

- assuring ourselves of our approach to each project;
- testing our original assumptions and success measures are still valid; and
- reviewing each project through the lens of a successful exit strategy.

8.6.3 This approach will enable the councils to take a proportional, and risk appropriate approach to each project to best manage and realise our assets and ambitions. For Worthing, this will mean pursuing a responsible approach to disposing of our land interests (Grafton MSCP, Teville Gate, Decoy Farm) whilst maintaining a clear focus that our strategic objectives can still be delivered through the planning and disposal process; or delivery through a development partner (Union Place).

8.6.4 For Adur, the focus will be very much about working with development partners and the statutory agencies to capture the development premium and that this is invested responsibly in the infrastructure needed to support development. This is exemplified by the complex challenges presented by the development of the Western Harbour Arm at Shoreham Harbour.

9. Funding the costs of delivering the budget savings

9.1 The savings identified represent service and staff changes which will require some investment up front, details of which can be found in Appendix 5. To deliver the expected level of savings the councils will be required to fund a number of strands of work as follows:

- Delivery support to the organisational change programme which is delivering a new more resilient operating model;
- External advice for service areas where specialised knowledge is required;
- Any departure costs arising from the proposals;
- Specialist people and change support and advice over the two year programme

9.2 The Organisational Design programme is planned to deliver savings of £4m over 2 years for Adur and Worthing, the cost of the work required to support the delivery is expected to be £1.56m. This is set out in more detail in Appendix 5.

9.3 Given the level of reserves, it is planned to use the capital receipts flexibility regime which allows councils to release capital receipts to fund initiatives to generate a saving. The estimated use of receipts:

Adur	£624,000
Worthing	£936,000

As at 31st December 2023, the councils held the following uncommitted and available capital receipts.

Adur	£3.980m
Worthing	£1.846m

9.4 There is a restriction on the funding of departure costs, only statutory redundancy and pension costs can be funded from capital receipts.

10. Conclusion

10.1 The Councils continue to struggle to address the challenges of the wider operating context of high interest, inflation and an uncertain picture with respect to government funding. Despite this, and with considerable in-year pressure the Councils are in a position to both recommend balanced budgets to their respective councils.

10.2 These pressures do not look to change, and in particular the pressure on housing continues to increase despite the welcome announcements in the Autumn Statement of a removal of the cap on Local Housing Allowance.

10.3 While these budgets are balanced, there is still considerable risk and uncertainty with respect to income and additional pressures and so the budget control measures which were instigated in 2023/24 will continue into 2024/25 and beyond.

11. Engagement and Communication

11.1 The Councils have conducted a budget consultation and the results are a separate paper on the JSC agenda. The engagement aimed to inform budget development, enhance public understanding of financial challenges, and showcase increased participation. Building on previous engagement, key questions on spending reductions, investment priorities, and council tax options were posed. The survey targeted residents, council staff, businesses, and media, using diverse channels for engagement. The exercise aimed for representative responses to shape the Budget 2024/25 based on community insights.

11.2 On the insights from Adur District Council's engagement, key concerns include discomfort with any potential reduced spending on waste, housing, and health services. Priorities for investment include housing affordability and support for those in need. There were varying views on council tax range from wanting a 3% increase to improve services to freezing taxes with associated spending cuts. Themes from free-text responses included housing, infrastructure, traffic, the environment, youth services, safety, tax, spending, and miscellaneous concerns.

11.3 Engagement from Worthing Borough Council revealed varied opinions on spending reductions. Concerns include discomfort with any potential spending reductions in addressing the cost of living, health services, and housing development. Residents prioritised investment in social issues, youth initiatives, and housing challenges. The survey highlights nuanced views on council tax, with varying preferences for different levels of increase. Themes from free-text responses cover financial responsibility, infrastructure, development, housing, community engagement, environmental concerns, transportation, economic support, cultural services, education, public safety, political accountability, and health services.

11.4 Staff have been kept up to date on the development of these plans by the Chief Executive.

11.5 Officers and members have been consulted on the development of the savings proposals contained within the report. The savings will be presented to the Joint Overview and Scrutiny Committee to gain comment on the proposals.

12. Comments by the Chief Financial Officer

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

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

- making prudent allowance in the estimates for each of the services, and in addition;

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

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

The exceptions relate to:

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

- Income from fees and charges in volatile markets, and income from grants.
- External competition and declining markets, particularly during a recession.

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

(3) Initiatives and risks not specifically budgeted for.

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

It will therefore be important for members to maintain a diligent budget monitoring regime during 2024//25.

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

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

13. Legal Implications

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

13.2 The Local Government Act 2003 requires that the Councils set a balanced budget. This report demonstrates how the Councils intend to meet that requirement for 2024/25.

13.3 There are a range of safeguards in place that help to prevent local authorities overcommitting themselves financially. These include a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement

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

Background Papers

Report to Joint Strategic Committee 7th February 2023 - Final Revenue Budget Estimates for 2023/24

Report to Joint Strategic Committee 11th July 2023 – Financial Performance 2022/23 - Revenue outturn.

Report to Joint Strategic Committee 11th July 2023 – Developing a revenue budget for 2024/25 in difficult economic circumstances.

Report to the Joint Strategic Committee 7th December 2023 - Budget update

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

These proposals have been developed with regard to the Equality Act 2010. No proposals contained within the proposals would require a detailed Equalities Impact Assessment with the exception of the organisational design work where impact assessments will be completed as part of the process.

2.3 Community Safety Issues (Section 17)

We are considering how these proposals impact safety in our communities and are ensuring that where possible these reductions do not have an adverse effect. Where possible we are working to create better alignment and organisational change to strengthen this work and ensure there is much better organisational ownership for our work around community safety.

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

The strategic budget setting approach has successfully maintained both Council's commitments to addressing the climate and biodiversity crises. This includes a fully staffed sustainability team delivering projects across carbon, nature, circular economy and transport agendas in collaboration with other internal teams and a multitude of partners. Annual carbon emissions targets are being met, and there is a large portfolio of projects progressing well.

Beyond the sustained commitments in the General Fund, the Councils have demonstrated that these core staff resources can be effectively used to leverage significant external funding across the sustainability agenda, and that the Councils are providing area, regional and national leadership in some areas, for example the Sussex Bay programme.

4. GOVERNANCE

Matter considered and no issues identified

Joint Services Revenue Budget Summary Statement 2024/25-2028/29	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	**26,347**	26,347	26,347	26,347	26,347	26,347
External Economic Factors						
Inflation on Pay:						
- Assumption of 4.5% increase in 24/25 and 2% in future years		1,558	2,211	3,039	3,848	4,675
- Impact of 2022/23 pay award (average of 5.8% against a budget of 4.5%)		433	377	385	393	401
Inflation on Costs:			-	-	-	-
- Assumption of 3% in 24/25 and 2% in Future years		197	289	382	478	575
Inflationary increase on income (Commercial activities and Fees and Charges):						
- Assumption of 3% in 24/25 and 2% in Future years		(93)	(215)	(339)	(466)	(595)
Council Commitments to services and long term obligations						
Review of clinical waste budgets		30	30	30	30	30
Heat Network		24	24	24	24	24
Provision for Investment in Services		-	100	200	300	400
Net cost to be reallocated to the Councils	**26,347**	**28,496**	**29,163**	**30,068**	**30,954**	**31,857**
Adur District Council	10,590	10,575	10,575	10,575	10,575	10,575
Worthing Borough Council	15,757	15,659	15,659	15,659	15,659	15,659
Total income for services provided to the constituent councils	**26,347**	**26,234**	**26,234**	**26,234**	**26,234**	**26,234**
(Surplus) / Shortfall in Resources	**-**	**2,262**	**2,929**	**3,834**	**4,720**	**5,623**
Savings identified to date:						
Corporate initiatives (Directorate Services Review)		92	425	767	782	798
Organisation Redesign		2,170	4,000	4,080	4,162	4,245
Total savings identified		**2,262**	**4,425**	**4,847**	**4,944**	**5,043**
Savings still to be found/ (surplus)		**(0)**	**(1,496)**	**(1,013)**	**(224)**	**580**
Savings required in each year		**2,262**	**667**	**905**	**886**	**903**

Proposed Savings 2024/25

Description	Comments	Joint (memo only)	Adur	Worthing
Contract Review				
Contract Review	Review and rationalisation of contracts	£404,600	£161,800	£259,800
Review of security provision in MSCP				£12,000
Reduction in Funding of Community Works	Further wider review pending.		£7,900	£7,800
Reduction in Funding ofCommunity Transport Grants	Further wider review pending.		£3,000	£5,000
Base Budget Reviews				
Place and Economy		£41,200	£26,900	£129,100
Utilities	Reduction in energy budgets	£30,000	£62,000	£218,000
Health & Safety	Removal or reduction of under utilised budgets	£2,300	£900	£1,400
Commercial Income				
Place and Economy				
Foreshore Services	Income from Lancing Parish Council			£15,000
Beach Hut Rental	Uplift in fees by 6.27%		£4,600	£14,200
Events	Additional budget		£4,000	£5,000
Concession Income	Uplift in fees by 4.5%			£800
Colonnade House	Contributon to staff costs from trust			£7,500

Commercial Income (continued)				
<u>Parking</u>				
Increase in Parking Tariffs	Uplift in tariffs by 7%			£57,800
Increase in Season Ticket Prices	Uplift in tariffs by 7%			£8,100
Additonal Season ticket income from NHS				£4,400
<u>Community Alarm</u>	Uplift in fees by 5%		£7,000	
<u>Waste</u>				
Commercial Waste	Uplift in fees by 8%		£42,000	£85,200
Green Waste - no uplift in fees in 2024/25	Retain £89 annual fee	-£57,500	-£23,000	-£34,500
Household Bulky Waste	Uplift fees by 7.85%	£6,800	£2,700	£4,100
Asset Rationalisation and review			£30,000	£350,000
Organisation Redesign	Neighbourhoods	£504,000	£202,000	£302,000
(Further details provided in appendix 4)	Resident Services	£266,000	£106,000	£160,000
	Community Capacity	£173,000	£69,000	£104,000
	Regenerative Development	£296,000	£129,000	£182,000
	Housing Redesign	£202,000	£94,000	£121,000
	Core Services	£160,000	£64,000	£96,000
	Waste and Cleansing	£97,000	£39,000	£58,000
	Place	£96,000	£38,000	£65,000
	Bereavement	£40,000	£16,000	£46,000
Total Savings from Proposals		**£2,261,400**	**£1,086,800**	**£2,284,700**

Appendix 3

Investment in Services

		Expected cost (cumulative)					
		2024/25			2025/26		
Description	***Comment***	***Joint (memo only)***	**Adur**	**Worthing**	***Joint (memo only)***	**Adur**	**Worthing**
Rapid Improvement Programme	Funding of the Digital Rapid Improvement Team to support the digital transformation and organisational redesign across the councils - Lead Service Designer - uplift to core budget - Digital Applications and Innovation Manager - uplift to core budget - Lead Digital Developer - uplift to core budget - Service Designer x 2 - Business Analyst - Junior Business Analyst	250,000	100,000	150,000	250,000	100,000	150,000
Total growth identified through financial planning		250,000	100,000	150,000	250,000	100,000	150,000
Allowance in MTFS for Investment in Services			-100,000	-150,000		-100,000	-150,000
Net growth identified			0	0		0	0

Joint Service Block Recharged to Adur and Worthing Councils

Executive Portfolio	**Estimate 2023-2024**	**Estimate 2024-2025**
Chief Executive	1,476,110	1,483,720
Director for Housing and Communities	5,365,760	5,064,540
Director for Sustainability and Resources	13,369,960	13,981,190
Director for Place	7,261,690	6,799,070
Director for Place - Grants	(280)	0
Total Services	27,473,240	27,328,520
Allocations of Costs		
Less: Allocation to HRA and Capital Programme charged direct to Adur and Worthing	(1,126,440)	(1,094,980)
	26,346,800	26,233,540
Adur District Council	(10,589,810)	(10,575,230)
Worthing Borough Council	(15,756,990)	(15,658,310)
Total Service Block Allocations	(26,346,800)	(26,233,540)

Chief Executive

Service	Estimate 2023-2024	Estimate 2024-2025
Chief Executive		
Chief Executive	457,340	281,140
Head of Environment	118,680	0
AD People and Change		
Organisational Development	282,060	182,060
Communications	238,490	229,300
People, Mission Control & Workforce	379,540	672,200
AD People and Change	0	119,020
Total Chief Executive	**1,476,110**	**1,483,720**

Director for Housing and Communities

Service	Estimate 2023-2024	Estimate 2024-2025
AD Housing Homelessness and Prevention		
Head of Housing	252,000	236,780
Housing Needs	915,090	858,930
Environmental Health - Housing	317,970	334,250
Home Improvement Assistance	209,890	206,750
Director for Housing and Communities		
Director of Housing and Communities Office	(1,990)	(100,250)
Head of Resident Services		
Contact Centre	1,164,780	1,266,180
Customer Services	114,730	0
Resident Services	697,440	692,670
Benefits	380,500	360,380
Revenues	717,870	777,820
Business Support	92,060	101,590
Head of Community Capacity and Resilience		
Community Wellbeing	505,420	329,440
Total Director for Housing and Communities	**5,365,760**	**5,064,540**

Director for Sustainability and Resources

Service	Estimate 2023-2024	Estimate 2024-2025
Director for Sustainability and Resources		
Director of Sustainability & Resources Office	(92,940)	(74,220)
AD Operations and Sustainability		
Bereavement Services	460,450	433,890
Public Health and Regulation	1,235,180	1,305,030
Commerce Way - Building	164,970	164,910
AWCS Management	317,250	343,730
Compliance	80,840	50,020
Refuse & Recycling	1,503,140	1,611,410
Bulky Refuse & Waste Projects	(9,970)	(13,020)
Street Cleansing	1,859,810	1,908,430
Commercial Waste	604,770	691,000
Fleet Management	0	(13,280)
Operations and Sustainability	0	123,350
Emergency Planning	170,410	172,840
Energy & Sustainability	283,400	265,130
Off Street Parking Team	459,640	419,900
Parking Services	161,670	145,420
AD Finance		
Finance	119,380	123,960
Corporate Management	404,280	427,320
Accountancy	1,080,840	1,075,940
Exchequer Office	191,250	208,020
Payroll	146,810	158,150
Cash Office	93,260	100,320
Insurances Administration	48,540	45,450
AD Legal and Democratic Services		
Democratic Services	268,490	287,880
Procurement	128,500	70,310
Electoral Services	234,770	248,030
Legal	849,780	975,910
Head of Technology and Design		
Technology and Design	0	102,680
Digital	2,605,440	2,622,680
Total Director for Sustainability and Resources	**13,369,960**	**13,981,190**

Director for Place

Service	Estimate 2023-2024	Estimate 2024-2025
Director For Place		
Director of Place Office	108,620	123,210
AD Place and Economy		
Parks and Open Spaces	576,430	380,850
Foreshores	182,450	160,990
Head of Business & Technical Services	104,490	0
Engineering	530,470	511,570
Head of Place & Economy	417,160	286,340
Economic Development	63,830	193,610
Commercial Development	133,950	149,700
Tourism and Events	63,560	62,550
Head of Planning		
Building Control	577,940	570,460
LLPG	24,740	22,470
Land Charges	105,120	111,620
Planning	105,360	102,020
Planning Policy	379,020	349,280
Development Management	1,351,290	1,310,600
AD Regenerative Development		
Facilities Management	247,410	221,650
Admin Buildings	303,170	331,770
Surveying & Design	983,720	957,280
Major Regeneration Projects	540,000	527,980
Estates	462,960	425,120
Total Director for Place	**7,261,690**	**6,799,070**

Appendix 5

Organisational design programme

1. Purpose of programme

1.1 The programme has two core objectives:

1.1.1 To implement a new organisational design based on the principles and framework outlined in Our Plan which was adopted in Autumn 2022. The goal of this is to create a sustainable organisation which is adaptive, resilient and participative.

1.1.2 To provide a mechanism for delivering outlined savings targets in a way which protects frontline service delivery to the greatest extent possible and retaining our ability to deliver the ambitions of the two councils.

1.2 The implementation plan and initial projects will be reported to the March 2024 Joint Strategic Committee meeting. Progress of the programme will be reported to that committee on a quarterly basis from March 2024.

1.3 The programme will therefore incorporate the in-year spending controls into its governance and approach in order to ensure that organisational design and spending reductions are closely aligned.

2. Scope of programme

2.1 Service redesigns look across all revenue budgets for a service, including agency and contractor spend alongside staffing, contract spend and incidentals such as print and postage. By putting more budget lines into the scope of a single exercise, the process has maximised the opportunities to reduce the total cost of delivery without continuing to remove delivery capacity which is an outcome of the ‘salami slicing’ approach. The programme workstreams are outlined in this section.

2.2. Governance and performance systems

Governance and performance are core functions of a well run organisation. A priority is to redesign and support the subsequent organisational design work. A new internal governance system will be implemented as an early deliverable for the programme and will be reported to the Joint Audit and Governance Committee.

2.3 **Digital and design**
Digital transformation is essential to the successful delivery of these redesigns. The budget proposals include the extension of the digital rapid improvement team to deliver this work.

2.4 **Contracts and procurement**
In order to underpin the 6% savings target (£340K) on external contracts there will be strong corporate accountability, as well as additional training and personal development for managers to improve their organisational grip of this key area. Given the corporate track record of £200K annual savings (approx) for procurement, these additional measures support this higher target.

2.5 **Commercial income development**
The new organisational design will consolidate the Councils commercial capability and also develop the organisation's ability to secure external funding. This capability will then develop a new commercial income strategy in advance of the 2025/26 budget as well as to manage in-year targets for income generation.

3. Programme design and implementation approach

3.1 The programme will address all areas of the organisation by creating a pipeline of redesign projects (areas of focus) which will then be programmed into delivery based on factors such as savings profile, support needed and annual delivery rhythms for the services involved.

3.2 Given the continued need for vacancy control, the programme will maximise use of vacancies in order to minimise impact on staff. It should be noted that given the current vacancy levels in the organisation due to this year's budget control measures, much of the capacity impact of removing staff is already being felt. Service redesign is now needed to balance out workloads and ensure that staff are focused on the right priority areas. While redundancies cannot be avoided, this approach will minimise them.

3.3 By embedding the current in-year controls into the programme governance, the programme team will be able to make real time adjustments to the delivery plans of the organisation and maximise opportunities for redesign.

3.4 The programme will be managed by the new People and Change function, supported by a multidisciplinary team which will include representatives from finance and legal. It will also incorporate the Rapid Improvement team.

3.5 The lessons learned from the Organisational Design programme will be acted on in real time to inform improvement on the wider building blocks to make the organisation adaptable, participative and resilient.

3.6 The organisation design programme will have costs associated with transformation. The overall estimated cost is set out in the table below, and includes exit costs where needed which can include redundancy and pension costs, programme delivery support and external advice to support redesign.

Item	Description	Estimated cost
Staff change	Where redundancy can't be avoided some contingency is needed to fund associated exit costs	£800k
Delivery support	3 delivery managers plus additional delivery officer to support the programme over 2 years	£440k
External advice	For areas with considerable technical knowledge needed (such as waste, bereavement and others) external support will be needed to shape and test thinking	£200k
Support for managing change	1 People Specialist role to support the organisational change process over 2 years	£120k

3.7 Due to the reserve position, it is planned to use the capital receipts flexibility regime which allows the Councils to release capital receipts to fund initiatives to generate a future saving. There is a restriction on the funding of departure costs. Only statutory redundancy and pension costs can be funded from capital receipts.

Year	Overall annual savings generated £	Annual saving Adur £	Use of capital receipts Adur £	Annual saving Worthing £	Use of capital receipts Worthing £	Nature of expenditure
2024/2025	2,226,700	890,800	336,100	1,335,900	504,120	HR and delivery support (to manage and support the delivery of the reorganisation design work over the 2 year programme). Associated Statutory departure costs. Expert/specialist advice on service design.
2025/2026	1,797,700	719,100	287,900	1,078,600	431,880	
Total	4,024,400	1,609,900	624,000	2,414,500	936,000	

The total capital receipts available and uncommitted as at 31st December 2023:

Adur £3.980m
Worthing £1.847m

Draw down from the cost of change fund will be monitored via the quarterly reports to JSC and the normal scheme of delegation will apply with respect to decision making.

4. Initial areas of focus

Each area of focus has been developing proposals based on its overall operating model - allowing savings to be made with respect to management, removing duplication with respect to support roles and addressing capacity issues by implementing digital solutions. Grant funding has also been reviewed to ensure that the Councils are maximising the impact of external monies while addressing the risks of posts being underwritten by uncertain income.

Further areas of focus will be developed over the course of 2024/25 and reports will come to the JSC as they are programmed.

4.1 **Neighbourhood model**

4.1.1 Summary: The neighbourhood model is the most ambitious of the areas of focus. Its objective is to change how the Councils work in the neighbourhoods in a way that better uses the strengths of the frontline staff, residents and partners to deliver the services citizens see and use every day.

4.1.2 The model will be implemented in phases in order to ensure that ideas can be developed and tested with communities and stakeholders and a careful transition delivered:

- The first phase of implementation will be redesign of key frontline services in order to ensure that they work to a common physical footprint based on neighbourhoods and have shared planning and prioritisation to make sure teams are most effective on the ground

- The next phase will look at ensuring that capabilities such as participation are embedded in the model - developing the Councils ability to work more effectively with stakeholders and its communities.

- Finally the volunteering and participation 'offer' will be developed, working alongside communities in order to support their ambitions.

4.1.3 The following areas of organisation have been identified so far for review as part of the neighbourhood model, however this model may draw in other aspects during the long-term development and delivery of working with and throughout the neighbourhoods:

- Parks & Foreshore
- Sustainability (Nature, Circular Economy & Sustainable Transport)
- Cleansing
- Community Assets and Grants

4.2 **Housing redesign**

4.2.1 Summary: The housing redesign will prioritise prevention and early intervention of homelessness. It will enhance collaboration across community services and the wider council to collectively address housing challenges and opportunities.

4.2.2 This redesign has been in discussion for some time and will embed the proactive principles that have been developed by the proactive project team. This redesign will focus on addressing the costs and human impacts of the increased housing need across both councils and maximise the use of grant funding in this area. The team will also need to continue to manage and deliver the Adur Homes improvement plan.

4.2.3 The following areas of organisation have been identified for review for the housing redesign

- Housing needs
- Adur Homes
- Health and Wellbeing teams (see below)
- Private sector housing

4.3 Resident services

4.3.1 Summary: The resident services redesign will develop a front door for residents to access the right help when they need it in a quick and easy way. This will enable residents to solve the majority of their issues online to free up staff to proactively prioritise residents most in need.

4.3.2 This work builds on the work of the rapid improvement team in 2023/24 which provides a solid foundation for further digitisation work.

4.3.3 This change will affect the following teams and services:

- Revenue (Council Tax and NNDR (national non-domestic rates))
- Benefits
- Customer Services
- Customer Insight
- Business Support

4.4 **Community Capacity and Resilience**

4.4.1 With participative being a key principle of Our Plan communities, prevention and wellbeing will be at the centre of what the Councils do. Following the departure of the Head of Service for Community Capacity and Resilience, the organisation is working through proposals to integrate and align the core functions of the team.

4.4.2 The savings for this area of focus will be filled through deletion of the Head of Service post (which is vacant as of end of January 2024) to better align to the service offer above.

- Participation: Combine engagement resources and lead it from the new People and Change function. This will strengthen a coordinated approach to participation across the organisation that makes the best use of community capacity and is integrated into the strategic priorities.

- Prevention and wellbeing: Embedding wellbeing in the housing team to develop a joined-up offer. This will provide leadership for residents around prevention, and create the opportunity to redesign the health and wellbeing offer to better develop approaches that support early intervention.

- Community safety and safeguarding: Put the safety of residents and safeguarding right at the centre of the organisation in the people and change function. This includes delivering statutory responsibilities and duties, and the reviewing of community safety partnership activities as part of this design work in 2024/25.

- Business development: Key functions and activities, such as community assets, grants, commissioning, contracts, responsive activity and levered in funding. These are to be better aligned with the Councils place-based and corporate work and will be aligned to the anticipated commercial function.

4.4.3 This change enables these functions to operate more effectively with foundational delivery areas such as housing and increases the level of CLT focus on them - mitigating the capacity impact of removing the head of service post.

4.4.4 This change will affect the following teams and services

- Safeguarding
- Safer Communities
- Business Development
- OneStop
- Wellbeing
- Going Local
- Grants and Commissioning
- Participation

4.5 Building the pipeline

4.5 Building the pipeline

An ongoing pipeline of service redesigns are being planned in order to continue to work towards a resilient staffing model that reflects the organisational design needed to deliver Our Plan. This pipeline has savings targets assigned which are subject to change as the proposals are developed. These further areas of focus have plans in development which will be reported on at JSC as outlined above.

4.5.1 **Bereavement**

Bereavement services address emotional, social, ethical, and environmental needs, by facilitating meaningful farewells. It is important to recognise that bereavement services also play a vital role in the financial health of the Councils. As an income generator, this service allows the Councils to reinvest in the community, and support various other initiatives that uplift and empower residents. These services will be reviewed through a refresh of the service design and commercial offer.

4.5.2 **Core Services**

At the very heart of the organisation lies Core Services (finance, legal, procurement, HR and digital) who help ensure the seamless functioning of council operations. In a world where adaptability is the key to resilience, reviewing Core Services will help better support frontline services who directly impact the lives of communities. It will ensure teams have the tools, resources, and support needed to deliver. This review is a commitment to continuous improvement. It will reshape Core Services, ensuring they not only meet today's demands but also build a solid foundation for a resilient and thriving future.

4.5.3 **Place and Economy**

The Place and Economy Department helps fuel inclusive economic growth and fosters skills and innovation. The organisation wants to align these services more effectively with its core values of adaptability, participation, and resilience as well as also reviewing the service office in light of the neighbourhood model as it develops.

4.5.4 **Regenerative Development**

The regeneration team has been a catalyst for shaping places across Adur and Worthing. It has provided the driving force needed to breathe life into the physical infrastructure and spaces in local areas. To anticipate future challenges, it is essential to take a step back and reflect on regenerative development efforts as part of the commitment to continually being adaptive, participative and resilient.

4.5.5 **Waste redesign**

4.5.5.1 Redesign work in the waste service is anticipated once the impact of the Environment Act 2021 is understood, and preparatory work in the form of a review is already underway to support this.

4.5.5.2 The Environment Act 2021 will have a major impact on the organisation's waste service. This legislative milestone will undoubtedly reshape the landscape of waste management, calling for an evolution in the organisation's approach. While the full impact of the 2021 Act is yet to be unveiled, the organisation is not sitting idle. It is already preparing for the challenges and opportunities it presents, in the form of a comprehensive review. This seeks to bolster resilience and adaptability, ensuring that the waste service remains at the forefront of sustainable waste management.

4.5.5.3 The Councils are committed to a meticulous and thorough examination of all opportunities for savings, cost-effectiveness, and sustainability. The aim is to ensure that every decision made in this area is grounded in a deep understanding of the evolving waste management ecosystem.

4.5.5.4 Further discovery work will be undertaken over the coming months to identify what additional opportunities can be added to this pipeline of organisational redesign work.

5. Conclusion

5.1 This is an ambitious programme of change which delivers both savings and improvements for the Councils.

5.2 The pace at which this needs to be delivered is also ambitious and a detailed risk mitigation plan will be developed as part of programme governance alongside detailed monitoring of progress. A key risk is the anticipated Environment Act 2021 implementation which has the potential to derail ourselves and many other councils if the funding approach is not addressed.

5.3 In delivering this programme the objective is an organisation which, based on current projects and understanding of government funding, is sustainable and will be able to lift its head up from annual saving rounds in order to focus on wider ambitions. There is much to do but very good reasons to do it.

ADUR & WORTHING COUNCILS

Joint Audit & Governance Committee
18 January 2024

Joint Strategic Committee
8 February 2024

Key Decision : No
Ward(s) Affected: All

JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25 to 2026/27, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 to 2026/27 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 The Joint Governance Committee is recommended to:

i) Note the report (including the Prudential Indicators and Limits, and MRP Statements) for 2024/25 to 2026/27. Including the addition of State Street Global Advisors MMF as an approved counterparty, to be governed within the same limits as other Money Market Funds and proposed changes to specified investment limits as detailed in 6.1.3.

ii) Refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 8 February 2024.

2.2 The Joint Strategic Committee is recommended to:

i) Approve and adopt the TMSS and AIS for 2024/25 to 2026/27, incorporating the Prudential Indicators and Limits, and MRP Statements. Including the addition of State Street Global Advisors MMF as an approved counterparty, to be governed within the same limits as other Money Market Funds and proposed changes to specified investment limits as detailed in 6.1.3.

ii) Forward the Prudential Indicators and Limits, and MRP Statements of the report for approval by Worthing Council at its meeting on 20 February 2024, and by Adur Council at its meeting on 22 February 2024.

3. INTRODUCTION

3.1 Background

The Councils are required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authorities specific low risk appetites, providing adequate liquidity initially before considering investment return.

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

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

CIPFA defines treasury management as:

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

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

3.2 Reporting requirements

3.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

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

The aim of this capital strategy is to ensure that all elected members on the full Councils fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.2.2 Treasury Management Reporting

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

Prudential and treasury indicators and treasury strategy (this report), the first, and most important report is forward looking and covers:

- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An Investment Strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

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

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to the Full Council but do require to be adequately scrutinised. It is intended to include this reporting as part of one of our existing capital reports.

Scrutiny - The above reports are required to be scrutinised by the Joint Audit & Governance Committee (JAGC) which may make recommendations to the Joint Strategic Committee (JSC) regarding any aspects of Treasury

Management policy and practices it considers appropriate in fulfilment of its scrutiny role. Such recommendations as may be made shall be incorporated within the above named reports and submitted to meetings of the JSC for consideration as soon after the meetings of the JGC as practically possible. The reports are approved by the JSC and recommended to the Councils for approval.

3.3 **Treasury Management Strategy for 2024/25**

The strategy for 2024/25 covers two main areas:

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

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

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

3.4 **Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Officers are pleased to highlight that two successful training sessions took place in November 2023, one for each council, following feedback from members, officers will deliver periodic internal training in addition to this moving forward.

The training needs of treasury management officers are periodically reviewed and officers attend courses provided by appropriate trainers such as Link and CIPFA in addition to internal training relevant to finance. A log of training undertaken is maintained by the Group Accountant responsible for the treasury function in compliance with the revised 2021 CIPFA Treasury Management Code.

3.5 **Treasury management consultants**

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

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

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

4. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

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

4.1 Capital expenditure and financing

This prudential indicator is a summary of the Councils' capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.
The tables below summarise the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing or borrowing need.

ADUR DISTRICT COUNCIL

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m	£m
Non-HRA	3.505	8.454	56.432	3.338	5.878
HRA	10.212	24.852	19.653	9.964	9.964
TOTAL	**13.717**	**33.306**	**76.085**	**13.302**	**15.842**
Financed by:					
Capital receipts	0.760	0.996	2.771	1.350	0.500
Capital grants and contributions	2.194	3.509	1.555	0.462	0.462
Revenue Reserves & contributions	3.184	11.958	3.540	3.561	3.561
Net financing need for the year	**7.579**	**16.843**	**68.219**	**7.929**	**11.319**

WORTHING BOROUGH COUNCIL

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	**£m**	**£m**	**£m**	**£m**
Non-HRA	57.559	31.032	29.063	7.965	9.377
TOTAL	**57.559**	**31.032**	**29.063**	**7.965**	**9.377**
Financed by:					
Capital receipts	0.531	0.958	0.067	0.121	0.032
Capital grants and contributions	3.442	15.169	6.866	1.056	1.056
Revenue Reserves & contributions	0.101	0.215	0.197	0.175	0.175
Net financing need for the year	**53.485**	**14.690**	**21.933**	**6.613**	**8.114**

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Councils' borrowing requirement, these types of schemes include a borrowing facility and so the Councils are not required to separately borrow for these schemes. The Councils currently do not have any such schemes within the CFR. The Councils are asked to approve the CFR projections below:

ADUR DISTRICT COUNCIL

Capital Financing Requirement (£m)	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
CFR – non-HRA	30.389	33.197	86.208	87.266	91.045
CFR - HRA	67.354	80.306	94.291	99.955	106.419
CFR – strategic	76.684	75.790	74.872	73.931	72.963
Total CFR	**174.427**	**189.293**	**255.371**	**261.152**	**270.327**
Movement in CFR	5.703	14.866	66.078	5.781	9.175
Movement in CFR represented by					
Financing need for the year	7.579	16.843	68.219	7.929	11.319
Less: MRP/VRP and other financing movements	(1.876)	(1.977)	(2.141)	(2.148)	(2.144)
Movement in CFR	**5.703**	**14.866**	**66.078**	**5.781**	**9.175**

WORTHING BOROUGH COUNCIL

Capital Financing Requirement (£m)	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
CFR – non-HRA	137.606	151.073	171.258	175.901	181.934
CFR - strategic	68.791	68.010	67.209	66.387	65.544
Total CFR	**206.397**	**219.083**	**238.467**	**242.288**	**247.478**
Movement in CFR	**51.792**	**12.686**	**19.384**	**3.821**	**5.190**
Movement in CFR represented by					
Financing need for the year	53.485	14.690	21.933	6.613	8.114
Less: MRP/VRP and other financing movements	(1.693)	(2.004)	(2.549)	(2.792)	(2.924)
Movement in CFR	**51.792**	**12.686**	**19.384**	**3.821**	**5.190**

4.3 **Liability Benchmark**

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

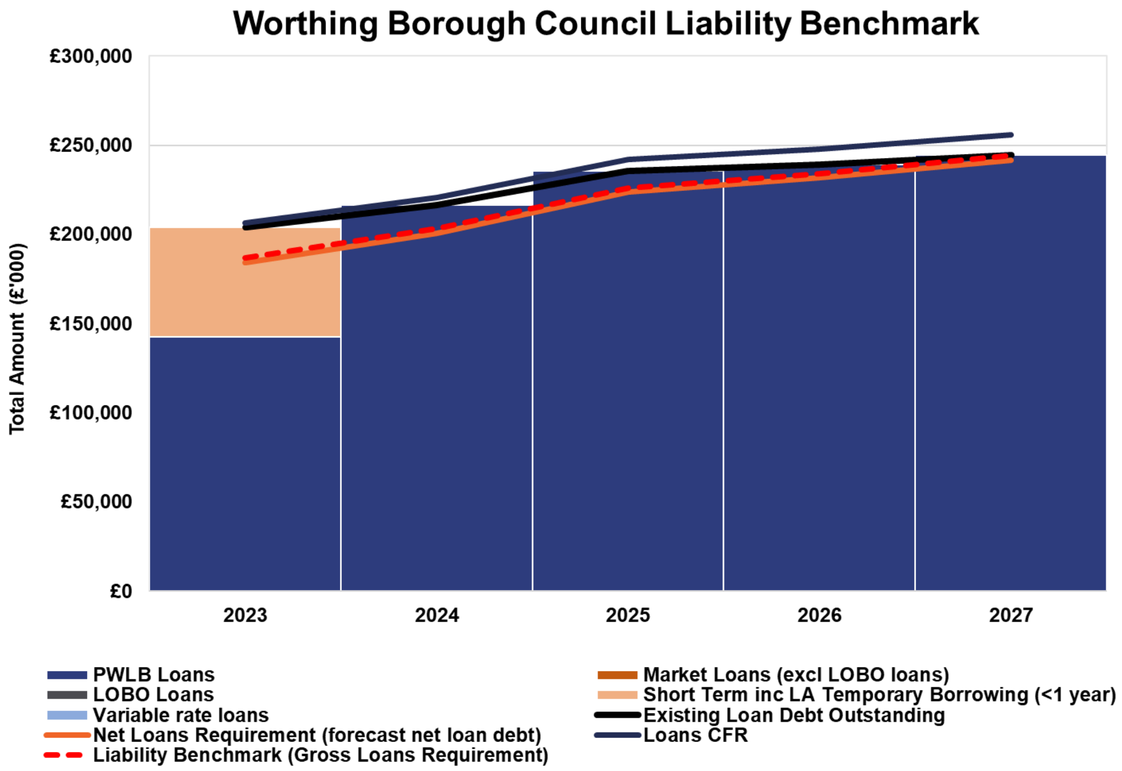
1. Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.

2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

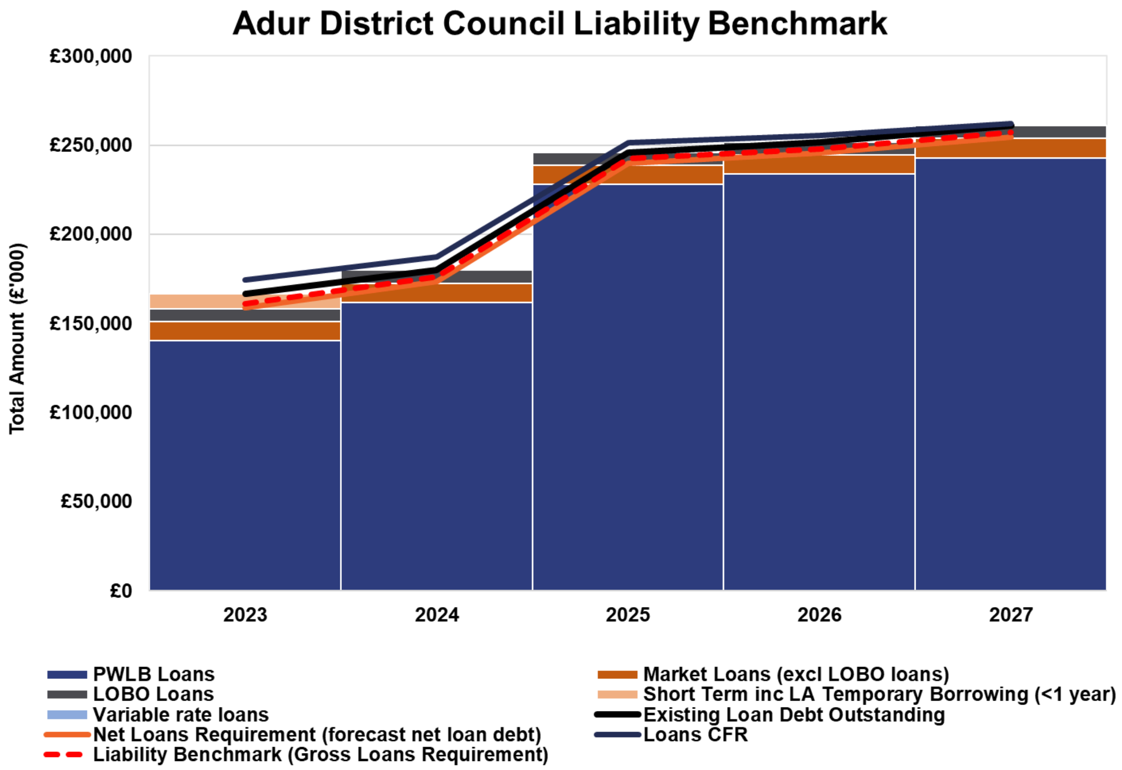
3. Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Worthing Borough Council



Adur District Council



The above charts show the liability benchmark for Adur District Council and Worthing Borough Council for the year ended 2023 through to the year ended March 2027. An analysis of what is shown is given below:

- The black line represents existing loan debt outstanding which tracks the existing debt balance closely as repayments are made on the opening debt position as at the year ended March 2023.
- The red dashed line and Orange line represent the additional borrowing requirement which is driven by the amount of the Council's forecast capital expenditure which will be funded through prudential borrowing.
- The Blue line sitting at the top of the graph represents the Loans CFR, the gap between this and the liability benchmark line represents in part the treasury management investments held by the council which are required for management of liquidity and cash flow.

Though further periods of forecast are possible, as there is no capital programme set for years beyond 2027 the models data beyond that point is not indicative of the likely movement and has therefore not been included in this report.

4.5 Minimum revenue provision (MRP) policy statement

The Councils are required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although they are also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Councils to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

For both Councils, the MRP relating to built assets under construction will be set aside once the asset is completed. If any finance leases are entered into, the repayments are applied as MRP.

The Councils are recommended to approve the following MRP Statements:

ADUR DISTRICT COUNCIL

For Adur District Council it was approved by the Joint Strategic Committee on 2nd June 2016 that for borrowing incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

4.5.1 <u>General Fund</u>

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

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

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

It is proposed to use the same policy for 2024/25.

4.5.2 **<u>Housing Revenue Account</u>**

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

WORTHING BOROUGH COUNCIL

4.5.3 Worthing had no debt prior to 1 April 2008. Worthing applies the same MRP policy as Adur for capital expenditure funded from borrowing from 1 April 2008. Worthing also has discretion in the application of MRP in respect of capital loans to approved Counterparties (currently Worthing Homes and GB Met College).

4.5.4 In addition to the above policy, it is also recommended that where the Council purchases a property to facilitate a development whether via a Compulsory Purchase Order or via a negotiated arrangement with the intention of disposing of the property to a development partner, no MRP shall be provided for the first three years. Any capital receipt received for the land shall be used to repay the associated debt. This change to the policy was initially approved by Council in July 2021.

4.5.5 It is proposed to retain this policy for 2024/25.

ADUR and WORTHING COUNCILS - VOLUNTARY REVENUE PROVISION

4.5.4 **MRP Overpayments** – A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory MRP, which are designated as voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayments made each year. Up until the 31st March 2024 Adur has a net VRP overpayment of £10k and Worthing has a cumulative net £150k VRP overpayment which will be reclaimed over the five years following each voluntary overpayment.

5. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

5.1 Current portfolio position

The Councils' treasury portfolio positions at 31st March 2023 and at 31st December 2023 are shown below.

Adur District Council

	Principal at 31.03.23 £m	Actual 31.03.23 %	Principal at 31.12.23 £m	Actual 31.12.23 %
External Borrowing				
PWLB	(140.002)	85%	(144.089)	86%
Other Borrowing	(24.939)	15%	(24.427)	14%
Finance lease	(0.000)		(0.000)	
TOTAL BORROWING	**(164.942)**	100%	**(168.516)**	100%
Treasury Investments:				
Local Authority Property Fund	2.659	24.68%	2.572	18%
In-house:				
Banks	5.150	47.80%	4.000	28%
Bonds	0.025	0.23%	0.025	0%
Debt Management Office	0.000	32%	0.000	0%
Local authorities	0.000	0%	4.000	28%
Money market funds	2.940	27.29%	3.685	26%
TOTAL INVESTMENTS	**10.774**	100%	**14.282**	100%
NET DEBT	**(154.168)**		**(154.234)**	

Worthing Borough Council

	Principal at 31.03.23 £m	Actual 31.03.23 %	Principal at 31.12.23 £m	Actual 31.12.23 %
External Borrowing				
PWLB	(142.423)	70%	(137.773)	68%
Other Borrowing	(61.525)	30%	(64.525)	32%
Finance lease	(0.000)		(0.000)	
TOTAL BORROWING	**(203.948)**	100%	**(202.298)**	100%
Treasury Investments:				
Local Authority Property Fund	1.329	7%	1.286	6%
In-house:				
Banks	6.290	32%	3.910	19%
Bonds	0.025	0.25%	0.025	0%
Debt Management Office	0.000	0%	0.000	0%
Local authorities	8.000	40%	12.000	60%
Money market funds	4.065	21%	2.945	15%
TOTAL INVESTMENTS	**19.684**	100%	**20.166**	100%
NET DEBT	**(184.214)**		**(182.132)**	

Worthing Borough Council has also made two loans which are categorised as capital rather than treasury investments, these detailed below showing balances as at 31st December 2023:

- a £10m loan to Worthing Homes
- a £5m repayment loan to GBMet College, with £4.342m remaining

Both of these loans are secured on assets of these bodies.

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

ADUR DISTRICT COUNCIL

Adur District Council External Debt £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt at 1 April	(151.651)	(164.942)	(179.808)	(245.886)	(251.667)
Expected change in Debt	(13.291)	(14.866)	(66.078)	(5.781)	(9.175)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(164.942)	(179.808)	(245.886)	(251.667)	(260.842)
The Capital Financing Requirement	174.425	189.293	255.371	261.152	270.327
Under/(over) borrowing	9.483	9.485	9.485	9.485	9.485

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

Adur District Council	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(77.556)	(76.685)	(75.790)	(74.873)	(73.934)
Percentage of total external debt %	47%	43%	31%	30%	28%

Worthing Borough Council

Worthing BC External Debt £m	2022/22 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt at 1 April	(153.751)	(203.948)	(216.634)	(235.669)	(239.120)
Expected change in Debt	(50.197)	(12.686)	(19.065)	(3.421)	(5.190)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(203.948)	(216.634)	(235.669)	(239.120)	(244.310)
The Capital Financing Requirement	206.397	219.083	238.148	241.569	246.759
Under/(over) borrowing	2.449	2.449	2.449	2.449	2.449

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

Worthing BC	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(68.791)	(68.010)	(67.209)	(66.387)	(65.544)
Percentage of total external debt %	34%	31%	29%	28%	27%

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

5.2 **Treasury Indicators: limits to borrowing activity**

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

Adur District Council

Operational boundary £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	189.0	258.0	262.0	272.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**190.0**	**259.0**	**263.0**	**273.0**

Worthing Borough Council

Operational boundary £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	4.5	4.3	4.0
Other Debt	229.5	239.5	243.5	247.5
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**245.5**	**255.0**	**258.8**	**262.5**

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

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

Adur District Council

Authorised limit £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	200.0	270.0	274.0	280.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**201.0**	**271.0**	**275.0**	**281.0**

Worthing Borough Council

Authorised limit £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	4.5	4.3	4.0
Other Debt	240.00	258.00	262.00	264.00
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**256.0**	**273.5**	**277.3**	**279.0**

5.3 **Prospects for interest rates**

5.3.1 The Council has engaged Link Group as its treasury advisor, tasking them with providing insights to help the Council formulate a perspective on interest rates. Link Group has presented the following forecasts as of November 7, 2023, specifically focusing on certainty rates, which are gilt yields plus 80 basis points.

Link Group Interest Rate View 07.11.23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

5.3.2 **Factors and Previous Moves**

Prior Years

In the years preceding this report, the lingering impact of Covid-19 has influenced the UK and global economies. While certain short-term effects are diminishing, lasting shifts such as continued digital payment preference and widespread remote work are expected to, in part, deliver systemic changes to economic activity. Geopolitical tensions in Asia, the Middle East, and Eastern Europe pose challenges to global supply chains and sanctions. Additionally, energy supply constraints, resulting from sanctions on Russian economic activity after the 2022 invasion of Ukraine, have pressured the UK economy, causing stagnation in growth and an increase in inflation.

Current Year

Inflationary pressures continued to weigh on the UK economy. Supply shortages in the labour market became a significant driver of domestic inflation with the UK seeing significant private sector wage inflation over the period, as employers “paid up” for fear of losing staff in a difficult labour market.

International Inflationary pressures continue to be driven by global fossil fuel markets, initially in response to sanctions placed on Russia as a result of its invasion and subsequent occupation of Ukrainian Sovereign territory. More recently threats to the safety of shipping routes in the Red Sea as a result of conflict in the region have begun to pose a threat to these supply chains. This pressure has eased somewhat since the beginning of the financial year as markets adjusted to a “new normal", however suppliers have shown reluctance to pass this on to consumers with pace.

At the time of writing indicators suggest the rate of domestic inflation is beginning to ease, we expect this to give rise to cuts in the Bank of England Base rate with time across the latter half of the 2024/25 year.

There have been 6 meetings of the MPC this financial year prior to authoring, the details of each meeting and subsequent rate decision are below:

- **11th May 2023** - Votes 6:1 to increase the base rate 25 bps to 4.50%
- **22nd June 2023** - Votes 6:1 to increase the base rate 50bps to 5.00%
- **3rd August 2023** - Votes 5:3 to increase the base rate 25bps to 5.25%
- **21st September 2023** - Votes 5:3 to maintain the base rate at 5.25%
- **2nd November 2023** - Votes 6:3 to maintain the base rate at 5.25%
- **14th December 2023** - Votes 6:3 to maintain the base rate at 5.25%

Borrowing for capital expenditure Link’s long-term forecast (beyond 10 years) for Bank Rate is 3.00%. As PWLB certainty rates are now above this level, the borrowing strategies of both councils are continually under review and both have favoured shorter term borrowing, in particular from other Local Authorities in order to minimise exposure to current interest rates and allow refinancing sooner when rates fall.

While the Councils will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.4 **Borrowing Strategy**

The Councils are both currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Councils’ reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as borrowing costs remain high, this strategy extends, for as long as possible, the periods between borrowing needs, and therefore reduces exposure to current interest rates.

Against this background and the risks within the economic forecast, caution will continue to be applied within the 2024/25 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL borrowing rate*, then borrowing will be postponed or where not possible the maturity period shortened within the bounds of the maturity profile restrictions.

- *If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

5.5 In prior years, both Councils have referred in the first instance to the Public Works Loan Board (PWLB) for sourcing their borrowing needs, given that they are eligible to access the PWLB "Certainty" rate of interest, being 20 basis points below the normal prevailing PWLB rates. However, borrowing from other sources, including other Local Authorities and on rare occasions wider markets, can from time to time offer options to borrow at advantageous rates comparative to the PWLB, and therefore will be considered alongside the PWLB during the current period of interest rate pressure.

Where appropriate, the Councils will investigate the possibility of using "ethical" or "green" borrowing options eg "green bonds." Such borrowing is usually only available for significant amounts e.g. over £20m and takes time to arrange because the lender and the Council needs to undertake significant due diligence. PWLB rates have now been easing meaning that other options are less likely to be economically viable. Local Climate Bonds may offer another alternative for funding carbon reduction projects.

Given the expected under borrowing position of the Councils, the borrowing strategy will give consideration to the most appropriate sources of funding from the following list(given in no particular order):

i) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing;

ii) Weighing the short term advantage of internal borrowing against potential long term borrowing costs, in view of the overall forecast for long term borrowing rates to increase over the next few years;

iii) PWLB fixed rate loans for up to 50 years;

iv) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB, market debt and loans from other councils in the debt portfolio;

v) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

vi) Short term loans from other Councils where appropriate;

vii) Other forms of borrowing where appropriate e.g. green bonds or the other mechanisms where these offer better value than the PWLB.

5.6 Preference may be given to PWLB borrowing by annuity and EIP loans instead of maturity loans during periods of high interest rates, as this may result in lower interest payments over the life of the loans. However debt maturity must be spread appropriately in order to reduce refinancing risk.

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

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

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

5.8 **Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is done, it will be reported to the Councils at the earliest meeting following its action.

5.9 **New financial institutions as a source of borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for non-HRA borrowing and Gilt rate + 40 basis points for HRA borrowing. However, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities out to 3 years or so - still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

- "Green Bonds" or "Local Climate Bonds" or the local Credit Union, Boom

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Councils' investment priorities will be security first, portfolio liquidity second and then yield, (return). The Councils will aim to achieve the maximum yield on investments commensurate with proper levels of security and liquidity and with the Councils' risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Councils will also consider the value available in periods up to 24 months with high credit rated financial institutions, as well as wider range fund options.

6.1.3 The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. As conditions in financial markets remain uncertain the changes proposed below are focused on meeting the operational needs of the treasury function for the 2024/25 financial year:

Adur District Council:

- The addition of State Street Global Advisors Money Market Fund as an approved counterparty for specified investments. This is a AAA rated fund with a focus on ESG factors which actively avoids investments deemed to be in violation of UN Global Compact Principles or involved in controversial weapons, thermal coal, arctic drilling, oil,and tar sands, and other ESG controversies. The fund, subject to approval by members, is to be governed by the same current £3m limit applicable to this type of investment.

Worthing Borough Council:

- Removal of the 25% of funds limit in relation to MMF and Call Account Balances for a limited period of the 2024/25 financial year. To be reinstated or adapted as required (subject to member approval) in the 2025/26 Treasury Management Strategy. The reason for this proposal is to facilitate the operational needs of the Council, by ensuring availability of liquid funds during a period where long term deposits have been minimised in order to shield from elevated borrowing costs.

- The addition of State Street Global Advisors Money Market Fund as an approved counterpart for specified investments. This is a AAA rated fund with a focus on ESG factors which actively avoids investments deemed to be in violation of UN Global Compact Principles or involved in controversial weapons, thermal coal, arctic drilling, oil,and tar sands, and other ESG controversies. The fund, subject to approval by members, is to be governed by the same current £3m limit applicable to this type of investment.

6.1.4 Investment instruments identified for use in the financial year are listed in Appendix B under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be set through the Councils’ treasury management practices.

6.1.5 The guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Councils have adopted a prudent approach to managing risk and define risk appetite by the following means: -

a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Councils will engage with the advisors to maintain a monitor on market pricing such as “credit default swaps” (a financial derivative or contract that allows an investor to "swap" or offset their credit risk with that of another investor) and overlay that information on top of the credit ratings.

c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) The Councils have defined the list of **types of investment instruments** that the treasury management team is authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.

  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix B.

f) The Councils will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 6.8).

g) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 6.4). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.

h) The Councils have engaged **external consultants**, (see paragraph 3.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Councils in the context of the expected level of cash balances and need for liquidity throughout the year.

i) All investments will be denominated in **sterling**.

j) As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund - Further details are provided in Appendix F.

6.1.6 However, the Councils will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 6.15). Regular monitoring of investment performance will be carried out during the year.

6.2 Creditworthiness Policy

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

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

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

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

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

6.2.4 In accordance with the Code, Link Group's creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

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

- If a downgrade results in the counterparty/investment scheme no longer meeting the Councils' minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of Credit Ratings the Councils will be advised by Link of movements in Credit Default Swaps and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils' lending lists.

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

6.2.8 Accordingly, the Councils may exercise discretion to deviate from Link's suggested durational bands for counterparties where circumstances warrant a more flexible approach being taken.

6.3 The Councils' Minimum Investment Creditworthiness Criteria

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

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

6.4 Country Limits and Proposed Monitoring Arrangements

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

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

6.5 Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the September 2022 mini budget. Although the Sunak government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices - Credit Default Swaps

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Investment Strategy

6.6 **In-house funds**

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the Councils will seek to use notice accounts, money market funds, call accounts and short-dated deposits to benefit from the compounding of interest.

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

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

6.7 **Investment returns expectations**

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

2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	2.60%
Later years	2.80%

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

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

Adur District Council

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2024/25	**2025/26**	**2026/27**
Principal sums invested > 365 days	50%	50%	50%

Worthing Borough Council

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2024/25	**2025/26**	**2026/27**
Principal sums invested > 365 days	50%	50%	50%

Both Councils are currently holding investments in the Local Authorities' Property Fund (£3m for Adur and £1.5m for Worthing) and other small bonds in the local credit union (£50k for Worthing and £25k for Adur) which are expected to be invested for more than 365 days. Worthing holds long term non-treasury loans issued to Worthing Homes and GB Met College.

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

6.10 The Councils' proposed investment activity for placing cash deposits in 2024/25 will be to use: (given in no particular order)

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

Other Options for Longer Term Investments

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

a) **Supranational bonds greater than 1 year to maturity**

b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

c) **The Councils' own banker** (currently Lloyds) if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

d) **Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use the top five building societies by asset size up to £2m, (£4m Nationwide).

e) Any **bank or building society** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

f) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and total exposure up to the limit applicable to the parent.

g) **Registered Social Landlords** (Housing Associations) **and other public sector bodies** - subject to confirming that the Councils have appropriate powers, consideration will be given to lending to Registered Social Landlords and other public sector bodies. Such lending may either be as an investment for treasury management purposes, or for the provision of "social policy or service investment", that would not normally feature within the Treasury Management Strategy.

h) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment. The Councils may invest up to £5m in Property Investment Funds - this reflects the request from Adur members to invest more in the CCLA Local Authorities' Property Fund.

i) **Other local authorities**, parish councils etc.

j) **Loan capital** in a body corporate.

k) **Share capital** *in a body corporate – The use of these instruments will* *be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.*

(Note: For (j) and (k) above the Councils' Staff do not hold appropriate skills to discharge proper governance in relation to these investments as such will seek further advice on the appropriateness and associated risks with investments in these categories as and when an opportunity presents itself).

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

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

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

6.15 **End of year investment report** – at the end of the financial year the Councils will report on investment activity as part of the Annual Treasury Report.

6.16 **Local Authorities' Property Fund** – both Councils hold investments in the Fund (Adur DC - £3m and Worthing BC £1.5m). The treasury service receives regular reports and quarterly dividends. Both Councils' holdings in these funds is currently under review in light of a change in regulatory environment. Details of this change and potential implications are given at Appendix F.

7. OTHER MATTERS

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

7.2 For social policy purposes, the Councils both hold deferred shares in the local Credit Union, Boom. Boom approached the Councils with a request to hold and invest some of Boom's funds in order to mitigate their treasury management investment risk. The Worthing Borough Council approved this through a Mid Year Review of Treasury Management at the time.

Officers are pleased to report that this relationship has continued enabling Boom to seek a return on its funds, supporting the work of the organisation as a community bank. In addition this is a reliable source of borrowing for the council and Boom extends the loan to the Council at a very competitive borrowing rate. As at 31st December 2023 the council had £1m held on an annual loan basis and £250k held on 8 days notice in order to facilitate the liquidity needs of Boom.

8. ENGAGEMENT AND COMMUNICATION

8.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2022, and which defines the respective roles of the client and provider authorities for a period of three years.

8.2 The Adur and Worthing Councils' treasury management team also provides treasury services to Arun 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.

8.3 Information and advice is supplied throughout the year by Link Group, the professional consultants for the Councils' shared treasury management service.

9. FINANCIAL IMPLICATIONS

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

10. LEGAL IMPLICATIONS

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

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2023/24 to 25/26 – Adur Council 23 February 2023 and Worthing Council 21 February 2023

Annual Treasury Management Report 2022-23 for Adur District Council and Worthing Borough Council – Joint Audit & Governance Committee, 26 September 2023 and Joint Strategic Committee, 03 October 2023

Overall Budget Estimates 2024/25 and Setting of 2023/24 Council Tax Report

Link Group Advisory TMSS Template 2024/25

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2021) and CIPFA Treasury Management Guidance Notes 2021

The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2021)

DLUHC Investment Guidance

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SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

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

2. SOCIAL

2.1 **Social Value**

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

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

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2024/25 - 2026/27, submitted and approved before the commencement of the 2024/25 financial year.

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

Appendix A

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

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

Adur District Council

Adur Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	**£m**	**£m**	**£m**	**£m**
Non-HRA	3.505	8.454	12.944	3.338	58.78
HRA	10.212	24.852	19.653	9.964	9.964
Commercial property	0.000	0.000	43.488	0.000	0.000
TOTAL	**13.717**	**33.306**	**76.085**	**13.302**	**15.842**

Worthing Borough Council

Worthing Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	**£m**	**£m**	**£m**	**£m**
Non-HRA	10.674	23.602	23.167	7.965	9.377
Strategic property	46.885	7.430	5.896	0.000	0.000
TOTAL	**57.559**	**31.032**	**29.063**	**7.965**	**9.377**

1.2 **Affordability prudential indicators**

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

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

Adur District Council

Adur	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	%	%	%	%	%
Non-HRA	6.12	13.83	15.69	16.55	18.80
HRA	19.57	22.04	22.48	25.03	23.47
Strategic purchases	(12.21)	(15.77)	(15.92)	(18.25)	(18.41)
TOTAL	**14.11**	**20.10**	**22.04**	**23.33**	**23.86**

Worthing Borough Council

Worthing	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	%	%	%	%	%
Non-HRA	8.28	10.63	8.09	10.29	8.12
Commercial activities	(11.55)	(13.04)	(12.84)	(12.80)	(12.90)
TOTAL	**(3.28)**	**(2.41)**	**(4.75)**	**(2.51)**	**(4.78)**

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

HRA Ratio

Adur (HRA)	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £m	**(56.625)**	**(64.431)**	**(89.639)**	**(90.939)**	**(92.239)**
Number of HRA dwellings	**2512**	**2523**	**2580**	**2582**	**2574**
Debt per dwelling	**£22.5k**	**£25.6k**	**£34.7k**	**£35.2k**	**£36.10k**

1.3 **Maturity structure of borrowing**

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

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

Adur District Council

Limits to maturity structure of fixed interest rate borrowing 2024/25		
	Lower Limit	**Upper Limit**
Under 12 months	0%	25%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years to 20 years	0%	80%
20 years to 30 years	0%	60%
30 years to 40 years	0%	60%
40 years to 50 years	0%	45%

WORTHING BOROUGH COUNCIL

Limits to maturity structure of fixed interest rate borrowing 2024/25		
	Lower Limit	**Upper Limit**
Under 12 months	0%	35%
12 months to 2 years	0%	40%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	75%
40 years to 50 years	0%	75%

APPENDIX B

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

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

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

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

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

The investment policy proposed for the Councils is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement. However a further consideration is included below:

ESG considerations - Both councils will consider Environmental, Social and Governance factors when placing any investment with current or new counterparties. Where matters for concern are identified for any specific counterparty both councils will consider placing future investments with other counterparties. A process of ongoing monitoring is underway for existing counterparties. As a result of these checks, during the 2023/24 financial year the Chief Accountant (formerly Group Accountant) withdrew the councils from the HSBC ESG Money Market Fund and the Invesco Money Market Fund due to the funds taking up positions with state-owned companies owned by The Government of the People's Republic of China. Investments in these funds only resumed once these positions were closed. Such Monitoring will continue on an ongoing basis.

Whilst there are no concerns regarding our banker, for operational reasons the Councils' own banker Lloyds bank is required to be exempt from this approach as we are contractually bound to them for the duration of our banking contract. These factors will always be considered when the contract is renewed.

SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Councils

Identified for utilisation by the Councils, these specified investments primarily comprise sterling investments with a maturity of not more than one year. Additionally, they encompass investments with longer tenures, yet affording the Councils the option of repayment within 12 months. This category extends to assets originally categorised as non-specified investments, which, despite having an initial duration exceeding 12 months, are reclassified as specified investments when the remaining period to maturity falls below twelve months. Characterised by their low-risk profile, these investments entail minimal risk of principal or investment income loss. These would include sterling investments which would not be defined as capital expenditure with:

- The Uk Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt* with less than one year to maturity)
- Supranational bonds of less than one year's duration*
- A local authority, housing association, parish council or community council
- Pooled investment vehicles (such as money market funds) that have been awarded a AAA rating by Standard and Poor's, Moody's and/or Fitch rating agencies
- A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Councils have set additional criteria to set the time and amount of monies which will be invested in these bodies - see Annexes 1 and 2.

Non-Specified Investments identified for use by the Councils

These are any other type of investment (ie not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Annexes 1 and 2.

Where appropriate, the Councils will seek further advice on the associated risks with non-specified investments.

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

Services, Standard and Poor's, Fitch Ratings, being:

Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent
Or
Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

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

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

ADUR DISTRICT COUNCIL - SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m as standard (£6m maximum for not more than 2 working days)
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Standard Chartered Bank A+	£3m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs Int Bank A+	£3m

Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds		Constant Net Asset Value or LVNAV MMFs	to manage liquidity, maximum £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
Share Capital	n/a	West Sussex Credit Union	£0.025m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m

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

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

NB Investments in AAA rated Money Market Funds are to be used for liquidity purposes - funds should be invested to achieve higher returns wherever possible.

Institution ratings shown are as at 31 December 2023 and are subject to change.

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

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

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

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

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

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

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

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

WORTHING BOROUGH COUNCIL SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m as standard (£6m maximum for not more than 2 working days)
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Standard Chartered Bank A+	£3m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs Int Bank A+	£3m

Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds	Various	Constant Net Asset Value or LVNAV MMFs	£3m per fund (Proposed removal of 25% rule, see 6.1.3)
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
*Term Deposits	UK	Worthing Homes (10 year loan)	£10m
*Term Deposits	UK	GB Met (20 year loan)	£5m
Share Capital	n/a	West Sussex Credit Union	£0.05m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m
Temporary Loans	n/a	Worthing Leisure Trust	£0.5m

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

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

* These loans are for more than 1 year, therefore are "unspecified", but are included here as they have been approved by Council.

Institution ratings shown are as at 31 December 2023 and are subject to change.

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

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

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

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

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

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

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

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

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating as at

AAA
- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France
- New Zealand

AA-
- Belgium
- U.K.

NB Consideration will be given to other factors, including Environmental, Social and Governance standards when considering the destination country of Non-UK investments. As such countries with an appropriate sovereign rating will not be used where matters identified do not align with the respective Council's values.

NB As detailed in 6.1.5 it has been determined that the UK will remain an approved country for investment regardless of its sovereign rating. This is due to the avoidance of such investments being operationally prohibitive.

APPENDIX C

COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO PROFESSIONAL INVESTOR STATUS

(i) **Money Market Funds**

Invesco
Federated Investors
CCLA
Black Rock
HSBC ESG Fund
State Street Global Advisors (SSGA) **NEW see 6.1.3 in main report.**

(ii) **Building Societies**

Skipton Building Society
Coventry Building Society
Leeds Building Society
Nationwide Building Society
Yorkshire Building Society

(iii) **Brokers**

BGC (Sterling)
Tradition
ICAP
Imperial
RP Martin

(iv) **Other**

ICD (Portal used for money market fund investments)
Link Group

These arrangements will be regularly reviewed as appropriate.

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

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

(ii) **Joint Strategic Committee**

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

(iii) **Joint Audit & Governance Committee**

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

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

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

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

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

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

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

APPENDIX E

Economic backdrop provided by Link Advisory

Link Group Interest Rate View 07.11.23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

- The first half of 2023/24 saw:

  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.

  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.

  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25%

until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

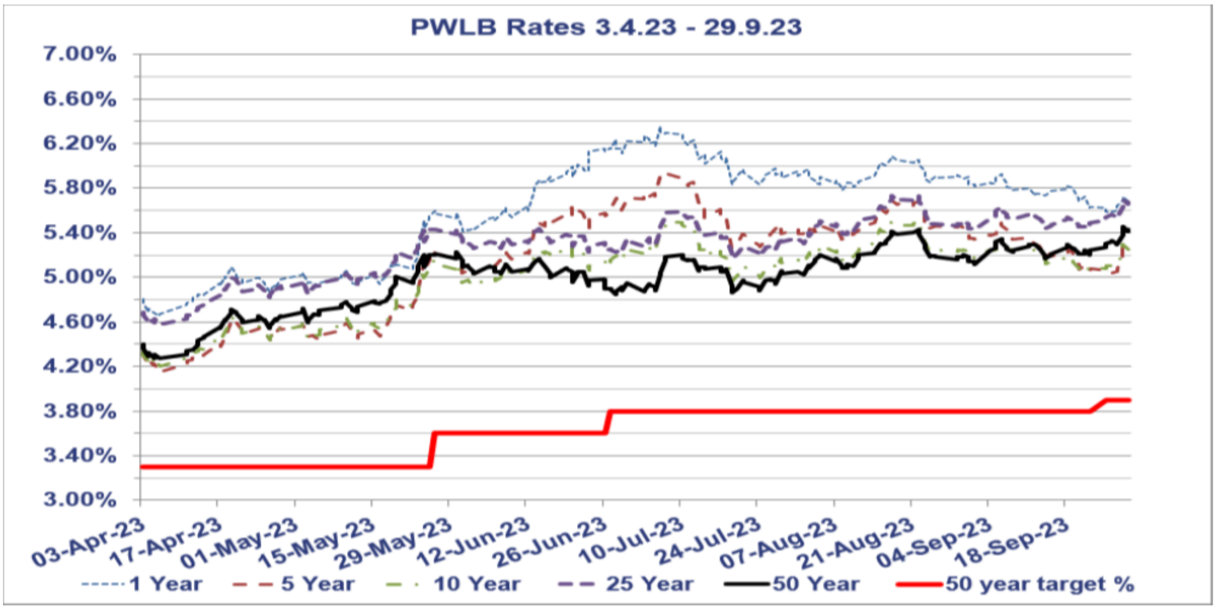
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.



The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS – NOVEMBER 2023

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

. The current margins over gilt yields are as follows: -.

§ **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)

§ **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)

§ **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)

§ **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)

§ **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

APPENDIX F

Removal of IFRS 9 Override - Impact Assessment

1.0 **Background**

IFRS 9, or the International Financial Reporting Standard 9, is an accounting standard issued by the International Accounting Standards Board (IASB) to address the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. In principle, IFRS 9 enhances the financial reporting of financial instruments, fostering a more consistent and relevant representation of an entity's financial position and performance. Previously the applicable standard was IAS39.

Local authorities have expressed concerns to the government regarding the impact of IFRS 9, particularly on pooled investment funds. This transition to the new IFRS 9 requirements for collective investment vehicles has raised nationwide implications, adding complexity, especially during the shift from IAS 39 to IFRS 9, and prompting scrutiny of its potential effects on the statutory duty to set a balanced budget. Currently, an override is in effect, exempting the Council's financial statement preparation from IFRS 9.

Following a consultation by the Department for Levelling Up, Housing, and Communities (DLUHC) in Autumn 2022, the override was extended for an additional two years. As a result, IFRS 9 is anticipated to be applicable to both Councils' financial statements from April 1, 2025.

2.0 Changes in Accounting for Pooled Investment Funds

2.1 Both councils presently have investments in the CCLA Local Authorities Property Fund (LAPF). As the override comes to an end, these funds will now adhere to the standard accounting provisions, potentially resulting in their categorisation as financial assets at fair value through the revenue account. This reclassification signifies that fluctuations in the fair value of these pooled investment funds will directly affect the revenue account of both councils. In simple terms, a decrease in value during the fiscal year will be treated akin to expenditure, while an increase in value will be regarded as income. This adjustment underscores the need for a thorough evaluation of the financial impact on both councils and officers within the finance team will need to ensure accurate representation in the financial statements of both councils.

2.2 The tables below give some further information on the current position of the fund for each council, and information on the income for both councils over the life of the holding so that a full assessment of the performance of these investments can be made.

Adur District Council

Local Authorities Property Fund Holding				
Initial Investment	**31/12/2023 Valuation**	**Movement (£)**	**Dividends To 31/12/2023**	**Net Gain**
£3,000,000	£2,572,070	-£427,940	£603,642	£175,702

Worthing Borough Council

Local Authorities Property Fund Holding				
Initial Investment	**31/12/2023 Valuation**	**Movement (£)**	**Dividends To 31/12/2023**	**Net Gain**
£1,500,000	£1,286,036	-£213,964	£301,822	£87,858

2.3 As detailed above, were IFRS 9 to be applied to these investments as at 31st December 2023 the result will be a realisation of a loss (akin to an expense in the revenue account) of £427,940 for Adur District Council and £213,964 for Worthing Borough Council this has the potential to have a significant impact on both Councils' budgets as the capital loss to date will need to be realised in full in financial statements for the year ended 31st March 2026. Moving forward this movement should only be year on year and assuming relatively stable fund values can be managed via a reserves provision.

3.0 Action Points

The option still remains for the Government to review the adoption of IFRS 9 or to review the expiry of the current override, recent comment by Government Ministers indicates that this is not currently the intention. With careful consideration to the Councils' revenue positions officers have undertaken to explore options available to both Councils in order to manage the risks associated with this change in regulation. This will include, but not be limited to, discussion with CCLA as the fund manager, Ernst & Young as the external auditor and Link Group as both Council's treasury management advisors. The intention of this period of work will be to determine the sustainable course of action. Officers will report back on findings during the first quarterly report of the 2024/25 year.

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ADUR & WORTHING COUNCILS

Joint Strategic Committee
8 February 2024

Key Decision [Yes/No]

Ward(s) Affected:

Adoption of Adur & Worthing Councils *Carbon Management Plan*

Report by the Director for Sustainability & Resources

Report Author
Dan Goodchild,
Carbon Reduction Manager
dan.goodchild@adur-worthing.gov.uk

Executive Summary

1. Purpose

1.1. Adur & Worthing Councils declared a Climate Emergency in July 2019. As part of the declaration, Members committed to *work towards becoming carbon neutral by 2030.*

1.2. The *Carbon Neutral Plan* was adopted in December 2019, setting out pathways for the councils to achieve the target

1.3. In the intervening years significant progress has been made reducing carbon emissions and further developing the recommendations set out in the *Carbon Neutral Plan* to develop the pipeline of projects that will ensure the councils meet their commitment on carbon emissions.

1.4. This work is now summarised as the *Carbon Management Plan*, set out at Appendix A. It is recommended that the councils adopt the new *Carbon Management Plan*

2. Recommendations

2.1. That the Committee:

- Notes the progress made on projects and recommendations since the publication of the *Carbon Neutral Plan*

- Approves the adoption of the *Carbon Management Plan* and to publish it on the councils' website

3. Context

3.1. Adur & Worthing Councils jointly declared a climate change emergency on 9 July 2019, simultaneously setting a target to be carbon neutral by 2030.

3.2. The councils' adopted: *Adur & Worthing Councils' Carbon Neutral Plan: Working towards the 2030 target* on 3 December 2019 and a Carbon Reduction Team was appointed in September 2020 to facilitate work to achieve the target and attract funding to contribute to the councils decarbonisation.

3.3. The 2030 carbon neutral target required the councils to deliver a linear 10% reduction in emissions annually through the decade. Some years may see lesser and some greater emissions reductions, depending on interventions delivered, climatic conditions and other unforeseen events.

3.4. The councils' emissions (including Adur Homes) have reduced by just over 500 tonnes since 2019/20. Whilst this is approximately 1/6th of total emissions, the pace of reduction must increase if the council is to meet its carbon neutral target.

4. Summary of the *Carbon Management Plan*

4.1. The *Carbon Management Plan* is intended to be a public facing document, highlighting progress that the councils have made since the publication in 2019 of the previous *Carbon Neutral Plan*. This includes:

- Decommissioning two large communal gas-heating systems, replacing them with 55 Ground Source Heat Pumps at Shadwells Court and Tollbridge House

- Installing solar PV across a number of Housing and Corporate sites.

- Improving the building fabric and energy performance of Worthing's Civic Quarter buildings

- Developing a fleet strategy to tackle the largest portion of the councils' emissions. This will be reported on fully in summer 2024

- Developing the Worthing Heat Network, which will be key to decarbonising not only council buildings within Worthing, but also the wider public and private estate into the future.

4.2. Since the publication of the *Carbon Neutral Plan*, decarbonisation plans have been developed for a significant proportion of the councils' portfolio. Whilst these measures are each subject to detailed business cases being developed, it has enabled the refinement of the councils' trajectory to achieving net zero (presented at Figure 3 in the *Carbon Management Plan*).

4.3. It recommends prioritising interventions that make the most contribution to reducing carbon emissions, specifically:

- The replacement of the refuse fleet with low carbon alternatives (500 tonnes)
- Connection to the Worthing Heat Network (200 tonnes)
- Decommissioning of sheltered housing gas boilers (190 tonnes)
- The gradual decarbonisation of the grid (190 tonnes)

4.4. It also shows that even if the ambition, commitment and funding is found to deliver all of the interventions already identified, there will still be a residual total of about 380 tonnes of carbon emitted from council activities - principally those associated with the production of electricity.

4.5. Offsetting these residual emissions will be required in order to achieve carbon neutral status and the *Carbon Management Plan* recommends that this is achieved through the delivering (in-house and/or with a third-party) of new, renewable electricity generation assets.

4.6. The *Carbon Management Plan* makes a number of recommendations throughout the document. Should approval be received, officers will work on progressing these in due course, noting the ambitions of the councils to continue their journey towards the 2030 target.

5. 2045 target emissions

5.1. Alongside the 2030 target to be carbon neutral in council operations, the councils are also committed to achieving net zero carbon status more widely by 2045.

5.2. The 2045 target encompasses two areas of emissions that are outside the scope of the *Carbon Management Plan.* These are Scope 3 emissions and 'area-based' emissions.

5.3. Scope 3 emissions are all those not associated with the *direct* consumption of gas or electricity (or, when the Worthing Heat Network starts providing heat,

heat) by Adur & Worthing councils. This includes those from buildings operated by partners, such as South Downs Leisure, as well as supply chain emissions.

5.4. Due to resource constraints, no scope 3 analysis has been conducted for the councils, however it is reasonable to assume that the councils' scope 3 emissions are extensive. The council has some control over these emissions and work streams are ongoing to develop an approach to minimising them through procurement requirements, partnership working and contractual obligations.

5.5. Area-wide emissions incorporate *all* emissions from within Adur & Worthing. Reducing these to net zero by 2045 will be a considerably harder challenge and require significant input and policy support from central government. The councils are already leveraging energy efficiency funding to reduce emissions from private sector homes, but a significant and systematic approach will need to be developed across a wide variety of organisations and sectors if this target is to be reached.

5.6. The councils are committed to taking a leading role in achieving the area-wide target and in so doing will proactively and strategically seek to coordinate action. A plan to deliver this will be developed, however it should be noted that whereas the trajectory presented in the *Carbon Management Plan* was developed in-house, the scale of the work required for the 2045 target will necessitate external support. This work is therefore subject to budget restrictions.

6. Engagement and Communication

6.1. Significant and ongoing engagement has been had surrounding the councils' carbon reduction programme. The following internal groups and teams have had input into work that has been used to generate these figures:

- Carbon Reduction Delivery Group/Environment Missions Board;
- Technical Services & Facilities;
- Building Services;
- Environmental Services;
- Housing;
- Waste, Recycling & Cleansing;
- Major Projects;
- Finance;
- Procurement;
- Legal;

- Democratic Services;
- Planning;
- Bereavement Services.

6.2. Whilst the focus of the *Carbon Management Plan* is on scope 1 and 2 emissions, the following external groups have been consulted as part of carbon reduction projects to reduce the councils' emissions:

- Department for Energy Security & Net Zero (Heat Network Delivery Unit, and Heat Networks Investment Programme)
- Salix (Low Carbon Skills Fund and Public Sector Decarbonisation Scheme)
- West Sussex County Council
- Ministry of Justice (Worthing Law Courts)
- Worthing Theatres and Museums
- South Downs Leisure

6.3. More widely, the council is engaged with the following organisations and will seek to build these relationships over time in order to meet the 2045 target:

- Housing Associations
- NHS Trusts
- Major Employers
- Community Organisations and Groups
- SMEs
- Industrial Estates/Business Parks
- Partnership organisations (e.g. UK100)
- Mobility (active travel) organisations

7. Financial Implications

7.1 While some of the projects discussed in the body of this report will have financial implications each will have been, or will be, subject to scrutiny via the presentation of a full business case to the Joint Strategic Committee as required.

7.2 There are no direct financial implications arising from this report.

8. Legal Implications

8.1. The Climate Change Act 2008 as amended by the (2050 Target Amendment) Order 2019 is the basis of the UK’s approach to tackling and responding to climate change. The Act requires emissions of carbon dioxide and other greenhouse gases to be reduced from 80% to 100% by 2050 and the Council is committed to working towards this goal.

8.2. Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

8.3. Section 1 of the Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a Local Authority confers the powers on the Local Authority to enter into a contract with another person for the provision or making available of assets or services, or both (whether or not together with goods) for the purposes of, or in connection with, the discharge of the function by the Local Authority.

8.4. In procuring for works goods or services to comply with its climate change proposals the Council must have regard to The Public Contract Regulations 2015 and / or The Public Concession Contract Regulations 2016 and take detailed legal advice as appropriate for each project.

8.5. When entering any arrangement with a provider the Council is to ensure that it does not infringe the rules relating to subsidies detailed in the Trade and Co-operation Agreement 2020 which are set out in Article 3 of the Agreement.

8.6. The Council is to remain fully compliant with any relevant grant funding terms and conditions and where there is an on-grant to an appointed provider, the Council is to ensure that there are appropriate indemnities in place in favour of the Council for any potential breaches of the funding terms, by that provider.

Background Papers

- JSS-C(A)/36/23-24 - Adur Carbon Emissions 22/23
- JSS-C(W)/32/23-24 - Worthing Carbon Emissions 22/23
- JSC6719-20 - Adoption of Carbon Neutral Plan

Sustainability & Risk Assessment

1. **Economic**

Transition to a low carbon economy is vital to provide future energy systems resilience, and to address and reduce potential impacts of climate change. Improved energy efficiency across the councils' assets reduce ongoing revenue requirements for energy purchasing.

2. Social

2.1 Social Value

By securing affordable, low carbon energy into the future, the councils protect budgets from future energy price rises, drawing less budget into council operational costs away from services delivery that benefit local communities.

2.2 Equality Issues

The impacts of climate change are predicted to impact on all communities, but the greatest impact is predicted to impact the most vulnerable communities. It is imperative that all is done to mitigate climate change.

2.3 Community Safety Issues (Section 17)

No impacts identified

2.4 Human Rights Issues

The impacts of climate change are predicted to impact on all communities, but the greatest impact is predicted to impact the most vulnerable communities. It is imperative that all is done to mitigate climate change.

3. Environmental

The key driver for ongoing carbon reduction is to mitigate the predicted catastrophic impacts of climate change on the environment, economy and communities.

4. Governance

The reporting and management of carbon reduction emissions show leadership in response to our declaration of a climate emergency. This aligns with national legislation (the Climate Change Act 2008); national and regional policy, and the councils’ own policy.

ADUR & WORTHING COUNCILS

CARBON MANAGEMENT PLAN

FEBRUARY 2024

Background
Following the joint declaration of a Climate Emergency in 2019, Adur & Worthing Councils published their [Carbon Neutral Plan: Working towards the 2030 target](). This was a science- and evidence-based Plan that identified key actions and intervention measures required to set the councils on the path to net zero carbon emissions.

The *Carbon Neutral Plan* aligned to the Councils' previous vision *Platforms for our Places.* This update The *Carbon Management Plan* now supports *Our Plan*, specifically the *Thriving Environment* ambition, which lists as a mission*: Action now achieves a fair transition to Net Zero Carbon by 2045.*

Whilst the councils' emissions only make up a fraction of one percent of the emissions from the area as a whole, achieving the Carbon Neutral target by 2030, the councils will be a model for all residents, organisations and businesses in Adur & Worthing, enabling us to lead the area towards net zero by 2045 through learning and shared infrastructure.

This refresh of the *Carbon Neutral Plan* comes four years after the previous plan was adopted and three years following the appointment of the carbon reduction team, which has, in partnership with colleagues from across both councils and external organisations, secured in excess of £10m of external funding and delivered a number of key interventions. Many of these are explained throughout the document.

Emissions Progress

As noted in the *Carbon Neutral Plan*, the scope for the councils' reductions was defined as being Scope 1 and 2 only. These are defined in Table 1, as follows:

Category	**Description**	**Data used in this analysis**
Scope 1	Direct emissions from sources owned or controlled by the councils	Metered gas data (or bills) Litres of fuel purchased for council-owned vehicle fleet Pool car mileage
Scope 2	Indirect emissions from the generation of energy (electricity) purchased by the councils	Metered electricity data (or bills)

Table 1

As per the *Carbon Neutral Plan,* scope 3 emissions[1] are not included within this analysis and will form a key part of the councils' work to deliver on its 2045 target.

[1] Scope 3 emissions are indirect emissions that result from other activities that occur in the value chain of the reporting organisation, either upstream or downstream.

Since the publication of the original plan, annual reports have been presented to the councils' Joint Strategic Committee that have set out year-on-year progress regarding the targets. These have also identified where further data (i.e. new metering and billing) has become available to the councils that allows for the direct comparison between the original baseline year (2019/20) and now (table 2).

tCOe2	**2019/20**	**2022/23**	**% decrease**
Electricity	856	638	25.5
Gas	979	821	16.2
Fleet and pool cars	1,197	1,092	8.8
Total	**3,062**	**2,553**	**16.6%**

Table 2

This shows that the councils have reduced their emissions by over 500 tonnes, or 16.6% in the previous four years. Whilst this is good progress, it is evident that more needs to be done in order to ensure the 2030 target is reached.

This 2023 *Carbon Management Plan* updates the 2019 *Carbon Neutral Plan* by focusing on:
- Delivered projects and work
- Emissions reduction measures - only relying on offsetting where a reduction in emissions is infeasible, as defined by the UN
- Recommendations for further work to continue to deliver our progression to our 2030 target

Scope 1: Gas

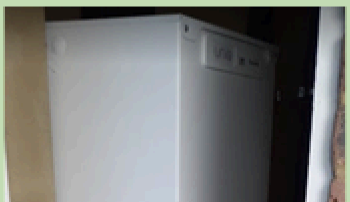
The *Carbon Neutral Plan* identified the need to reduce heating demands and phase out natural gas usage across the councils' estate. This work has been split into two areas: gas for space heating and hot water; and gas consumption at the crematorium.

Heating

WHAT WE'VE DONE ALREADY: SHELTERED HOUSING

The communal boilers at Shadwells Court and Tollbridge House have been fully decommissioned and replaced with ground source heat pumps

FUNDING: Public Sector Decarbonisation Scheme plus Adur Homes match funding



As of 2023, emissions from heating are derived from thirteen sites across both Adur Homes and corporate sites. The council has developed heat decarbonisation plans for the majority of these sites. Where heat pumps are installed or heat network connections made, emissions will continue to reduce as emissions associated with electricity production decrease (see section XX).

Corporate Sites

Figure 1 shows emissions from corporate buildings, plus projected emissions from these buildings following interventions. This reduces emissions from heating corporate buildings from 267 tonnes to 133 tonnes.

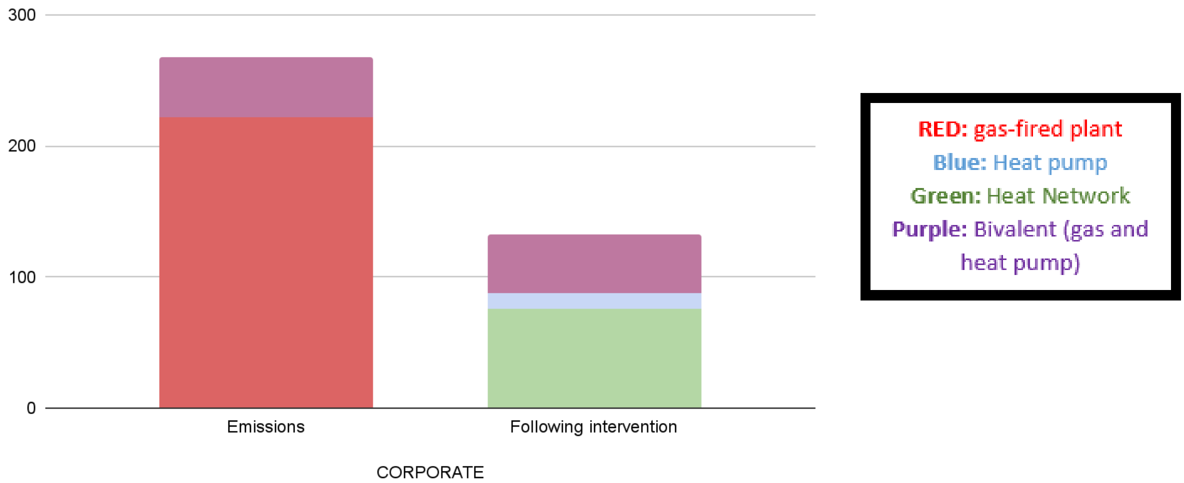


Figure 1

WHAT WE'RE DOING: WORTHING HEAT NETWORK

The Worthing Heat Network will provide low carbon heat to residents and businesses of the town centre.

Utilising large Air Source Heat Pumps located at the High Street Car Park, heat will initially be provided to Borough Council buildings and Worthing Hospital, with significant opportunities to grow the network over time.

CARBON SAVING: 150 tonnes (Town Hall and Portland House only)
3000 tonnes (Whole Phase 1)

FUNDING: Heat Network Delivery Unit, Heat Network Investment Project, Greater SE Net Zero Hub, Public Sector Decarbonisation Scheme, Worthing Borough Council

Adur Homes

Figure 2 shows emissions from Adur Homes, plus projected emissions from these buildings following interventions. This reduces emissions from heating Adur Homes buildings from 194 tonnes to 149 tonnes. Two sites have not had heat decarbonisation plans developed at present, one of which is the new communal gas-fired heating system due to be commissioned at Albion Street.

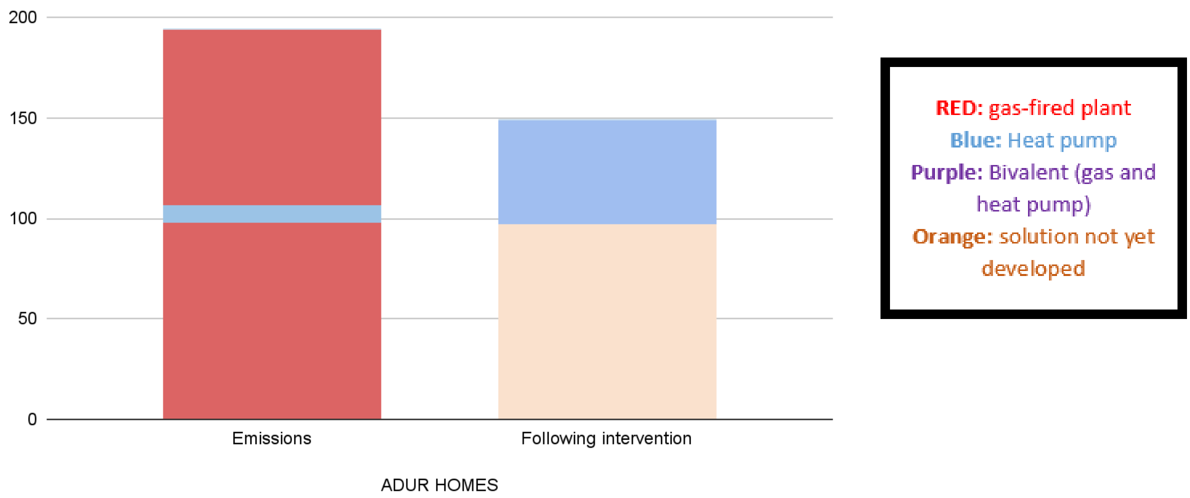


Figure 2

Recommendation: Develop Heat Decarbonisation Plans for the councils' remaining gas boilers

WHAT WE'VE DONE ALREADY: SHOREHAM CENTRE

The old, inefficient gas boilers which had no controls have been replaced by a new, bivalent system utilising large air source heat pumps.

New gas boilers were also installed to provide top-up heating during the coldest months. Further work to the distribution system and fabric will be required to fully decarbonise the site

FUNDING: Public Sector Decarbonisation Scheme plus Adur District Council match funding

CARBON SAVING: 25tonnes per annum

The Worthing Heat Network forms a key part of both the councils' plan to decarbonise its own estate, but is also the foundation of its ambition to decarbonise heat within Worthing by 2045.

It will initially connect five council-owned buildings plus Worthing Hospital, installing over 1.5km of insulated pipework between the hospital and the Civic Quarter. Low carbon heating will be produced by utilising large, centralised Air Source Heat Pumps located at the network's energy centre at the High Street Multi-storey car park. Planning Permission was granted in December 2023, with construction expected to start in 2024.

It is anticipated that once fully operational, Phase 1 of the heat network will save over 3,000 tonnes of carbon per year, increasing as new public and private sector connections are made.

The heat network will continue to expand organically across Worthing, utilising additional waste heat loads and making connections to new buildings over time. Other WBC owned and/or operated buildings as well as development sites will therefore be able to connect in due course.

WHAT WE'RE DOING: WORTHING CIVIC QUARTER

£2.5m of funding has been secured from the Public Sector Decarbonisation Scheme to complete additional energy efficiency works to Civic Quarter buildings, including connecting to the Worthing Heat Network.

These works include secondary glazing (pictured), loft insulation, draughtproofing, mechanical improvements to heating systems and improvements to BMS systems.

A previous £500k grant has allowed some works to already be completed at Worthing Town Hall and Portland House

FUNDING:

Public Sector Decarbonisation Scheme

Worthing Borough Council

CARBON SAVING: 125tonnes per annum (Town Hall and Portland House only)

Recommendation: Seek PSDS Funding for the remaining town centre buildings

Non-council controlled sites

The Councils are also responsible for maintaining a number of additional boilers under lease agreements with tenants (e.g. South Downs Leisure (SDL), Worthing Theatres and Museums and some community centres). These fall outside of the scope 1 definition used above, however they represent significant sources of carbon emissions.

WHAT WE'RE DOING: WORTHING CULTURAL BUILDINGS

All Worthing Theatres and Museums buildings are due to connect the Worthing Heat Network. This will fully de-gas the cultural property portfolio.

It is expected that this will assist WTAM in demonstrating their sustainability credentials for future funding bids

FUNDING: PSDS and Worthing BC match funding

CARBON SAVING: 129tonnes per annum

worthing theatres and museum

The council is continuing to support SDL on their own pathway to net zero by:

- Targeting a connection to the Worthing Heat Network for Splashpoint by 2027, reducing annual emissions by over 500 tonnes
- Developing Heat Decarbonisation Plans for all other SDL sites owned by Adur & Worthing Councils.

The councils will continue to work with SDL in order to develop business cases and secure funding to assist in the delivery of further decarbonisation measures.

Recommendation: Work with South Downs Leisure to deliver decarbonisation measures across their sites

Community Centres owned by the councils vary in the ultimate responsibility for heating system repair and replacement. Where the council is responsible, Heat Decarbonisation Plans have been developed for these sites and business cases, funding and intervention points will be considered going forward to assist tenants to decarbonise their heating supplies at an appropriate time

Recommendation: Work with individual Community Centres to deliver decarbonisation measures across their locations

Crematorium

Worthing crematorium is the single largest consumer of gas within this Plan. In 2022/23 it emitted over 400 tonnes of carbon during its operations, a slight reduction on 2021/22. Historic reductions have been due to changes in usage figures that are not necessarily permanent.

In 2021 a feasibility study, completed using Salix Low Carbon Skills Funding , explored the possibility of electrifying the crematorium. It noted that a number of constraints (specifically its location in mature woodland and surrounded by landscaped grounds; the electrical supply available; and space constraints within the building) make it difficult – albeit not impossible – to electrify. As a result, alternative options are being explored.

WHAT WE'RE DOING: HYCREM

The world's first pilot of using green hydrogen in a crematorium is scheduled at Worthing Crematorium in 2024.

The council are partners in HyCrem, alongside organisations from the higher education, net zero, cremation, hydrogen and gas distribution industries. Hycrem will see one of the three cremators at Worthing Crematorium utilise 100% green hydrogen for the cremation process for up to one month. Air quality testing and performance monitoring will be conducted alongside the trial.

CARBON SAVING: ~5tonnes (pilot only)

FUNDING: Industrial Fuel Switching/Net Zero Innovation Portfolio

Recommendation: Following HyCrem, determine and progress a decarbonisation option for the Crematorium

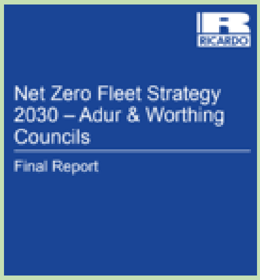
Scope 1: Emissions from vehicles

The remainder of the council's scope 1 emissions comes from operating its fleet of vehicles. This is easily split into four categories: light vehicles; larger trucks not used for refuse collection; the refuse fleet; and pool cars. Given the emissions inherent in continued diesel and petrol use, a transition away from fossil-fuels is required in order to meet the Carbon Neutral 2030 target.

WHAT WE'VE DONE: FLEET STRATEGY

The council has commissioned Ricardo to prepare a fleet strategy, setting out viable pathways to decarbonise its fleet, including by 2030. The recommendations included here are based on the output of that strategy

FUNDING: Adur & Worthing Councils



CARBON SAVING: up to 695 tonnes

As noted above, the council sees a potential role for the use of green hydrogen in its operations, however both the initial outlay and ongoing running costs will be significantly less economical than transitioning to a full battery-electric fleet.

The fleet strategy mentioned above forms the basis for the following sections of this report. A full strategy will be presented for adoption in summer 2024 and future users of this report should refer to the fleet strategy for the councils' most up to date approach.

Light Vehicles

The councils currently operate 70 light commercial vehicles (LCVs) and 12 larger vehicles between 3.5 and 12 tonnes in weight. These range from vans to support services including, Housing, Parks, Dog Wardens to road sweepers and the numbers will likely increase when food waste collections commence (subject to approval).

Despite making up two thirds of the fleet, these Light Vehicles contribute only about 30% of the fleet's emissions.

The technology for the decarbonisation of light vehicles is well established and the ranges required by the existing fleet mean that this is already a viable technology option.

WHAT WE'RE DOING: LIGHT VEHICLES

The council already operates 5 fully electric vehicles, charged at the Commerce Way depot.

A further 5 electric vehicles are on order with additional chargepoints to be installed at the same time

CARBON SAVING: 10tonnes (current and planned vehicles)

FUNDING: Adur & Worthing Councils

RECOMMENDATION: Continue replacing Light Vehicles with electric options as part of the ongoing fleet replacement cycle

RECOMMENDATION: As part of food waste collection options, explore low carbon options from the outset.

Refuse Fleet

The 2019 *Carbon Neutral Plan* noted that ultra-low emission HGVs were not expected to become widely commercially available in the next decade and that the councils will need to "undertake a review when the existing fleet is due for renewal". Fortunately, technology has developed more rapidly than anticipated and there are a number of low carbon options to consider.

RECOMMENDATION: Review Fleet Strategy options and confirm preferred low carbon summer 2024.

Pool Cars

The pool cars operated by the council contribute less than 0.5% of the councils' total emissions from its fleet. The vehicles are not owned by the councils, the service is provided through a contract with a third party supplier. All of these vehicles are currently petrol-electric hybrid.

It is anticipated that these vehicles will be switched to battery electric models once charging infrastructure at the sites these cars are stored at overnight becomes available.

WHAT WE'RE DOING: POOL CARS

The Worthing Integrated Care Centre Multi Storey Car Park will have charging infrastructure available to charge all the councils' pool car fleet, enabling the discontinuation of the hybrids currently in use.

CARBON SAVING: 6 tonnes

FUNDING: Lease arrangement

RECOMMENDATION: Work to deliver improved alternative transport options (e.g. cycling provision) for staff

Scope 2: Electricity

Many of the measures to remove scope 1 emissions will have a necessary increase in electricity demand due to the phase out of gas or vehicle fuels. As a result, emissions associated with electricity consumption will remain a persistent part of the councils' carbon footprint and may increase, particularly in the short-term, as demand increases (potentially significantly).

The decarbonisation of the UK power system is expected by 2035. Whilst this is slightly beyond the councils' net zero 2030 deadline, significant reductions will mean replacing direct fossil fuel consumption (scope 1 emissions) with electricity will have a positive impact on the councils' carbon emissions.

The *Carbon Neutral Plan* identified few opportunities for electricity demand reduction measures across the councils' estate, principally due to the relative lack of high demand systems (e.g. mechanical ventilation) currently in use by the council. It has been routine for lighting replacements to be LED for some considerable time, although the upgrade of external lighting in particular is an opportunity for development.

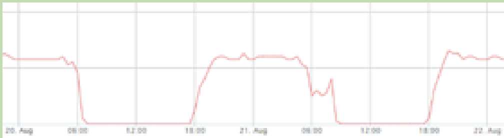
RECOMMENDATION: Continue exploring opportunities for electricity demand reduction projects across the councils' property portfolio

The council already operates a small portfolio of solar PV systems. Most of these were installed post-Feed-in-Tariff subsidy and, as a result, the only financial benefit council receives from these is through a reduction in power purchased from the national grid. For larger systems, such as those at Commerce Way and Shadwells Court, battery storage may present an opportunity to reduce the energy spend for the council[2].

WHAT WE'VE DONE: SOLAR PV

11 council buildings currently have solar panels installed, generating zero carbon electricity for consumption on site, with more planned for new developments

Where PV is installed, we regularly have 0 consumption during the daytime



FUNDING: PSDS and Adur & Worthing Councils

CARBON SAVING: approximately 30 tonnes/year (AWC controlled sites only)

Additional opportunities for the deployment of further Solar PV are likely, subject to financial viability for the following sites:

- Community Centres
- Commercial Property Portfolio
- Leisure Sites
- Car Parks (as solar carports)

RECOMMENDATION: Explore further opportunities for rooftop and carport solar PV opportunities with partner organisations

Important though they are, the above demand reduction, microgeneration and grid decarbonisation factors are only likely to have a small impact on the councils' scope 2 emissions. In particular, the fact that electricity from the national grid will not be zero carbon by the time of the councils' 2030 target date, some residual scope 2 emissions are inevitable if grid electricity is continued to be purchased.

[2] It should be noted that using battery storage to reduce imported electricity from the grid would also reduce the councils' reported carbon emissions, it does not reduce the overall emissions from the UK as a whole

RENEWABLE ELECTRICITY PRINCIPLES

The council has historically purchased its electricity via a renewable electricity tariff These tariffs ring-fence existing renewables capacity for the council, but do *not* contribute to the lowering of UK-wide carbon emissions. In other words, they just make everyone else's electricity less renewable.

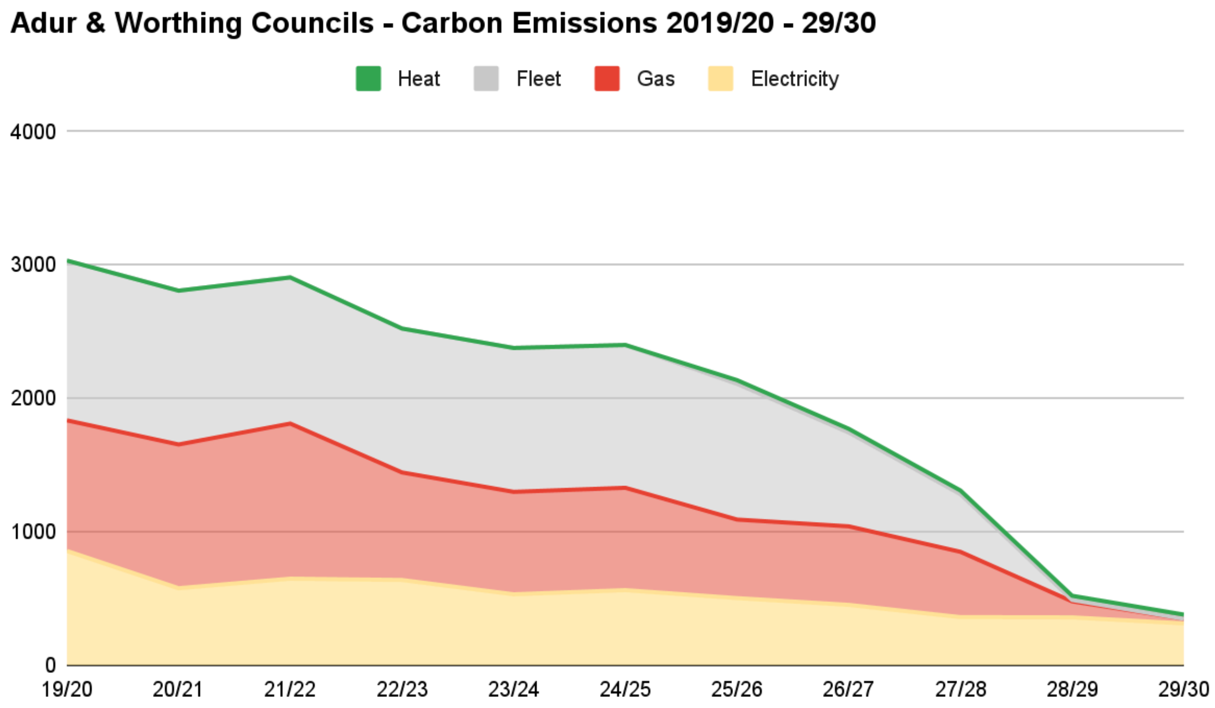
As such, the councils' approach when using renewable electricity to meet its future demands must meet the following tests for it to be legitimately 'offsetting' its scope 2 emissions:

- Renewable – in other words, solar, wind etc
- New – it must not already be contributing to the UK's zero carbon supply
- Additional – by becoming involved in the project, the council is unlocking its development

Trajectory to carbon neutral

The recommendations and interventions identified above will continue the councils' progress towards meeting its net zero 2030 target. Further to the gas information presented in Section above, the *total* emissions for the councils have been modelled in an effort to map a trajectory for the councils' emissions to net zero by 2030. This assumes that projects will prove financially viable and has only been possible to the extent that data has been available, so assumptions have necessarily been made around financial viability, technical deliverability and likely timeframes.

The indicative trajectory is presented at Figure 3.



Adur & Worthing Councils - Carbon Emissions 2019/20 - 29/30
Heat
Fleet
Gas
Electricity
4000
3000
2000
1000
0
19/20
20/21
21/22
22/23
23/24
24/25
25/26
26/27
27/28
28/29
29/30

Figure 3

As this graph shows, emissions reductions are not due to be linear. Indeed annual increases are possible where the council increases its operational responsibility (e.g. food waste collections, new communal heating systems) or where external factors (crematorium use, increase in grid carbon intensity) play a part.

The biggest reductions come in the form of:
- The replacement of the refuse fleet with low carbon alternatives[3] (500 tonnes)
- Connection to the Worthing Heat Network (200 tonnes)
- Decommissioning of sheltered housing gas boilers (190 tonnes)
- The gradual decarbonisation of the grid (190 tonnes)

It is important that these projects are prioritised in order for the largest emission reductions to be realised in order to minimise the cumulative impact of the councils' emissions.

RECOMMENDATION: Prioritise actions which make the largest carbon emissions reductions

Figure 3 shows that even with all of the interventions identified above, the council will still emit 380 tonnes of carbon annually, mostly through electricity consumption. This total must be offset for the councils to achieve carbon neutrality.

Offsetting: Renewable Generation

As per the *Carbon Neutral Plan,* the need to deliver and benefit from large renewables assets (or woodland[4]) must be met in order to be legitimately net zero carbon by 2030. Since the publication of the *Plan*, the UK market and legislation has developed considerably and there are now multiple routes to achieving a net zero electricity supply.

In order to meet the councils' residual electricity demand, it is likely the council will need in excess of 6MWp[5] of solar capacity, or a smaller amount of wind capacity. Although Planning restrictions have eased slightly on the development of onshore wind in England, solar PV remains the more common and deliverable technology at this scale.

[3] The graph assumes that battery electric vehicles are used but this is subject to confirmation in summer 2024. Alternative technologies are available and would result in a slightly different trajectory and residual emissions profile.
[4] Or an alternative bio-sequestration method
[5] MegaWatt peak – a measure of the maximum output of energy installations.

WHAT WE'VE DONE: LARGE SCALE SOLAR OPPORTUNITIES

The council has commissioned a study to explore the suitability of all of its assets for large-scale solar PV deployment. The potential for a modest solar farm has been identified and the council is actively seeking to progress its development, subject to financial viability

FUNDING: Adur & Worthing Councils

CARBON SAVING: up to 600 tonnes, depending on scale and grid carbon intensity

RECOMMENDATION: Seek to develop modest (3MW) solar farm on council-owned land

Due to the geographic constraints within Adur & Worthing (notably the sea, population centres and protected green spaces such as parks and the South Downs National Park), the council will not be able to deliver the required amount of renewable generation capacity within its boundaries. Opportunities outside Adur & Worthing will therefore need to be sought.

RECOMMENDATION: Seek to partner with Community, Public or Private sector partners to develop out-of-area renewable generation assets to provide electricity to council buildings

Offsetting: Sequestration

As mentioned above, carbon sequestration is an alternative to the deployment of large scale renewables assets in order to ensure genuine net zero emissions. The *Carbon Neutral Plan* suggested up to 575 hectares (5.75km²) would be required to offset residual emissions, however the carbon saving figure per hectare (3.56 tonnes) is at *maturity* of the woodland. Given the long timeframes in planting and growing woodland, tree planting will have a negligible impact on the councils' 2030 target.

Sequestration through alternative, more rapidly growing biomasses is also possible, although again it is felt that this will be difficult to make a meaningful contribution by 2030.

WHAT WE'RE DOING: OFFSETTING RESEARCH

As part of the Sussex Bay project (hosted by the councils), we are actively seeking research partners to assist in developing metrics and projects models to deliver 'blue offsetting', for example through the restoration of kelp forests.

FUNDING: Esmee Fairburn Foundation and others

CARBON SAVING: to be confirmed

Summary and Next Steps

Since the adoption of the *Carbon Neutral Plan* in 2019, Adur & Worthing Councils have made significant progress in reducing carbon reduction measures by over 16% and strengthening the identification of projects required for the councils to deliver on the commitment to be carbon neutral by 2030.

This revised *Carbon Management Plan* has demonstrated that significant progress can be made in reducing the councils' emissions from its day to day operations and that efforts to sustain progress already made around the decommissioning of gas boilers, decarbonisation of fleet vehicles and deployment of solar PV should be prioritised, particularly where external funding is available. Furthermore, projects that deliver greater savings should be prioritised for delivery in advance of those achieving more modest savings.

It also reinforces the point made in the *Carbon Neutral Plan*, that due to emissions taken to produce electricity, the council will continue to emit significant emissions even after all of these measures are completed. As such, offsetting measures - principally through the production of additional renewable electricity generation - should be developed at pace, in order to ensure the councils are able to meet their Carbon Neutral 2030 target.

Joint Strategic Committee
8 February 2024

Key Decision [Yes/No]

Ward(s) Affected:

ADUR & WORTHING
COUNCILS

Title Simpler Recycling and Food Waste Collection

Report by the Director of Resources & Sustainability

Officer Contact Details
Jan Jonker
Assistant Director Operations & Sustainability

Executive Summary
The Government published its Resource and Waste Strategy in 2018. Subsequently, the Environment Bill was published and following consultation resulted in the Environment Act being enshrined in law in 2021. The Act is a vehicle for the implementation of key policies set out in the strategy as well as the legal framework for significant reforms to local authority waste and recycling services. It also creates new statutory duties for local authorities on nature recovery.

As part of the strategy the government outlined plans to implement:

- Consistent recycling for households and businesses, with the intention of boosting recycling rates
- A Deposit Return Scheme (DRS) for plastic and metal drinks containers to drive high recycling rates, to incentivise citizens to recycle and to bring positive behaviours into public consciousness.
- Packaging Extended Producer Responsibility (EPR) to move the cost of dealing with household packaging waste from taxpayers and councils to the packaging producers.

In part due to the covid pandemic and its impact on businesses and waste, the adoption of the Environment Act was delayed, as was the roll out of consistency in recycling, DRS and EPR. All three initiatives were subject to further consultations in 2022 and 2023, with the latest proposals announced in the autumn of 2023. The latest position in terms of EPR and DRS are summarised in the table below.

The remainder of this report focuses on the government's *simpler recycling scheme*, which is an evolution of *consistency in collections*. The scheme will have significant implications for our residential and commercial waste and recycling services.

Table 1 - Summary of Extended Producer Responsibility and Deposit Return SCheme

Scheme	Summary implications	Time-scale
Extended Producer Responsibility	Full details of the scheme are yet to be confirmed but local authorities will receive payments based on the 'efficient' and 'effective' collection of packaging from households, litter bins and on-street recycling bins. The scheme does not apply to packaging that has been littered. Local Authorities will be required to provide data so that the efficiency and effectiveness of their services can be assessed and payments made. Payments will be made according to performance. If Local Authorities are underperforming they will be placed on an improvement plan but it is unlikely that any deductions will be made initially. The scale of payments is unknown and will need to be off-set against any cost increases associated with the requirements associated with Simpler Recycling.	Phased introduction in 2024, with first payments made in 2025.
Deposit Return Scheme	In scope containers for England have been confirmed as Polyethylene terephthalate (PET) drinks bottles from 50 ml to 3 litre containers, steel cans and aluminium cans. Consumers will pay a deposit on every in scope container purchased. Retailers selling in scope containers in store will be required to host a return point, where consumers can return the empty container and receive their deposit refund.	Commencement date of 1st October 2025.

	The collection targets will be introduced in a phased manner. In year one, at least 70% of in-scope containers that producers place on the market must be collected. In year two, this will increase to 80%, and then 90% from year three onwards. It is likely that the DRS scheme will have a significant impact on the material collected from households in Adur and Worthing through the current household collection service. If it is highly effective we will collect a much smaller volume of plastic bottles and drinks cans.	

1. Purpose

1.1. The National Waste Strategy adopted in 2018 set ambitious targets for recycling and waste minimisation. The Environment Act forms one of the vehicles for the delivery of the strategy, and after numerous consultations and delays, the Government published it's proposals in relation to 'simpler recycling' in October 2023.

1.2. The simpler recycling scheme has significant operational and financial implications for our residential waste and recycling services as well as for commercial services. These are set out in the report.

1.3. The report highlights key risks including:

1.3.1. Simpler recycling places additional burdens on the Councils, the most significant one being the requirement to provide food waste collections from all residential properties by 1 March 2026. The Government has made a commitment to new burdens funding, and ongoing funding through extended producer responsibility (a levy raised on the manufacturing industry). On 9 January the Government announced the capital funding awarded to councils and we are awaiting information on revenue funding. Given the financial position of the Councils, we will only be able to introduce the new services, and comply with the new statutory requirements, if they are fully funded in terms of both revenue and capital.

1.3.2. The time-lines for the implementation of the changes (1 March 2025 for commercial services and 1 March 2026 for residential services) are extremely tight, taking into account the remaining uncertainty around funding and procurement timelines, particularly for new vehicles.

1.4. The purpose of the report is to make members aware of the requirements of the simpler recycling scheme and the remaining uncertainties, implications and risks associated with meeting these requirements.

2. Recommendations

2.1. That the Committee note the requirements set out under the simpler recycling scheme

2.2. That the Committee notes the significant additional obligations both financially and operationally and the risks to the Councils associated with non-compliance.

2.3. That, informed by the new statutory requirements and the aspirations set out in Our Plan and the priorities of the individual Councils, the Committee approves the development of a Waste and Resources strategy for Adur and Worthing.

3. Simpler Recycling

3.1 DEFRA state that the aim of simpler recycling is to make recycling easier, creating consistency in the materials that are collected across the country. These materials are paper and card, plastic, glass, metal, food waste and garden waste. Non household premises (eg schools, hospitals and most businesses) must make arrangements to have the same recyclable waste streams (with the exception of garden waste) collected for recycling or composting.

3.2 Following consultation two significant changes to the original proposals include:

3.2.1 The requirement for local authorities to collect recyclable materials in separate containers has been dropped. The proposal was seen as a backward step by many councils, requiring households to have more containers than absolutely necessary, making it more complicated and less efficient with only a marginal impact on recycling quality;

3.2.2 The requirement to provide free garden waste collections has been dropped. The concern from many councils regarding this proposal was that it would provide an additional free service to those properties with gardens, which would effectively be subsidised by all households, including those with no garden. It would also discourage home composting. Under simpler recycling garden waste does have to be collected but a charge can be made for the service, which we already do.

3.3 The main implications of simpler recycling are set out below.

3.4 Collections of dry recyclable materials (except plastic film)

3.5 The requirement to collect paper, card, cans, glass, and plastic containers comes into force for:

3.5.1 Households by the 31 March 2026, which is the end of the financial year in which EPR for packaging commences

3.5.2 Businesses and relevant non-domestic premises: by 31 March 2025

3.5.3 Micro-firms: by 31 March 2027

3.6 We already provide a comprehensive recycling service for these materials from households so there are no financial or operational implications regarding this and as there is no change. It will not affect our recycling rate.

3.7 We offer a recycling service which mirrors our domestic recycling service to our commercial waste customers. Currently we have 1,821 active commercial customers ranging from micro businesses, to SMEs to large organisations including schools and the hospital. To date 473 businesses have taken up recycling services (26% of our customers) and we have 44 food waste customers. We are actively encouraging customers to take up recycling services, to reduce their environmental impact and their disposal costs, and the statutory requirement will be an additional driver.

3.8 In order to ensure that all our existing and future customers are compliant we will need further investment in our collections, in terms of revenue and capital costs (vehicles and containers). Any additional costs will need to be recovered through reduced disposal costs and income generation.

3.9 Operational implications for businesses include having the space for multiple containers (particularly challenging for some businesses in our town centres) as well as engaging and training staff.

3.10 Collections of plastic film

3.11 Households, businesses, non-domestic premises and micro-firms will need to recycle plastic film by 31 March 2027. Plastic film is not widely collected by local authorities at present (and not collected at all in West Sussex) as markets for this material are less well established, and the County Council, as the Waste Disposal Authority, does not provide a route for it to be separated and recycled.

3.12 The Councils will work with WSCC on a route to implement the collection of this new material. Plastic film can be bulky, but weighs very little, so it will not have a significant impact on our recycling rate.

3.13 Collections of garden waste

3.14 Under simpler recycling councils have to provide residents the option of a garden waste collection service, for which they can make a charge. The service has to be in place by 31 March 2026.

3.15 Adur and Worthing Councils already provide a weekly, subscription, garden waste service which is very popular with residents. Currently 19,889 active subscribers are signed up across Adur and Worthing, an increase of 3.55% based on the same period last year. We also provide a service where residents can purchase garden waste sacks if they are less frequent producers of garden waste. From April 2023 to date we have sold 115,800 sacks to retailers. From April 2022 to March 2023 we sold 159,050.

3.16 Garden waste arisings vary significantly year on year, depending on the growing season. In recent years warm wet weather has extended the growing season, while very dry summers significantly reduce the amount of garden waste generated. The requirement under simpler recycling will not have any implications on our operating model or recycling rate as we are already compliant.

3.17 Collections of food waste and implications for residual waste collections

3.18 Collection of food waste is the most significant change under the simpler recycling scheme. It requires a kerbside food waste collection from all households by 31 March 2026. The requirement applies to businesses and other non domestic premises from 31 March 2025 and micro businesses by 31 March 2027.

3.19 In anticipation of the requirements, the Councils commissioned a WRAP funded study into options for food waste collection. This work was carried out by Eunomia Consulting and completed in October 2022. At this point, there was still a potential requirement to collect recycling materials separately (rather than in one co-mingled bin as we currently do) and provide a free garden waste collection and six different collection options were modelled. The option of moving to a fortnightly garden waste collection was included in the six options, but this did not show any significant benefit in terms of recycling rate or efficiency, so this was not pursued further.

3.20 Appendix 1 shows a summary of the six options modelled.

3.21 The removal of the requirement to separate dry recycling and provide a free garden waste collection reduces the number of options to be considered down to two which are summarised in the table below.

3.22 Both Option 1 and Option 2 show the continued fortnightly co-mingled recycling collection and weekly, optional, garden waste collection. In both options, food waste is collected weekly with a kitchen caddy and an external food waste bin.

Material	**Baseline**	**Option 1**	**Option 2**
Dry Recycling	Fortnightly Co-mingled/ Standard RCV		
Food	None	Weekly Dedicated 7t vehicle	
Garden Waste	Weekly, charged, 240l bin Standard RCV		
Residual Waste	Fortnightly, 140l bin Standard RCV		Three weekly, 180l bin Standard RCV
Projected Recycling Rate*	43%	52%	54%
Cost**		£1.38 million	£1.11 million

*Note:

**The Projected recycling rate and costs are those projected by Eunomia at the time. These figures are indicative, based on Eunomia's database of performance of schemes elsewhere in the country.*

***The costs are based on Eunomia's modelling. Actual costs will be significantly higher as costs have increased since the report was commissioned, and officers will carry out more detailed financial modelling.*

3.23 The difference between Options 1 and 2 is the frequency of residual waste collection. Option 1 assumes continued fortnightly residual waste collection, while Option 2 adopts the 1,2,3 Model with food waste collected weekly, recycling fortnightly and residual waste every three weeks. The rationale for a three weekly residual waste collection is that with a comprehensive recycling service and a weekly food waste service, residual waste, including organic waste, will be minimised. The model would encourage households to participate fully in the recycling and food waste service, and would result in the highest recycling rate and subsequently lower residual waste rates.

3.24 The 1,2,3 Model has been rolled out successfully across many councils including Stratford-on-Avon, Mid Devon, East Devon, Somerset, Warwick District Council to name a few. It has also been trialled by Mid-Sussex and Arun District Councils, with both councils reporting positive results.

3.25 The current details of simpler recycling rule out the 1,2,3 model, with DEFRA stating:

Furthermore, the government is committed to delivering comprehensive, frequent rubbish and recycling collections. Through statutory guidance, we propose requiring local authorities to collect residual (non-recyclable) waste at least fortnightly, if not more frequently, to protect local amenity and prevent unintended consequences of cutting residual waste collection frequency. The government actively encourages councils to collect residual waste more frequently than fortnightly – this minimum standard provides a backstop, not a recommendation. The combination of the backstop on residual collections, alongside the new weekly food waste collections, will ensure frequent collections of malodorous waste, and will stop the trend towards 3 or 4 weekly bin collections.

3.26 This proposal has been subject to further consultation (in the autumn of 2023) with further details expected to be published soon, to include statutory guidance. In line with many councils Adur District Council and Worthing Borough Councils have responded to this point in the consultation, expressing the view that local authorities are best placed to assess what model of service delivery best meets the requirements for their communities, rather than this being determined nationally.

3.27 While the Government position on the frequency of residual collections is being clarified officers are carrying out detailed modelling of both options, in terms of cost and performance. In the event that the Government allows councils to make their own decisions regarding the frequency of residual waste collection a report will be brought back to Committee to enable it to make an informed decision about any future service based on this data. In the absence of a change in the Government position, any food waste service will be introduced alongside the current residual waste and recycling collection regime. The indicative resource and funding requirements set out in this report assume food waste being added to the current alternate weekly collection service, rather than moving to a 1,2,3 model. The cost associated with the 1,2,3 model will be lower than those for alternate weekly collection of refuse and recycling with weekly food waste.

4. Resourcing Implications

4.1 We are now awaiting statutory guidance on the duties arising from the Environment Act 2021 which will inform what councils will be required to do to comply with the law. There is no clear time-scale for the publication of this guidance, the Government stating it will be published 'in due course'.

4.2 In its response to the consultation, the government confirmed its commitment to funding the reasonable net additional costs arising from the new statutory duties. Furthermore, the Government has stated that the new duties will be funded through

4.2.1 reasonable new burdens funding to local authorities to provide weekly food waste collection from households. Funding will include capital costs (such as vehicles and containers), as well as resource costs (such as vehicle re-routing, communications and project management) and ongoing service costs (such as collection and disposal costs).

4.2.2 EPR for packaging payments will be provided to local authorities, with packaging producers responsible for the costs of collecting and managing packaging waste through efficient and effective services. This includes the collection of additional packaging materials for recycling, such as plastic films and flexibles. Initial estimates are that local authorities in England will collectively receive payments in the region of £900 million per annum for managing household packaging *waste. Payments modelling is currently under way to refine this estimate in readiness for the implementation of EPR for packaging.*

4.2.3 *It remains the case that under section 45(3) of the Environmental Protection Act 1990, and the Controlled Waste (England and Wales) Regulations 2012, waste collection authorities may, as they can now, recover a reasonable charge for the collection of garden waste.*

4.3 It clarifies that funding will be based on modelled estimates of costs and savings and includes capital costs which will fund new vehicles and containers as well as additional transitional costs. It goes on to say that there should be no expectation that the government will meet all additional expenditure by local authorities regardless of value for money.

4.4 On 9 January 2024 the councils received a letter from DEFRA confirming the capital funding to be made available for food waste collections. The allocations for the two councils are as follows:

Council	**Kitchen caddies**	**Kerbside caddies**	**Vehicles**
Adur District Council	£60,900	£140,070	£306,900
Worthing Borough Council	£110,397	£253,913	£511,500
Total	£171,297	£393,983	£818,400
Grand total capital	£1,383,680		

4.5 Early analysis of the figures indicates that the capital funding falls significantly short to cover the full costs of the kitchen and kerbside caddies or of new vehicles. We anticipate the shortfall to be between £736,000 and £896,000. We have written to DEFRA advising them of the anticipated shortfall and stated that we can not see a way of implementing the new requirements without our costs being covered. Details of revenue funding were not available at the time of writing.

4.6 The current information available leaves significant uncertainty regarding how much of the revenue and capital costs associated with compliance with the simpler recycling scheme will be met by additional funding. The capital funding for new vehicles will not include the higher costs associated with electric vehicles compared to diesel vehicles, or any costs associated with changes to depot requirements to accommodate a larger fleet. These, and other risks are summarised in the section below.

5 Project Implementation Risks & Mitigations

5.1 The requirements under simpler recycling are low risk, in terms of the technology, systems and processes. Food waste collections are not new, and the feasibility study that we commissioned draws on the experience of other councils who already provide this service (approximately half of the councils in the UK).

5.2 As detailed in this report, there are significant risks linked to the cost of providing new services, the investment required in vehicles and infrastructure and the time-scales for implementation. The risks are summarised in the table below. The work and associated risks are being reviewed and managed through:

- 5.2.1 The establishment of a project team working closely with colleagues in finance, sustainability and legal
- 5.2.2 Working with neighbouring authorities and WSCC
- 5.2.3 Networking with organisations including LARAC and WRAP

5.3 A further report will be brought to this committee in the next few months setting out a potential implementation plan having due regard for the resourcing requirements.

Risk	Impact	RAG	Mitigation
Capital and revenue funding - new sources of funding do not cover the full capital and revenue cost to the councils	The councils are not able to deliver new additional services without the full cost being covered. Risk of enforcement action by the Office of Environmental Protection as a result of failing to comply with environmental law.	H	Decisions on implementation and commencing procurement processes are on hold until there is certainty regarding the financial sustainability of new services.
Availability of suitable EV vehicles for food waste collections.	We may need to use diesel vehicle for the service which will result in us not meeting our 2030	H	Research being carried out into options. Will be considered as part of Fleet Strategy which will be brought to committee later in the year.
Procurement time-scales for collection vehicles - currently time scales for procuring new fleet are 9-12 months. With many councils seeking to purchase new	Delay to the launch of new services	H	Reviewing procurement options, including joint procurement with neighbouring authorities.

specialist food waste vehicles at the same time, lead times are likely to be even longer and demand may drive up costs.			
Failure to meet 2030 net zero target if diesel food waste vehicles are purchased (which will depend on cost and availability of alternative vehicles)	Failure of the councils to meet their 2030 net zero targets (the fleet is responsible for xx% of scope 1 carbon emissions)	H	Research being carried out into options. Will be considered as part of Fleet Strategy which will be brought to committee later in the year.
Failure to implement food waste collection services/ failure to implement food waste collection by the March 2026 deadline.	Reputational impact - councils not delivering statutory service. Failure to meet statutory requirements	H	Planning for service implementation underway whilst resource situation is explored.
WSCC waste transfer infrastructure - the county council need to provide a facility where the councils tip food waste collected. The current waste transfer facility on the Lancing business Park (where residual waste and recycling is tipped) is at capacity and would probably not be able to accommodate this additional waste stream	If a local tipping facility is not provided our crews have to travel further, reducing the amount of time they are collecting waste, and if using EVs, reducing the range available for collection work. This will have both operational and financial impacts for the council.	M	On-going engagement with WSCC as the waste disposal authority to identify a suitable solution.
Commerce Way/ Meadow Road depots unable to accommodate requirements associated with new service in the absence of investment. Commerce Way depot is an ageing site and is close to capacity in terms of space. Meadow Road Depot is also limited on space and infrastructure.	Unable to operate new service effectively.	M	The operational requirements of the service are being assessed and considered in relation to depot requirements.
Unable to offer all commercial customers recycling and food waste collections by March 2026 resulting in them not complying with their legal requirements and seeking alternative contractors.	Loss of commercial income	M	Existing customers being offered recycling and food waste collection services, with a business case for further investment being drawn up.
Delays in obtaining caddies	Implementation delayed	M	Start the procurement process as early as possible once the new burdens funding has been announced. Look into opportunities for joint procurement with other West Sussex authorities.

6. Development of a Waste Management Strategy for Adur and Worthing

6.1 The councils have been awaiting clarity regarding the implementation of the National Resources and Waste Strategy since it was published in 2018. In the intervening period the councils have responded to numerous consultations on specific elements of the strategy including extended producer responsibility, the deposit return scheme and consistency in recycling (now simpler recycling).

6.2 Statutory (and any non-statutory) guidance to implement the requirements of the Environment Act, as well as the detail around simpler recycling, are expected in the next few months, the Councils can develop their own Waste Strategy.

6.3 This report seeks committee approval to develop a strategy that sets out a road map for our own waste, recycling and cleansing service, as well as our work with partners and stakeholders in relation to the circular economy. The strategy will be informed by the new statutory requirements, our environment missions set out in Our Plan and the priorities for the individual councils. The strategy will be subject to meaningful consultation and engagement with communities and stakeholders and will support the delivery of the neighbourhood model.

3. Financial Implications

3.1 There are no financial implications for members to consider at this stage. Financial data will be provided in a future report once the revenue funding allocations have been announced and any response from DEFRA is received regarding the shortfall in capital allocations.

Finance Officer: Marie Maskell Date: 30th January 2024.

4. Legal Implications

4.1 The Environment Act 2021 has far reaching implications to the ways in which waste is dealt with as set out in this report. It introduces new powers and amends existing legislation including the Environment Act 1995 and the Environmental Protection Act 1990 to ensure that the new commitments in the Resources and Waste Strategy are delivered.

4.2 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.

4.3 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.

4.4 Section 1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of the function by the local authority

Legal Officer: Andrew Mathias…….
Date: …18 January 2024…..

Appendix 1: Diagram showing the collection options considered in the feasibility study completed by Eunomia Consulting in October 2022

	Baseline	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Dry Recycling	Fortnightly Comingled, 240L Bin Standard RCV			Fortnightly, Two Stream, 240L bin and box Split Body RCV	Fortnightly, Two Stream, 240L bin and 140L bin (fibres) 140l Split Body RCV	Weekly, Multi Stream, Boxes RRV	Fortnightly Comingled, 240L Bin Standard RCV
Food Waste	None	Weekly, Kitchen and External Caddy + Liners Separate Pass on 7T Vehicle				Weekly, Kitchen and External Caddy + Liners Co-Collected on RRV	Weekly, Kitchen and External Caddy + Liners Separate Pass on 7T Vehicle
Garden Waste	Weekly, Charged 240L Bin Standard RCV						Fortnightly, Charged 240L Bin Standard RCV
Residual Waste	Fortnightly 140L Bin 140l Standard RCV		Three weekly 180L Bin 180l Standard RCV	Fortnightly 140L Bin 140l Standard RCV	Three weekly 180L Bin 180l Standard RCV	Fortnightly 140L Bin 140l Standard RCV	

Baseline | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Option 6

Sustainability & Risk Assessment

- The risks associated with this report are set out in section 5.3 of this report.

1. Economic

- The requirement for businesses to enhance their recycling services can help them reduce their costs and improve their reputation. For some businesses it may present some practical challenges, eg in relation to the number of bins they require and storage space.

2. Social

2.1 Social Value

- These specific proposals have a limited impact on social value. The proposed Waste Strategy will have a focus on social value and partnership working to deliver our ambitions in relation to sustainable waste management.

2.2 Equality Issues

- New services will be subject to an Equalities Impact Assessment. Our waste collection services need to be accessible to all residents which will be a key consideration in the EIA. Assisted collections will apply to food waste collections, in the same way that they already apply to refuse and recycling collections.

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

- The requirements of simpler recycling are designed to increase recycling rates. Placing additional vehicles on the road for food waste collections will have a carbon impact, the scale of which will depend on whether diesel or EV vehicles are used. This will be considered as part of the implementation. The councils will continue to promote waste reduction as the most sustainable option at the top of the waste hierarchy.

4. Governance

- Increasing recycling rates through the proposals in simpler recycling aligns to our corporate priorities set out in Our Plan, and to the political priorities of Adur District Council and Worthing Borough Council. As part of the implementation we will need to continue to focus on the waste hierarchy prioritising waste minimisation and reuse over recycling.

- As detailed in the body of the report there are risks relating to time-scales for implementation and resourcing which are being managed prior to any final decisions being made.

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Joint Strategic Committee
8 February 2023

Key Decision [No]

Ward(s) Affected: N/A

Summary of Risks & Opportunities

Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

1.1 This report provides the updates on the management of the Councils' Corporate Risks and Opportunities.

2. Recommendations

2.1 That the progress in managing the Corporate Risks and Opportunities be noted;

2.2 That the Committee consider if it would like any further information on any of the Corporate Risks and Opportunities; and

2.3 That the Committee agree to receive a further annual progress report in Autumn/Winter 2024/25.

3. Context

3.1 The Councils recognise that there are risks and opportunities involved in everything that they do and they have a duty to manage the risks and opportunities in a balanced, structured and cost-effective way. In line with the Councils' Risk and Opportunities Management Strategy, the latest summary of the Corporate Risks and Opportunities is attached to this report to assist the Councils in the monitoring and management of the Corporate Risks and Opportunities and this is also good practice in effective Risk and Opportunity management.

4. Issues for consideration

4.1 Corporate Risks and Opportunities are reported and updated to the Council Leadership Team (CLT) and in consultation with Heads of Service and relevant Officers. General information on Risks and Opportunities is also provided to the Joint Audit and Governance Committee on a regular basis in order that it can monitor the effective development and operation of Risk and Opportunity management in the Councils.

4.2 The Corporate Risks and Opportunities are key issues which have been identified by the Leadership Team as having the potential to impact on the operations and delivery of the Strategic objectives and priorities of both Councils and affect the direction contained in the Corporate Plan, 'Our Plan' covering the three years 2023-2025 which sets out for the Councils to be resilient, adaptable and participative and address the big ambitions and complex issues contained in Missions - 'Thriving People - Thriving Places, Thriving environment and Thriving economy'.

4.3 The inclusion of these issues on the Risks and Opportunities register does not mean that they will occur but ensures that effective risk and opportunity management arrangements are in place as an integral component of strategic decision making, service planning and delivery which will help increase the likelihood of the Councils achieving the Corporate aims and Objectives and move in the direction prescribed in the Corporate Plan.

4.4 The Leadership Team have recently undertaken a review of the Corporate Risks and Opportunities to ensure that the key issues impacting the Councils are included and that the risks and opportunities align with the priorities of the Councils. There are currently 19 Risks and 3 Opportunities and of the Risks, 11 are High and 8 are Medium. The review undertaken has led to 5 new Risks and 1 new Opportunity being added. The role of the Committee is to review and monitor the management of these risks and opportunities.

4.5 Local Government is currently operating within an environment of substantial budget cuts and major policy changes with potential significant impact/risk on service delivery and organisational structures. The pace and scale of change requires the Councils to constantly assess the risk and opportunity profile and implement suitable controls to manage those risks and opportunities. There are many different sources of high level risks and opportunities which could impact on the priorities of the Councils and these are included in the risks and opportunities register but at the moment there are four key strands of risk and opportunity areas set out below which need to be highlighted as seriously impacting on the delivery of services and priorities for the Councils:-

- Councils finances
- Housing demand, supply and management
- Major Projects development; and
- The organisational design of the Councils

4.6 Council Finances

4.6.1 Council finances continue to be under severe pressure, an issue widely experienced across local government, which is a severe risk for both Councils in maintaining service levels. In order to address in-year budget pressures, the Councils have implemented a range of spend controls, including vacancy, purchasing and project spend controls to bring the forecast overspend down to addressable levels. Worthing Councils reserves position is expected to reach a critical state as a result of pressures in 23/24, with the 24/25 budget designed to gradually replenish reserves over the next few years. The Local government settlement was announced in December 2023 with very little additional funding than previously assumed in the Medium Term Financial Strategy. The latest budget position for 2024/25 is that both Adur and Worthing are balanced with an assumed 2.99% increase in council tax proposed.

4.6.2 Looking ahead to 2025/26 and beyond, the continuing financial pressure for the two Councils is not likely to ease especially if the funding review is as significant as expected, however a proposed strategy will contribute significantly to meeting this challenge easing the burden on individual services and so work has been developed to create an ongoing pipeline of projects which will continue beyond the 2024/25 period. The potential financial challenge remains significant although much depends on the timing of the funding review, the final extent of the impact and whether the new funding levels are phased in. That said, the Councils have a programme of strategic initiatives which include organisational redesign, digital transformation, development of commercial income and review of contracts to deliver savings to help meet the shortfall. However, depending on the financial situation this may impact on the delivery of the issues and objectives contained in the Missions set out in 'Our Plan'.

4.7 Housing demand, supply and management

4.7.1 There has been a rapid growth in housing needs in both Council areas. In Adur the demand for Temporary Accommodation has risen here by 98% over a three year period. By March 2025 it is projected for a further rise of 42 %. Nightly average cost of accommodation is £42 per night (September 23). In Worthing, demand for Temporary Accommodation is even greater and has risen more rapidly, with the numbers of households in TA having risen by 157% over a three year period. By March 2025 we project a further rise of 38%. Nightly average cost of accommodation is £49 per night (Sept 23). In Adur the shortfall between Local Housing Allowance (LHA) - rate we can claim - and market rents for a 2 bed property = £321.00 and in Worthing the shortfall between Local Housing Allowance (LHA) - rate we can claim - and market rents for a 2 bed property = £578.00

4.7.2 There is also a growth in the funding gap with respect to supported accommodation. In Adur there are some pressures around Housing Budget overspend, which are not as significant, which also includes the Housing Revenue Account but in Worthing there are significant pressures due to overspend in the Housing Benefit budget due to levels of subsidy that cannot be claimed for some types of supported accommodation in the private sector.

4.7.3 To help mitigate this risk, preliminary work is underway by the Councils for a new Housing Strategy. This will look at the priorities for the local authorities around homelessness, housing allocations, housing delivery and keeping people safe and secure in their homes. It is anticipated that a new Housing Strategy will be adopted following local elections in 2024 with an extension to the current strategy approved by councillors in the interim period.

4.7.4 Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams. The housing supply situation will impact on the 'Thriving People' mission and the objective to ensure that everyone has a safe, secure and affordable home.

4.8 Adur Homes

4.8.1 Members will be well aware of the factors leading to the self referral of Adur Homes to the Regulator of Social Housing and that finance is critically important to enable the delivery of the agreed Improvement Plan. Importantly, this plan forms part of the first fundamental steps to reforming the service and getting it onto a more stable footing by addressing the issues raised to the Regulator (providing decent homes standards and improving health, safety and compliance) and the delivery of a wider set of actions that address almost every element of the service (tenant / leaseholder management and involvement, improving systems, performance and data, good governance, etc.)

4.8.2 Alongside this, new revised housing standards (part of the new Social Housing Regulator Act 2023) requires councils to meet new and important requirements by strengthening tenants' rights and ensuring better quality and safer homes for residents.

4.8.3 Longer term planning is required in order to build an effective plan to invest in our stock. Being a small stock holding authority, this is particularly challenging.

4.9 Major Projects development

4.9.1 There is a risk also that major Projects are not delivered or place a significant burden on the councils' finances. Inflationary pressures in the construction sector and wider economic uncertainty have had a significant impact on the development sector and have made the viability of some projects more challenging. Up until recently, interest rates have also been increasing which has undermined the viability of the invest to save proposals. Some major projects are being delayed across Adur and Worthing which will impact on the Councils desire to achieve a varied and resilient thriving economy.

4.9.2 These factors, combined with a lack of certainty over the availability of public funding for regeneration and the added financial pressures Worthing faces, have informed a review of the approach to delivering our strategic objectives and unlocking major development opportunities. The review has focussed on a number of major, complex projects at various stages of delivery and has focussed on being sure of the approach to each project, testing the original assumptions and that success measures are still valid and reviewing each project through the lens of a successful exit strategy.

4.9.3 This approach will enable the councils to take a proportional, and risk appropriate approach to each project and to best manage and realise assets. For Worthing, this will mean more often seeking a development partner (Union Place) or pursuing a responsible approach to disposing of land interests (Teville Gate) whilst ensuring that there is a clear focus on ensuring that strategic objectives will still be delivered.

4.9.4 For Adur, the focus will be very much about working with development partners and the statutory agencies to capture the development premium and ensure that this it is invested responsibly in the infrastructure needed to support development. This is exemplified by the complex challenges presented by the development of the Western Harbour Arm at Shoreham Harbour.

4.10 The organisational design of the Councils

4.10.1 'Our Plan' has identified 5 areas where significant service design can move the organisation faster towards a new operating model with an emphasis on creating greater resources and financial resilience. There are projected savings associated with these redesign proposals which will help achieve a better budget position for the Councils and more detailed proposals on the redesign and costs will be reported to Members shortly. The organisational design work has a target of a combined £2.226m saving for 2024/25 across the delivery model in the areas identified, looking at staffing (both establishment and external spend) but also at changes to delivery models that can drive out additional cost savings such as print cost savings supported by a move to digital first delivery.

4.10.2 These organisational redesign works do not come without risk and a series of risks have been identified which the Councils will need to manage in order to achieve the objectives of this work. As part of the organisational design a People & Change team was established under the Chief Executive and Assistant Director, People & Change. This team is now leading the development of a workforce strategy that will seek to address key strategic issues around recruitment and retention, particularly in key areas of skill shortage, addressing succession planning, remuneration and talent retention. Local government in general is suffering recruitment issues in a number of key areas, and work to develop solutions in partnership with neighbouring authorities will be explored. This work will also need to manage the pace of the organisation redesign work and pace of change generally as well as the impact which this could have on staff morale

4.10.3 A summary of the current monitoring and status for the Corporate Risks and Opportunities are set out in the Appendix to this report. This includes details of the mitigation measures in place and highlights the importance of effective risk and opportunity management as part of the corporate governance arrangements.

5. Engagement and Communication

5.1 CLT has been consulted on the production of this report.

6. Financial Implications

6.1 There are no direct financial implications as a result of this report but there are financial implications connected with the actual Risks and Opportunities.

7. Legal Implications

7.1 There are no direct legal matters arising as a result of this report. The Joint Strategic Committee has responsibility for receiving a report on the management of the Corporate Risks and Opportunities. The approved Code of Corporate Governance specifies that the Councils should have an effective system of Risk management in place.

Background Papers

Adur and Worthing Councils Risk and Opportunity Management Strategy - 2021 - 2023

Our Plan - A three year framework for Adur and Worthing Councils
Our Plan

Strategic Priorities for Adur District Council: 2022/23 Progress update report and New Priorities for 2023/24 - Adur JSC Sub-Committee 27 September 2023

Strategic Priorities for Worthing Borough Council: 2022/23 Progress Update Report and New Priorities for 2023/24 - Worthing JSC Sub-Committee 13 June 2023

Officer Contact Details:-
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Sustainability & Risk Assessment

1. Economic

Matter considered. The Risks and Opportunities are directly linked to the projects and work streams that are in place to help deliver the commitments and activities contained in ‘Our Plan and the Councils’ priorities and some may impact on the economic development of the areas if they occur.

2. Social

2.1 Social Value

Matter considered. Some of the Risks and Opportunities impact on communities.

2.2 Equality Issues

Matter considered. No issues identified. There is a Corporate Risk on equality issues.

2.3 Community Safety Issues (Section 17)

Matter considered and no direct issues identified.

2.4 Human Rights Issues

Matter considered and no direct issues identified.

3. Environmental

Matter considered. There is a Corporate Risk covering ‘Climate Emergency’ that considers these issues.

4. Governance

The Risks and Opportunities are aligned with the Councils’ priorities and the objectives of ‘Our Plan. As part of good Governance the Councils need to manage Risks and Opportunities effectively and clear governance controls are contained in the Risks and Opportunity Management Strategy which include the requirement to report on the Corporate Risks and Opportunities to the Joint Strategic Committee.

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	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate Risks										
Corporate	People	C1	Risk that Adur Council will fail to comply with statutory health and safety obligations as a social landlord (Adur Homes)	Adur	December 2023 - The Improvement Plan is well underway and is being routinely reported to the Regulator of Social Housing (RSH) and the JAGC and the Adur Joint Cabinet. This sets out a number of key priorities to be delivered over two years to ensure our properties are safe and compliant and to ensure we meet our Decent Homes obligations. Part of this plan is about ensuring the right governance is in place and work is underway to develop and improve the Adur Homes Advisory Board and our approach to tenant engagement. Key risks being worked through as part of this plan and also reported elsehwere is around systems and data and rent colllection / arrears rates. The Corporate Leadership Team (CLT) is also receiving regular updates about performance. Work is underway to assess the financial plan to develop the medium to longer term business plan for Adur Homes.	CLT	Major	Very Likely	High	Improved
Corporate	People	C2	Cost of living (coastal inequalities) crisis	Joint	December 2023 We have yet to fully recover from the pandemic, recovery has undoubtedly been hampered by the Cost of Living crisis. Whilst overall levels of vulnerability in Adur and Worthing are generally lower-overall than the national average, there are significant inequalities between wards. With regard to Universal Credit, the Department for Work and Pensions has confirmed that for Adur and Worthing, the length of time on Universal Credit has a significant impact on the cost of living, over 900 have been on UC for over 3 years (this could correlate with those claiming Personal Independence Payments). We know that long-term unemployment is hugely problematic in terms of tackling inequalities. Our most recent report from Citizens Advice for the 4th quarter of 2022-2023 presents a worrying picture when compared to the same period in the previous year: In Worthing there has been a 45% increase in the number of issues and clients presenting with benefit issues, 25% increase in the number of Universal Credit issues, 80% increase in the number of utilities and communications issues In Adur, the number of benefit and Tax Credit issues has more than doubled, there has been a 162% increase in the number of debt issues, 17% more men are coming to us for financial services help We have remained committed to being data informed using LIFT to identify residents facing financial hardship and debt, we continue to use the Proactive approach to target these residents, to offer help and assistance. We have commissioned additional resources through an interactive early help platform, TellJo, We have secured significant resources through the UKSPF to fund a no Interest Loans Scheme, tackle fuel poverty and build upon both the OneStop and Proactive approach to ameliorate the risks of the CoL crisis. In relation to the round 4 HSF we have successfully lobbied the County Council level to directly allocate £221,850 to A&W councils so that we offer a one off payment to 1,748 households who will miss out on the £900 Government cost of living support in 2023. In addition we have invested in a 1 year post to further embed our CoL approaches.	CLT	Major	Very Likely	High	Worse

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Economy	C3	Wider economic uncertainty in relation to inflation, interest rates and workforce shortages which are impacting on local businesses, including energy costs, upward pressure on wages, inability to fill vacancies, skills shortages	Joint	December 2023 - The Councils have agreed to utilise a proportion of the UKSPF funds to a Business Support Programme (BSP). The BSP will be delivered in 2024 by a series of business experts that will support organisations to help navigate the current challenges whilst also exploring new opportunitites around innovation, leadership and management and sustainability. Pressures on the local economy are significant and diverse, with the need to also address major local term transitional challenges associated with climate change and the rapid development of artificial intelligence. The Worthing Heat Network is a key strategic initiative which will provide long term price certainty the Councils in terms of building heating whilst providing the opportunity for other businesses and residential customers to achieve the same, whilst also decarbonsing their heat.	CLT	Major	Likely	High	No change
Corporate	Core	C4	Council Finances - Risk that Councils finances will continue to be under pressure	Joint/ Adur/ Worthing	January 2024 - Council finances continue to be under severe pressure, an issue widely experienced across local government. In order to address in-year budget pressures, the Councils have implemented a range of spend controls, including vacancy control, triaging purchase requests to bring the forecast overspend, particularly in Worthing, down to addressable levels within reserves. A range of initiatives have been identified in the process of forming the budget for 2024/25, with significant organisational design work remaining to set a balanced budget. Worthing Councils reserves position is expected to reach a critical state as a result of pressures in 23/24, with the 24/25 budget designed to gradually replenish reserves over the next 5 to 10 years. Local government settlement was announced in December 2023 with very little additional funding than previously assumed in the MTFS. The latest budget position for 2024/25 is that both Adur and Worthing are balanced with an assumed 2.99% increase in council tax proposed.	CLT	Major	Very Likely	High	No change

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	**Impact**	**Likelihood**	**Risk rating**	**Status**
Corporate	People	C5	Housing supply - Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams.	Joint	December 2023 Work is underway in respect of the development of the new Housing Strategy. This will look at the priorites for the local authorities around homelessness, housing allocations, housing delivery and keeping people safe and secure in their homes. It is anticipated that a new Housing Startegy will be adopted following local elections in 2024 with an extension to the current strategy approved by councilors in the interim period. Given the overspend in TA work has been done to clarify and bring to Members attention the risks and opportunities of the work underway to alleciate these pressures and ensure that our governance for the pipeline of affordable and in-area TA is able to continue Strategic work continues, the Mental Health Housing Strategy resulting in Mental Health Housing Advisors funded by Sussex Partnerhip Trust colocating with the Housing Needs Team, the workers are now embedded, with outcomes currently reported for West Sussex with local District and Borough sets being planned. The work is not only preventing homelessness via case work, but by improving relationships and pathways between services, increasing knowledge of housing and homelessness triggers enabling mental health workers to manage low level issues and refer cases appropriately to the Housing Needs Team. As previously reported, demand for homeless services continues to increase as a result of 'no fault' section 21 notices and family evictions as lack of alternative affordable options leaves households unable to secure their own housing in the private sector. Affordable Housing Delivery Group and subgroup continue to meet to identify opportunities to develop our owned and contracted temporary accommodation portfolios to meet current and predicted future demand. As well as building our strategic relationship with Homes England, we are also working closely with the Department for Levelling Up and Communities and Homes England to secure revenue and capital for housing programmes for single homelessness. Increasing our portfolio of owned temporary accommodation is a priority as the most cost effective way to deliver good standard local accommodation. Following the chancellors Autumn statement work is underway to assess how the proposed changes to Local Housing Allowance rates impact the Councils Opening Doors private lettings work.	CLT	Major	Very Likely	High	Worse

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Core	C6	Our People - resource levels, health & wellbeing, skills and learning	Joint	December 2023 - The new Assistant Director for People & Change in the refreshed CLT will be focused on developing the Workforce Strategy and employee experience in order to address the challenges in this risk. This risk area has been broadened to cover staff issues in the round. Resourcing levels in many teams across the organisation are stretched as a result of budget reductions over the last decade. The Councils have been successful in developing a more local funding model through investments, commercialisation and digitisation, but it remains the case that budgets have continued to reduce. Significant interventions have been developed in recent years to support staff health & well-being including mental health first aid, an Employee Assistance Programme, the introduction of the blended working policy, team charters to help teams organise themselves better, and a range of training which has been improved significantly with our new Learning & Development Officer. A major initiative is underway to ensure that the Councils programme of projects is better managed and resourced, and is realistic given the staff numbers we have. We are also developing stronger skills in securing external funding to support the delivery of the ambitious agenda that our places deserve. People & Change will develop a workforce strategy that will include the development of a new competency framework for staff & managers to help staff understand where & how they can progress, an associated learning & development programme that enable staff to develop and improve performance that achieves the organisation's priorities & values, and an overall employee value proposition that enables the organisation to attract and develop staff in the long term, supplemented by a strategic approach to workforce planning.	CLT	Moderate	Moderate	Medium	Improved
Corporate	Core	C7	IT Disaster recovery - Risk that hosting applications locally carries increasing risks given the pace of technological change. As for most councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats. Delays to network refresh project implementation	Joint	January 2024 - ICT and Emergency Response Teams have undertaken a review of procedures and have launched a new IT Disaster Recovery Plan. All systems have been reviewed and all critical and medium priority systems have specific recovery plans documented. The Disaster Recovery Plan was presented to JAGC in January 2024. An audit from Mazars was undertaken in January 2023 on our policies and Mazars have now completed auditing the Disaster Recovery Plan with the final audit results due by the end of January 2024. A major network refresh project will be delivered in 2024, which will deliver major improvements and increased resilience to the data centre and network security	CLT	Extreme	Moderate	High	Improved

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Place	C8	Major Projects are not delivered or place a significant burden on the councils' finances	Joint	December 2023 - Inflationary pressures in the construction sector and wider economic uncertainty have had a significant impact on the development sector and have made the viability of some projects more challenging. Up until recently, Interest rates have also been increasing which has undermined the viability of the invest to save proposals. A number of construction companies, notably Buckingham Group (A27 roundabout contractors) have failed during this period; and supply of certain materials such as steel, labour and timber has been difficult with a resultant increase in prices. Whilst the risk of major projects not being delivered remains, the changing economic context means that it is vital that the councils choose the right path toward delivery and the most suitable partners. This risk is closely linked to the Council's wider financial position and remediating this risk will involve making sound decisions around the investment in major projects and the sale of land and buildings to facilitate development. **Opportunity -** The opportunity presented here is to explore new options to ensure that major projects are still able to come forward in a manner which delivers the best outcomes for our communities. A review of our approach is focussed on a number of major, complex projects at various stages of delivery: ● testing our original assumptions and success measures are still valid; and ● reviewing each project through the lens of a successful exit strategy. This approach will help to enable the councils to take a proportional, and risk appropriate approach to each project and to best manage and realise our assets. For Worthing, as we go forward, this will mean more often seeking a development partner (Union Place) or pursuing a responsible approach to disposing of our land interests (Teville Gate) whilst ensuring that we maintain a clear focus on ensuring that our strategic objectives will still be delivered. For Adur, the focus will be very much about working with development partners and the statutory agencies to capture the development premium and ensure that this is invested responsibly in the infrastructure needed to support development. This is exemplified by the complex challenges presented by the development of the Western Harbour Arm at Shoreham Harbour.	CLT	Major	Likely	High	No change
Corporate	Core	C9	Emergency response - Risk of capability to respond to emergency incidents	Joint	November 2023 - All CLT members are to be trained to be Strategic Duty Officer in Q1 of 2024 providing additional resilience. Full review of emergency response arrangments and plan underway to support the training and delivery of the new members.	CLT	Major	Moderate	Medium	Improved
Corporate	Core	C10	Failure to comply with UK GDPR and Data Protection Act 2018	Joint	December 2023. Regular reports are submitted by the Senior Information Governance Officer to the Technology & Information Board, chaired by the Director for Sustainability & Resources. Compliance with mandatory training has significantly improved while still needing to be further improved. Data breaches tend to be individual human errors, around 5-10 per month. Our regular "phishing" tests to staff and members by email are designed to keep awareness levels high and this has been a real success. Still a number of data protection documentation not in place by services or out of date and in need of a review. Mazars audit for Information Governance to be completed by end of February 2024.	CLT	Major	Moderate	Medium	Improved

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Environment	C11	Climate emergency risk - Councils need to mitigate climate change, adapt to climate change and prepare for more frequent extreme climate events and impacts.	Joint	November 2023. Progress against the 2030 carbon neutral target is good. The Worthing Heat Network project has progressed well and contract award is expected in December 2023/ January 2024 and will decarbonise heat to the Worthing civic centre site. It will form the foundation to decarbonise heat for the NHS, new builds, and ultimately all households in Worthing. A green fleet strategy was completed in August 2023 and recommendations for implementation will be presented to committee early in 2024. A £1m project to test the use of hydrogen at the crematorium will be the first of its kind in the UK. The testing is expected to take place in spring 2024. The Trees for Streets programme launched in June 2023 and work is progressing on Nature Plans to help drive the delivery of nature based solutions in development, public realm and open spaces. The Sussex Bay marine project has recently secured external grant funding and with a further application to Rewilding Britain having been shortlisted. A revised engagement and participation strategy with businesses and communities is being devised to build strong approach to the delivery of wider area missions for carbon, nature and circular economy.	CLT	Major	Likely	High	No change
Corporate	Core	C12	Delivery of partnership working and joint services Risk impacted by the different competing administrative priorities, with financial effect on budget costs arising from increased committee management through JSC SC's with required management to avoid potential breakdown of partnership arrangements which would be unaffordable.	Joint	December 2023 - Renewal of the JSC SC Pilot scheme for decision making which substantially effects one council was extended by members until July 2024 - while retaining joint management and scrutiny of shared operational services under our Joint Committee Agreement. The governance arrangements are working well facilitating differing administrative priorities. Councils need to be ready and able to ensure sound decision making after May elections and any effect this may have on the current pilot scheme. Regular meetings of both Leaders with the Chief Executive to support good working relationships. Regular meetings between the Councils Leadership Team and both Executive teams, and meetings between Director and portfolio holders. Development of shared objectives where possible, such as climate, cost of living crisis and a range of other key agendas. Indivudual Council priorities now agreed and supported by Our Plan.	CLT	Major	Unlikely	Medium	Improved
Corporate	Core	C13	Risks to service delivery due pace of change, staff vacancies and recruitment difficulties.	Joint	November 2023 - As part of the organisational design a People & Change team was established under the Chief Executive and Assistant Director, People & Change. This team will lead the development of a workforce strategy that will seek to address key strategic issues around recruitment and retention, particular in key areas of skill shortage and which are undergoing significant change (such as service redesigns), addressing sucession planning, remuneration and talent retention. Local government in general is suffering recruitment issues in a number of key areas, and work to develop solutions in partnership with neighbouring authorities will be explored.	AD People &	Major	Likely	High	Improved

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	People	C14	Risk corporate debt collection. Orchard Housing system and ongoing issues with Academy and other systems means payment of Housing Benefit to some Adur Homes tenants might not be reflected on the Orchard Housing system. Risk that some people might be receiving over or underpayments and this might be moving people into debt or giving money that needs to be claimed back. In addition the Council cannot accurately manage the data. No confidence in accurate balance on accounts impacting income /debtcollection as well as inability to print rent statements and produce mail merges for communications to our tenants. Debt owed to the Council is increasing, unable to quantiy but presumed high given the current system failures. The longer debts remain oustanding the less likely they are to be fully recovered.	Adur	November 2023 - Officers from the Housing Team are aware of the manual process in generating the file across. The file needs to be moved before the end of each working day so that a new one can be generated. There is currently scoping for this process to be automated. Alternative housing operating systems are to be considered in 2024. Short term and long term impact is high and requires rectification from Benefits and Housing Teams in the event of errors. A debt strategy working group has been set up to commence ethical debt collection.	CLT	Major	Likely	High	Worse
Corporate	Economy	C15	Adjudication with building company re WICC development	Worthing	December 2023 - Increased overall project costs arising from the challenge being mitigated, financial implications requiring member approval, to ensure development is kept on track.	CLT	Major	Likely	Medium	Improved

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Environment	C16	Adoption of the Environment Act - Significant implications for how the Councils collect waste and recycling from households and businesses. Not being in a position to roll out food waste collections due to insufficient resources and not achieving Environment Act targets for 65% recycling by 2035. Potential reputational damage. Legal sanctions. Broader environmental impacts associated with the aim of reducing waste.	Joint	November 2023 - In October 2023 the government announced its plans for Simpler Recycling as part of the Environment Act. It requires, amongst other things, local authorities to collect food waste from households by 1 April 2026. It also announced that residual waste would have to be collected at least fortnightly if not weekly, ruling out the option of the 1,2,3 collection model. The Government has said that funding will be available for these new services but the extent and nature of funding remains unclear at this point. Introducing food waste collections will be a significant cost burden (early modelling suggested £1.6 million across Adur and Worthing per year, with the passsage of time these costs will be significantly higher). In the current climate the councils are not in a position to fund even part of these new revenue and capital costs which is why this is a high corporate risk. Procurement time-scales compound the risk - if funding is made available many local authorities will be looking to source food waste collection vehicles, at a time when lead times for some vehicles are already 9-12 months., Implementation of food waste collection will potentially also have implications for Commerce Way depot, in terms of works required to accomodate the new vehicles, which need to be EVs if we are to meet our 2030 Net Zero Target. The Environment Act also requires businesses to recycle the same materials as domestic properties. We offer recycling and food waste collections to our commercial customers, but many have not taken these services up yet. We need to be able to offer these services to all commercial customers by March 2025 to enable them to be compliant and to avoid customers moving to other providers, which would have an adverse impact on our income generation. .	CLT	Major	Likely	High	Worse
Corporate	Place	C17	Risk of proposed CCTV contract changes by Sussex Police to cease to operate the current arrangements from post 31 March 2024. This risk will have minor impact on the Councils in terms of the costs of capital investment but there will be ongoing revenue resource implications in managing compliance with the Surveilliance Commissioner and sharing data with the Police. There is also a delay risk in implementing the new arrangements (currently seeking member approval) which could impact on the partnership with other authorities and the delivery of the CCTV coverage.	Joint	December 2023 Funding of £35,000 has been allocated from the Corporate Hardware Budget to cover transitional costs of transferring CCTV operations from Sussex Police to Adur & Worthing Councils which is hoped to be recouped via invest to save. Risk arises from increased resource /staffing implications, training for staff and data sharing with the Police. The initial capital cost covers the existing Cameras as our assets and the transition to Mobile SIM technology. This investment secures the Council's acquisition of Safer Streets 5 funding for both the capital (30%) and maintenance (50%) components of the project and the extension of the current contract terms post 31st March 2024. The project lead will consult with the Councils' information goveranance team to ensure that all required DPIAs and DSA are in place prior to delivery of the programme.	CLT	Moderate	Moderate	Medium	New Risk added December 2023

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Corporate	Core	C18	Risk of not meeting our duties under the Equality Act	Joint	December 2023 - The councils have made good progress over the past two and a half years with regard to Equality Diversity and Inclusion (EDI), including actions underway and progress made. Despite this good progress, very significant challenges remain linked to prioritisation and resourcing. Both Adur & Worthing Councils' Internal Audit and the Equality and Human Rights Commission (EHRC) have identified areas of poor compliance with the Equality Duty and Adur Council was issued with a Warning Notice in early 2023 by the commission to urgently address a number of areas. Following some improvement work the warning notice has been removed, subject to further assessment in December 2023. The organisation has updated the EHRC on progress, including extended use of Equality Impact Assessments and exploring improved equality data collection, engaging diverse groups to shape initiatives, including partnering with Pride/LGBTGI+ and disability groups, trialing new assessment tools, such as an anti-discrimination reporting tool, enhancing training on the Equality Duty, and a greater focus in 2024 on inclusive involvement of diverse communities. To note that without additional action there is a significant risk of the councils receiving another Warning Notice from the EHRC and subsequent enforcement action. This may include a Public Sector Equality Duty assessment of the councils' compliance with the regulations, a statutory compliance notice directing us to comply by a certain date, and/or publication of the name of the councils on the EHRC website. Continued breach of the Specific Duty Regulations can lead to court action. An update on progress and further work needed is coming to CLT on 9 January. On 18th December 2023 government published guidance below on steps for officers / members to follow when making a decision. A reviewed set of actions and improvements is scheduled for CLT on 21 January which sets out tangible improvements including the review of an Equalities Policy to be prioritised though the organisation's policy review pipeline, a competency framework, workforce planning and employee value proposition, that helps develop a more representative workforce, more integrated service & budget planning for 2025/26 that will include a greater focus on embedding equalities into services, a dedicated project to improve equality data, strengthening of both the Equalities Champions Group and shifting of staff networks to Employee Resource Groups (ERGs) to provide greater purpose, voice and position, and a coordinated approach to Participation that will include embedding of more inclusive engagement. https://www.gov.uk/government/publications/public-sector-equality-duty-guidance-for-public-authorities/public-sector-equality-duty-guidance-for-public-authorities	AD People &	Moderate	Likely	Medium	New Risk added December 2023
Corporate	Core	C19	Risk - Requirement for Corporate Leadership team to have collective understanding of corporate risks arising from major project work across the council	Joint	January 2024 - The Monitoring Officer has asked CLT to evaluate and consider at team level their risks associated with project work. The AD for Regenerative Development is tasked with preparation of a template that sets out - an understanding of each project stage and known risks to delivery; what the effect of the risk occuring would be, both financially and reputationally; what can be done to control the risk and protect the council; what effective governance is in place; how to ensure that Members are fully cited on the extent of the risk; ensure that a regular review slot is on the agenda at CLT. Intended to be discussed at CLT in January	CLT	Major	Moderate	Medium	New Risk added January 2024
Corporate Opportunities										

	Our Plan	Ref	Risk / Opportunity	Authority	Latest update and Internal Controls	Owner	**Impact**	**Likelihood**	**Risk rating**	**Status**
Corporate		C20	Opportunity for the organisation to make the best use of opportunities to work with partners (including at a local level, sub-regional level, in particular in terms of devolution)	Joint	December 2023 - Adur & Worthing Councils has a strong mission-based approach in which partnership is at the heart. This will be further developed and scaled up in how local and sub-regional partners can support the delivery of the missions. The organisation is represented in discussions at a sub-regional level through the Sussex CEX group (need to check specific title of this) and the Leader of Worthing Council is the Chair of the Greater Brighton Economic Board. A&W is also developing & coordinating programmes with significant sub-regional opportunity such as Sussex Bay, which can provide a platform for further collaboration and pooling of resources across this geographical footprint. A&W is also active in shaping regional decisions, including Transport for the South East via Cabinet Member and Senior Officer on its Board. Further work will be developed for a strategic approach that outlines how best A&W can use each geographical footprint to deliver its priorities and ambitions over the coming years and make the best use of the levers & resources of partners to deliver shared priorities. This will include the development of an offer for partners to collaborate in the development and delivery of A&W missions and the development of tools & governance that support improved partnership working across the organisation.	CLT	Moderate	Moderate	Medium	New added December 2023
Corporate	Environment	C21	Opportunity - Sustainability	Joint	November 2023 - Good progress has been made in the last four years on organisational carbon emissions reduction, and in both Councils strategic land acquisitions for nature have led to national recognition for leadership in sustainability. There is much more to do with regard to convening and mobilising joint effort with strategic partners (such as the NHS and WSCC), local communities and businesses. Work is underway to galvanise urgent collective effort to meet area goals on carbon (2045 target), nature and driving towards a circular economy. The Sussex Bay initiative is a major opportunity for our coastal local authorities to lead the development of a seascape recovery strategy for the whole of Sussex, and to engage communities in our seascape, exploring opportunities for citizen science, volunteering, a renewal of small boat fishing, aquaculture and ecotourism. A new post Head of Blue Natural Capital has been recruited to, funded by Esme Fairbairn Foundation, with a public launch planned for June 2024, and a range of funding opportunities being developed.	CLT	Moderate	Likely	Medium	No change
Corporate	Core	C22	Opportunity - Rapid Improvement Team	Joint	November 2023 - The Rapid Improvement Team has been very successful in its first year delivering a number of digital and process improvements that have resulted in cashable savings of £93k per annum so far. These improvements have included new customer forms, automation of processes and new systems. The team take a service design approach, which ensures staff and customer experiences are taken into account when creating new digital services. Future projects will include faster digitisation in Resident Services and the development of a digitally enabled Neighbourhood Model which will create effective digital reporting and resolution of neighbourhood issues across a wider range of topics.	CLT	Moderate	Moderate	Medium	Improved