



ADUR & WORTHING  
COUNCILS

20 January 2020

<b>Joint Governance Committee</b>	
<b>Date:</b>	<b>28 January 2020</b>
<b>Time:</b>	<b>6.30 pm</b>
<b>Venue:</b>	<b>Gordon Room, Worthing Town Hall</b>

**Committee Membership:**

**Adur District Council:** Councillors; Kevin Boram (Adur Chairman), Andy McGregor (Adur Vice-Chairman), David Balfe, Paul Mansfield, Barry Mear, Ann Bridges, Brian Coomber and Debs Stainforth

**Worthing Borough Council:** Councillors; Lionel Harman (Worthing Chairman), Louise Murphy (Worthing Vice-Chairman), Tim Wills, Mike Barrett, Steve Waight, Steve Wills, Rebecca Cooper and Bob Smytherman

**Agenda**

**Part A**

**1. Substitute Members**

Any substitute members should declare their substitution.

**2. Declarations of Interest**

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

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

### **3. Minutes**

To approve the minutes of the Joint Governance Committee meeting held on 26 November 2019, copies of which have been previously circulated.

### **4. Public Question Time**

To receive any questions from members of the public.

In order for the Committee to provide the fullest answer, questions from the public should be submitted by noon on Friday 24 January 2020.

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

Questions should be submitted to Democratic Services,  
[democratic.services@adur-worthing.gov.uk](mailto:democratic.services@adur-worthing.gov.uk)

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

### **5. Items Raised under Urgency Provisions**

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

### **6. Internal Audit Progress Report (Pages 1 - 34)**

To consider a report from the Acting Head of Internal Audit, copies attached as Item 6.

### **7. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2020/21 to 2022/23, Adur District Council and Worthing Borough Council (Pages 35 - 88)**

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

### **8. Strategic Property Investment Fund - Annual Commercial Property Investment Strategy 2020/21 (Pages 89 - 136)**

To consider a report by the Director for the Economy, copy attached as Item 8.

### **9. Risk & Opportunity Management Update (Pages 137 - 158)**

To consider a report by the Director for Digital & Resources, copy attached as Item 9.

### **10. Major Projects Delivery Corporate Risk (Pages 159 - 164)**

To consider a report by the Director for the Economy, copy attached as Item 10.

**11. Review of Polling Districts, Polling Places and Polling Stations** (Pages 165 - 178)

To consider a report by the Director for Digital & Resources, copy attached as Item 11.

**12. Recruitment of Independent Persons and Allowances** (Pages 179 - 184)

To consider a report by the Director for Digital & Resources, copy attached as Item 12.

**13. Review of the Code of Conduct for Members** (Pages 185 - 250)

To consider a report by the Monitoring Officer, attached as Item 13.

**Part B Exempt Reports - Not for Publication**

None.

**Recording of this meeting**

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

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Susan Sale Solicitor to the Councils 01903 221119 susan.sale@adur-worthing.gov.uk

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

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## ADUR & WORTHING COUNCILS

Ward(s) Affected: N/A

### INTERNAL AUDIT PROGRESS REPORT

#### REPORT BY THE ACTING HEAD OF INTERNAL AUDIT

#### Executive Summary

##### 1. Purpose

This report seeks to update Members of this Committee with:

- 1.1 The current performance of the Internal Audit Section.
- 1.2 Summary information on the key issues raised in final audit reports issued since our last report to the Committee.
- 1.3 The current status on the implementation of agreed audit recommendations.
- 1.4 Fraud work conducted by the Councils' Corporate Investigations Team.

##### 2. Recommendations

###### 2.1 Recommendation One

That the Committee note the contents of this report.

##### 3. Context

###### 3.1 Background

Each quarter, a report is produced for this Committee which details the Internal Audit Section's performance against the current Annual Internal Audit Plan and summarises the results of audit work carried out.

##### 4. Issues for Consideration

###### 4.1 Internal Audit Performance - 2019/20

The 2019/20 Annual Internal Audit Plan presented to the Joint Governance Committee on 26<sup>th</sup> March 2019 contained 510 days and 35 items of audit work to be undertaken by the Internal Audit Service during the year.

Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

<b>Period</b>	<b>Audits planned</b>	<b>No of days planned</b>	<b>% of days planned</b>
Quarter 1 (April – June)	2	42.5	8.3%
Quarter 2 (July – September)	9	104.5	20.5%
Quarter 3 (October – December)	8	135.5	26.6%
Quarter 4 (January – March)	17	227.5	44.6%
	<b>36</b>	<b>510</b>	<b>100%</b>

As at 31<sup>st</sup> December, 263.3 (51.6%) of the planned days had been delivered. Attached as **Appendix 1** is a summary of the current status of audits in the plan.

#### **4.2 Final Audit Reports**

Recommendations made in audit reports are categorised according to their level of priority as follows:

<b>Priority 1</b>	Major issues for the attention of senior management.
<b>Priority 2</b>	Other recommendations for local management action.
<b>Priority 3</b>	Minor matters.

Internal Audit's assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system's control adequacy. The assurance levels and their associated explanations are:

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

A summary of the final reports issued since our last report to this Committee, including the key issues raised, is attached as **Appendix 2**.

Since our report to the Committee in September 2019, eight reports have been finalised. Seven were given a Satisfactory Assurance opinion and one report was

a Limited Assurance opinion. Three P1 recommendations were raised within these reports, (all being in the limited assurance audit).

Details of the Priority 1 and Priority 2 recommendations raised within these reports have been circulated to Members prior to the meeting in a separate briefing note.

### 4.3 **Follow up of Audit Recommendations**

In accordance with the Council's Follow-Up Protocol, we have continued following-up the status of implementation of recommendations contained in final audit reports.

Follow-up is undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The current performance in relation to these targets for the last 3 years is shown in the tables below:

**Status of recommendations 2017/18**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	Overdue	%	FU & No Response	%	Total % NOT Impl'd	Not Due	Total
<b>P1</b>	36	25	<b>69.4%</b>	0	<b>0%</b>	10	27.8%	1	2.8%	<b>30.6%</b>	1	37
<b>P2</b>	81	51	<b>63%</b>	6	<b>7.4%</b>	20	24.7%	4	4.9%	<b>37%</b>	5	86
<b>P3</b>	24	21	<b>87.5%</b>	2	<b>8.3%</b>	0	0%	1	4.2%	<b>12.5%</b>	3	27
<b>Other</b>	1	0	<b>0%</b>	0	<b>0%</b>	1	100%	0	0%	<b>100%</b>	0	1
<b>Total</b>	<b>142</b>	<b>97</b>	<b>68.3%</b>	<b>8</b>	<b>5.6%</b>	<b>31</b>	<b>21.8%</b>	<b>6</b>	<b>4.2%</b>	<b>31.7%</b>	<b>9</b>	<b>151</b>

**Status of recommendations 2018/19**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	Overdue	%	FU & No Response	%	Total % NOT Impl'd	Not Due	Total
<b>P1</b>	10	6	<b>60%</b>	0	<b>0%</b>	2	<b>20%</b>	2	<b>20%</b>	<b>40%</b>	2	12
<b>P2</b>	83	56	<b>67.5%</b>	0	<b>0%</b>	17	<b>20.5%</b>	10	<b>12%</b>	<b>32.5%</b>	8	91
<b>P3</b>	34	28	<b>82.4%</b>	0	<b>0%</b>	2	<b>5.9%</b>	4	<b>11.8%</b>	<b>17.6%</b>	0	34
<b>Total</b>	<b>127</b>	<b>90</b>	<b>70.9%</b>	<b>0</b>	<b>0%</b>	<b>21</b>	<b>16.5%</b>	<b>16</b>	<b>12.6%</b>	<b>29.1%</b>	<b>10</b>	<b>137</b>

## Status of recommendations 2019/20

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	0	0	0%	0	0%	0	0%	0	0%	0%	0	0
P2	3	1	33.3%	0	0%	2	66.7%	0	0%	66.7%	1	4
P3	3	2	66.7%	0	0%	1	33.3%	0	0%	33.3%	1	4
Total	6	3	50%	0	0%	3	50%	0	0%	50%	2	8

Attached as **Appendices 3, 4 & 5**, are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2017/18, 2018/19 and 2019/20 Audit Plans. The shaded boxes indicate where changes have occurred since our last report.

We are also continuing to follow up on 11 recommendations (all Priority 2) which remain outstanding from audits contained in the 2016/17 Audit Plan.

As requested at the Committee's meeting on 22<sup>nd</sup> January 2019 we have highlighted in **Appendix 6** attached, those Priority 1 recommendations which remain outstanding after the agreed implementation dates.

#### 4.4 **Fraud**

We periodically provide an update/summary of fraud work conducted within the Councils. Attached as **Appendix 7** is an update on the work completed by the Councils' Corporate Investigations Team since April 2019.

#### 5. **Engagement and Communication**

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

#### 6 **Financial Implications**

6.1 There are no financial implications arising from this report.

#### 7. **Legal Implications**

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

#### **Background Papers**

None

#### **Officer Contact Details:**

Dave Phillips, Acting Head of Internal Audit  
Town Hall, Worthing  
Tel: 01903 221255

[Dave.phillips@mazars.co.uk](mailto:Dave.phillips@mazars.co.uk)



## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

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

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

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



	Project	Field Work complete	Draft Issued	Final Issued	Assurance level	1	2	3	Total	P1 issues
1	HR Data Input & accuracy	Y	Y	UR						
1	Decision Making	Y	Y	Y	Satisfactory	0	2	0	2	No P1 recs
2	Rent in Advance	Y	Y							
2	VAT Arrangements	Y	Y	Y	Satisfactory	0	0	1	1	No P1 recs
2	Housing Allocations	Y	Y	Y	Satisfactory	0	3	1	4	No P1 recs
2	Budget Development	Y	Y	Y	Satisfactory	0	1	0	1	No P1 recs
2	Management of Call Centre volumes	Y	Y	Y	Satisfactory	0	2	0	2	No P1 recs
2	Corporate Governance	Y	Y	Y	Satisfactory	0	0	2	2	No P1 recs
2	Building Maintenance Compliance (non Housing)	Y	Y							
2	Account Security	WIP								
2	Planning Enforcement	Y	Y							
3	Revenues & Benefits	Y	Y							
3	Councils preparedness for EU exit	Y	Y	Y	Satisfactory	0	0	1	1	No P1 recs
3	Management of Community Buildings	WIP								
3	Apprenticeships	Y	UR							
3	Regulatory Compliance (Housing)	WIP								
3	Homeless Reduction Act compliance	WIP								
3	Cashiering	Y	Y							
3	Land Charges	WIP								
4	Asbestos Management (non Housing)	WIP								
4	GDPR Compliance	WIP								
4	Management of Major Projects	P								
4	Management of the Commercial Property Portfolio	P								
4	Tenancy Management	P								
4	General Ledger	P								
4	Exchequer (Creditors & Debtors)	P								
4	Risk Management	P								
4	Business Continuity	P								
4	Contract audit - Concrete Repairs - Grafton Car Park									
4	Welfare Reform									
4	Supplier & Contract Management									
4	Device Security									
4	Procurement & Contract Management Housing									
4	Management of Capital Programme									
4	Network Architecture and Resilience									
4	Incident & Problem Management									

KEY

WIP - Work in Progress

UR - Work under review

P - Work in planning stage/planned to start

**Key issues from finalised audits**

**Appendix 2**

Audit Title (Year)	Assurance Level & Number of Issues	Summary of key issues raised
Matsoft Application audit (2018-19)	<b>Satisfactory</b>  (Five Priority 2 and Three Priority 3 recommendations)	No Priority 1 recommendations
ADC Building Services – Stocks & Stores (2018-19)	<b>Limited</b>  (Three Priority 1 and Five Priority 2 recommendations)	Priority 1 recommendations were raised in respect of:- <ul style="list-style-type: none"> <li>• The need for a policy for how goods are procured and stocked;</li> <li>• Ensuring Value for Money is achieved during the procurement of stock items; and</li> <li>• The need to maintain up to date and adequate stock records.</li> </ul>
Budget Development (2019-20)	<b>Satisfactory</b>  (One Priority 2 recommendation)	No Priority 1 recommendations
VAT Arrangements (2019-20)	<b>Satisfactory</b>  (One Priority 3 recommendation)	No Priority 1 recommendations
Decision Making (2019-20)	<b>Satisfactory</b>  (Two Priority 2 recommendations)	No Priority 1 recommendations
Housing Allocations (2019-20)	<b>Satisfactory</b>  (Three Priority 2 and One Priority 3 recommendations)	No Priority 1 recommendations
Councils Preparedness for EYU Exit (2019-20)	<b>Satisfactory</b>  (One Priority 3 recommendation)	No Priority 1 recommendations
Corporate Governance (2019-20)	<b>Satisfactory</b>  (Two Priority 3 recommendations)	No Priority 1 recommendations

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	1	2	3	Other	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
<b>Director for Communities</b>																					
<b>Housing</b>																					
Rent Collection and Collection of Arrears	ADC	Jan-18	Satisfactory		2	1	0	1	0	0	50%			1	0	0	1	0	50%	P Turner	The update provided confirmed rec is in progress & Capita have been engaged to undertake the work - implementation estimated
Leaseholder Charges	ADC	Mar-18	No		39	13	5	5	3	0	33%			26	10	16	0	0	67%	N Freeman	The update provided confirmed work was being undertaken on outstanding recs - estimated implementation dates revised
Gas Safety Inspections	ADC	Jul-18	Limited	4	16	12	3	9	0	0	75%			4	0	4	0	0	25%	C Barber	Update provided through App on 30/10/19 confirmed 4 outstanding recs still in progress. Estimated implementation dates revised to
Housing Repairs	ADC	Feb-19	Limited	13	2	2	0	2	0	0	100%										Outstanding recommendations from this audit have been superceded by an 18/19 audit of the Housing Repairs process through Matsoft COMPLETE - Decision taken to discontinue the Service therefore all other recs no longer applicable.
Handyman Service	*	Jan-18	Limited	10	1	1	1	0	0	0	100%										
<b>Wellbeing</b>																					
Contract Management audit - Voluntary & Community contract	*	Feb-18	Satisfactory	1	1	1	0	1	0	0	100%										COMPLETE
<b>Director of Digital &amp; Resources</b>																					
<b>Finance</b>																					
Budget Management	*	Dec-17	Satisfactory	1	1	1	0	1	0	0	100%										COMPLETE
General Ledger	*	Mar-18	Satisfactory		5	4	0	2	2	0	80%	1	20%								COMPLETE
Capital Accounting	*	Apr-18	Satisfactory		1	1	0	1	0	0	100%										COMPLETE
Treasury Management	*	Dec-17	Satisfactory		2	2	0	1	1	0	100%										COMPLETE
Compliance with IR35 - Tax legislation	*	Feb-19	Limited		6									6	1	4	1	0	100%	S Gobey	Update required re 5 recs now overdue
Creditors	*	Feb-18	Satisfactory		2	2	0	0	2	0	100%										COMPLETE
Debtors	*	Feb-18	Satisfactory	1	2	2	0	2	0	0	100%										COMPLETE
Payroll	*	Apr-18	Satisfactory		4	3	1	1	1	0	75%	1	25%								1 outstanding recommendation re-raised in 18/19 audit
Cashiering	*	Mar-18	Satisfactory		2	2	0	1	1	0	100%										COMPLETE
<b>Legal</b>																					
Corporate Governance & Ethical Standards	*	Jan-18	Satisfactory		2	2	0	2	0	0	100%										COMPLETE
<b>Design &amp; Digital</b>																					
Compliance with the Data Protection Act	*	Apr-18	Satisfactory		9	9	1	7	1	0	100%										COMPLETE
Risk Management	*	Apr-18	Satisfactory		4	2	0	2	0	0	50%	2	50%								2 outstanding recommendations re-raised in 18/19 audit
<b>People</b>																					
Human Resources	*	Feb-18	Limited	1	6	6	3	3	0	0	100%										COMPLETE
<b>Revenues &amp; Benefits</b>																					
Revenues (Council Tax & NDR)	*	Jul-18	Satisfactory	1	4							4	100%								Recommendations re-iterated in 18/19 audit
Benefits	*	Feb-18	Satisfactory		2	2	0	2	0	0	100%										COMPLETE
<b>Computer Audits</b>																					
Firewall & Cyber Security	*	Oct-17	Satisfactory		5	5	0	1	4	0	100%										COMPLETE
GDPR Readiness Gap Analysis	*	Apr-18	Limited	4	16	16	9	5	2	0	100%										COMPLETE
Revs & Bens - Academy application	*	Jan-19	Limited	3	4	2	1	0	1	0	50%			2	1	1	0	0	50%	P Tonking	Recommendation not due till March 2020 & will be followed up through Audit App when due
Mats - Application Audit	*	Oct-19	Satisfactory	2	6									6	0	4	2	0	100%	S Miller	Recommendations to be followed up through Audit App when due
Review of Technology Strategy	*	Apr-18	No opinion given		1									1	0	0	0	1	100%	P Brewer	update provided confirmed new ICT Manager is reviewing - deadline extended to Mar 2020.
<b>Contract Audits</b>																					
Procurement Compliance	*	Sep-18	Satisfactory		6	6	1	2	3	0	100%										COMPLETE
						151	97	25	51	21	0	64%	8	5%	46	12	29	4	1	30%	



	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	1	2	3	Other	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
<b>Director for Communities</b>																					
Adur Worthing Contract Services	*	Mar-19	Satisfactory		7	6	0	4	2	0	86%			1	0	0	1	0	14%	M Marchant	Update provided through App has confirmed completion of recs. Management of service has changed and responsibility re-assigned to M Marchant on 19/12/19 for the outstanding rec.
Waste Management																					
Environment	*	Nov-18	Satisfactory		4	1	1	0	0	0	25%			3	0	3	0		75%	K Greening	Implementation date for the 3 outstanding recs has passed but no update received from the rec owner on progress.
Bereavement Services																					
Housing	ADC	Oct-19	Limited		8									8	3	5	0	0	100%	A Alexander	No update yet provided for 6 recs now passed their implementation date.
Building Services - Stocks & Stores																					
Right to Buy	ADC	Jul-18	Satisfactory		3	3	0	2	1	0	100%										
Rent Collection and Collection of Arrears	ADC	May-19	Satisfactory		4	3	1	1	1	0	75%			1	0	1	0	0	25%	S Gobey	COMPLETE Outstanding recommendation relates to write-offs - no update yet provided on status of implementation.
Housing Repairs - Matsoft processes	ADC																				
Wellbeing	*	May-19	Limited	2	11	10	0	8	2	0	91%			1	0	0	1	0	9%	D Currie	The recommendation owner has set a revised estimated implementation date of 10/1/20 to implement the outstanding recs
Food Safety & Registration for Businesses																					
Air & Water Quality	*	Mar-19	Satisfactory		4	3	0	3	0	0	75%			1	0	1	0	0	25%	N Shad	The recommendation owner has estimated a revised completion date of 1/2/20 for completion of o/s rec
<b>Director of Digital &amp; Resources</b>																					
Business & Technical Services	*	Jan-19	Satisfactory	3	8	8	1	4	3	0	100%										
Business Travel - Vehicles																					
Health & Safety	*	Jun-19	Satisfactory		2	2	0	2	0	0	100%										
Customer Contact																					
NSL Contract Management	*	Sep-18	Full																		No Follow up due as no recommendations made
Customer & Digital Services	*	May-19	Satisfactory		7	5	0	4	1	0	71%			2	0	2	0	0	29%	M Lowe	One rec due by 31/12. Rec owner has revised the implementation date for the other rec to 28/2/20.
Risk Management																					
Compliance with the Freedom of Information Act	*	Mar-19	Limited	6	9	2	0	2	0	0	22%			7	2	5	0	0	78%	M Koltsova	Responsibility for implementation of recommendations has been assigned to new Information Governance Officer - deadlines for recs have been revised to allow new officer time to action
Finance	*	May-19	Satisfactory		3	3	0	2	1	0	100%										
General Ledger																					
Capital & Fixed Asset Accounting	*	Mar-19	Full																		COMPLETE No Follow up due as no recommendations made
Treasury Management	*	Nov-18	Full																		No Follow up due as no recommendations made
Creditors	*	Nov-18	Satisfactory		2									2	0	2	0		100%	Y Stillwell	Recs to be followed up when 19/20 audit of new system is conducted
Debtors	*	Dec-18	Satisfactory	1	2									2	0	2	0		100%	S Corner	Recs to be followed up when 19/20 audit of new system is conducted
Payroll	*	May-19	Satisfactory	5	1									1	0	1	0	0	100%	G Townsend & N Hughes	A document has been attached to the App as requested by the rec owner - rec is being addressed - revised implementation date estimated as 31/1/20
Cashiering	*	Nov-18	Satisfactory		1	1	0	1	0	0	100%										COMPLETE
Legal	*	Mar-19	Satisfactory		9	3	0	2	1	0	33%			6	1	2	3	0	67%	S Gobey & S Sale	Estimated implementation date has been revised for 1 o/s P2 rec to 31/5/20. No update yet provided for 5 o/s recs, including P1 rec which had a 31/12/19 deadline. Recent annual corporate gov audit noted the actions from this audit are still to be addressed and this was noted in the draft report issued on 2/12/19.
Corporate Governance																					

<b>Revenues &amp; Benefits</b>																														
Revenues (Council Tax & NDR)	*	Mar-19	Satisfactory		3	2	1	0	1	0	67%		1	0	1	0	0	33%	S Large	Estimated implementation has been revised to 31/1/20 for outstanding rec. O/S rec not due was due 31/12/19 - no update yet provided										
Benefits	*	Feb-19	Satisfactory		4	3	1	0	2	0	75%		1	0	0	1	0	25%	P Tonking											
<b>Director for Economy</b>																														
<b>Culture</b>																														
Theatres Box Office	WBC	Feb-19	Satisfactory	1	8	8	0	2	6	0	100%									COMPLETE										
Place & Investment	*	DRAFT																												
Asset Management	*	Sep-18	Satisfactory	8	8	0	0	6	2	0	100%									COMPLETE										
Planning & Development	*	Feb-19	Satisfactory	7	5	0	0	5	0	0	71%		2	0	2	0	0	29%	L Lord	Update provided through Audit App confirmed completion of 5 recs. Update re o/s 2 requested 19/12/19										
Place & Economy	*																													
Development Management	*																													
<b>Computer Audits</b>																														
Data Centre Access Procedure	*	Jul-19	Limited		11	5	1	4	0	0	45%		6	0	6	0	0	55%	S Dewar	Update provided through App confirmed 5 recs as completed. 2 recs not due until 31/3/20 and estimated implementation dates extended for the 4 already due.										
Content Management (Website- Internet)	*	DRAFT																												
<b>Contract Audits</b>																														
Construction - Adur Civic Centre Phase 1	*	WIP																												
Fire Doors	ADC	DRAFT																												
Car Parks - LED lighting replacement	WBC	Jan-19	Satisfactory		5	5	0	1	4	0	100%									COMPLETE										
<b>Cross Service Audits</b>																														
Emergency Planning	*	Nov-18	Satisfactory		3	3	0	2	1	0	100%									COMPLETE										
Energy Management	*	Aug-19	Satisfactory	1	3	1	0	0	1	0	33%		2	0	2	0	0	67%	F Iliffe	Recs to be followed up through App when due.										
					137	90	6	55	29	0	66%	0	0%	47	6	35	6	0	34%											



	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	1	2	3	Other	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments	
<b>Director for Communities</b>																						
<b>Housing</b>																						
Tenancy Management	ADC only	DRAFT																				
Rent in Advance	*																					
Regulatory Compliance	ADC only																					
Homeless Reduction Act compliance Allocations	*		Dec-19	Satisfactory	2	2									2	0	1	1	0	100%	M Butler	Recs will be followed up through the App when due
<b>Wellbeing</b>																						
Management of Community Buildings	*																					
<b>Director of Digital &amp; Resources</b>																						
<b>Revenues &amp; Benefits</b>																						
Revenues & Benefits	*	DRAFT																				
<b>Financial Services</b>																						
General Ledger	*																					
Exchequer (Creditors & Debtors)	*																					
Cashiering	*	DRAFT																				
Budget Development	*	Oct-19	Satisfactory		1									1	0	1	0		100%	S Gobey	Estimated implementation date has been revised to 28/1/20	
VAT Arrangements	*	Oct-19	Satisfactory		1	1	0	0	1	0	100%										COMPLETE	
<b>Customer &amp; Digital Services</b>																						
Management of Call Centre volumes	*	Aug-19	Satisfactory	1	1	1	0	1	0	0	100%										COMPLETE	
Risk Management	*																					
<b>Legal Services</b>																						
Corporate Governance	*	Jan-20	Satisfactory	1	1	1	0	0	1	0	100%										COMPLETE	
Decision Making	*	Sep-19	Satisfactory	1	1									1	0	1	0		100%	N Terry	Rec was due on 31/10/19 but no update provided yet.	
<b>Human Resources</b>																						
Data input & accuracy	*	DRAFT																				
Apprenticeships	*																					
<b>Business &amp; Technical Services</b>																						
Asbestos Management (non Housing)	*																					
Business Continuity	*																					
Building Maintenance Compliance (non Housing)	*	DRAFT																				
<b>Director for Economy</b>																						
<b>Planning &amp; Development</b>																						
Land Charges	*	DRAFT																				
Planning Enforcement	*																					
<b>Major Projects &amp; Investment</b>																						
Management of Major Projects	*																					
Management of the Commercial Property Portfolio	*																					
<b>COMPUTER AUDITS</b>																						
Network Architecture and Resilience	*																					
Account Security	*																					
Device Security	*																					
Incident & Problem Management	*																					
Supplier & Contract Management	*																					
GDPR Compliance	*																					
<b>CONTRACT AUDITS</b>																						
Management of Capital Programme	*																					
Contract audit - Concrete Repairs Grafton Car Park	WBC only																					
Procurement & Contract Management - Housing	*																					
<b>CROSS SERVICE REVIEWS</b>																						
Welfare Reform	*																					
Councils preparedness for EU exit	*	Dec-19	Satisfactory		1									1	0	0	1		100%	A Higgins	Rec to be followed up through App when due	
					8	3	0	1	2	0	38%	0	0%	5	0	3	2	0	63%			



## Outstanding Priority 1 Recommendations

## Appendix 6

### Leaseholder Service Charges (2017-18 (Final Report issued March 2018))

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p><b>3.1</b> The Council should document a Leasehold Management Policy, which outlines the legislative framework (and timescales) within which it is required to operate for the various leasehold functions and services that it provides.</p> <p>The policy should:</p> <ul style="list-style-type: none"> <li>• Outline any local policy decisions in respect of the management of leaseholders, recovery of charges etc. and detail how these requirements will be achieved;</li> <li>• Clearly state how the Council will deal with major repair costs, including outlining the statutory processes that have to be completed and the timescales to ensure the recovery of costs (e.g. invoice or issue S20B notice within 18 months of cost being incurred; and</li> <li>• State at what level the cost of repairs will be pursued (e.g. minor costs above the £250 legislative rate may not be cost effective for the Council to pursue where there are only a few leaseholders, but if there were several then the costs and effort would be worth it).</li> </ul> <p>Once documented, the Policy should be approved by the relevant senior management, member and committee.</p>	<p>There is currently no approved documented policy for Leasehold Management.</p> <p>Where an up to date documented and approved policy does not exist, there is a risk that the Council's objectives and/or responsibilities are not known and may not therefore be achieved.</p>	<p>An overarching policy will be developed. This will be supported by a set of detailed policies and procedures. Work has already begun on identifying those that are required and this will be used as an action plan to ensure all required actions are completed.</p> <p>Deadline - 30<sup>th</sup> September 2018</p>	<p>Update provided by Interim Leasehold Manager confirmed that a policy was drafted but that the process of consultation and approval needed to be agreed and then completed.</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p><b>3.6</b> The HMS should be updated to indicate which properties have leases which are considered “defective” and information should be recorded within the system notes as to how this impacts on the leaseholder in respect of charging etc.</p> <p>Furthermore, these leases should be reviewed by Legal Services to establish whether anything can be done to correct these, or to establish whether the Council has the ability to review and update these upon re-sale of the property.</p>	<p>During the audit, we were advised that the Council has approximately 70 "defective" leases which restrict the Council in respect of the charges that it can pass on to the leaseholder.</p> <p>We confirmed that details of the leaseholder accounts affected were not contained in Orchard HMS and were further advised by the Tenancy Services Manager that there was a list of these leases but he was unsure where. The list was requested but not provided.</p> <p>Where key information is not held within the relevant system, or is not available, there is an increased risk that resources are wasted working on consultations etc. where the cost of works cannot be recharged to the leaseholder.</p> <p>Where the restrictions of a lease are not known, there is also the risk that the Council attempts to charge a leaseholder leading to possible dispute, complaint and reputation loss.</p>	<p>“Defective” is a term used by the previous Leasehold Manager and relates to older leases where the cost of improvements may not be recoverable. We have already identified four different types of lease and will need additional resources to look through all the current leases in order that we can identify and record those where there are restrictions.</p> <p>A policy/procedure will then be developed for dealing with issues identified from “defective” leases.</p> <p>Legal will be involved in this review.</p> <p>Deadline - 30<sup>th</sup> June 2019</p>	<p>Update provided by Interim Leasehold Manager confirmed:-</p> <ul style="list-style-type: none"> <li>- The material differences between the two leases types have been identified.</li> <li>- Process underway to check leases on block basis as part of major works process.</li> <li>- Legal advice on requested on interpretation of key clauses affecting recoverability of certain costs.</li> </ul>	<p>31<sup>st</sup> March 2020</p>
<p><b>3.10</b> Debt recovery procedures should be established, documented and undertaken regularly. Regular reports of outstanding debts for service charges, ground rents, major works and any other charge made to leaseholders should be generated and monitored by relevant staff. Any action taken, i.e. issuing of reminder notes to leaseholders, should be recorded within the HMS and copies of documents attached to the leaseholder accounts on I@W.</p>	<p>Discussions with the TSM at the start of this audit established that, as a result of system changes within Leaseholder Services, including changes in invoicing, debt recovery procedures were not undertaken during the 2016/17 financial year and at the start of the 2017/18 financial year. We were advised that this was being reviewed and tested within the HMS so debt recovery procedures could start being undertaken by relevant officers and we acknowledge that some debt recovery work has now occurred.</p>	<p>Will be developed in line with recommendations 3.1 &amp; 3.3.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p>Update provided by Interim Leasehold Manager confirmed that a list of areas where policies and procedures need to be developed has been drafted and an action plan with priorities and timescales needs to be put in place to deliver.</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>We obtained aged debts reports and as at 16/10/17 the outstanding balances were:</p> <ul style="list-style-type: none"> <li>- Main A/C £146,266.03</li> <li>- Major works £161,477.44.</li> </ul> <p>As invoicing has only occurred through HMS since April 2016, this volume of debt is that outstanding since then.</p> <p>Outstanding debts, prior to April 2016 were generated through and are being monitored and recovered through the Council's Debtors system.</p> <p>Where debt recovery procedures are not in place, there is a risk that monies owed to the Council are not collected and this may impact on the HRA and the Council's finances.</p>			
<p><b>3.12</b> Management monitoring should be regularly undertaken to ensure that Service Standards are met.</p>	<p>The following Service Standards are detailed within the Leaseholder Handbook:</p> <ol style="list-style-type: none"> <li>1. Pg 6 - Annual service charge accounts will be sent out by the first week of October each year.</li> <li>2. Pg 8 - Advise leaseholders of their service charge bill by the first week in October with a breakdown of costs.</li> <li>3. Pg 10 - Information of what the leaseholder pays for - "you will receive a service charge bill once a year in October. The period you are paying for is the previous six months which is an actual cost and the following six months which is an estimated cost".</li> <li>4. Pg 11 - details how the service charge can be paid - in full or 10 monthly instalments.</li> </ol>	<p>The Councils' Star Survey will be examined and used to develop standards and KPIs/recordable outcomes to monitor performance.</p> <p>Ways to report and communicate performance to customers will also be considered.</p> <p>Deadline - 31<sup>st</sup> December 2018</p>	<p>Update provided by Interim Leasehold Manager confirmed that service standards need reviewing and revising in line with the Leaseholder Policy once it is completed and a method for monitoring put in place.</p>	<p>30<sup>th</sup> June 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>5. Pg 13 - details on management charges (25% of repair costs &amp; 10% major works costs).</p> <p>During our walkthrough of an account we noted the following variances from these standards:</p> <p>1 &amp; 3. – The service charges actuals invoices for 2015/16 were sent on 14/12/2016 not in October.</p> <p>2. – The actual/estimated service charges account was not dated so we were unable to confirm when it was sent.</p> <p>4. Invoice sent on 14/12/2016 does not contain any details on the leaseholder being entitled to pay by instalments.</p> <p>5. Actual/estimated service charges account states Admin Charge@ 10% + £75.</p> <p>Where Service Standards are not met, there is an increased risk of leaseholder dissatisfaction, complaint and reputation loss to the Council.</p>			
<p><b>3.25</b> A complete revamp of how major works are invoiced is required in order to ensure that works are accurately billed in line with costs incurred, lease requirements and the requirements of Section 20B of the Landlord &amp; Tenant Act 1985.</p> <p>Furthermore clarification should be sought from the relevant experts as to how VAT should be dealt with in respect of recharging leaseholders the cost of major works.</p>	<p>The Landlord and Tenant Act 1985 details specific requirements for invoicing. Accuracy of invoicing also assists the Council recover all sums expended.</p> <p>From our review of the major works monitoring spreadsheet, we noted that in many instances, invoicing did not occur until final figures have been received from Technical Services regardless of when the works were completed or when costs were incurred.</p> <p>From our testing on the invoicing for five</p>	<p>A complete overhaul of the major works invoicing process will be undertaken in line with the development of new processes. Training will then be provided and the Leaseholder Handbook and website information will be updated accordingly.</p> <p>The Government Guidelines on VAT and residential service charges will be considered and complied with during the invoicing</p>	<p>Update provided by Interim Leasehold Manager confirmed that this recommendation is being considered as part of the wider review in Adur Homes for the planning, management and delivery of the capital programme.</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>major works we identified:</p> <ul style="list-style-type: none"> <li>- 1 (85-89 Buci Crescent - Porch) where we found no evidence to confirm that the completed works have been invoiced to the leaseholder or that a Section 20B notice had been served. The contractor's invoice for these works (valued at £3,729.60) was dated 31/1/2015 so under the Section 20B the 18 month rule may no longer be recoverable.</li> </ul> <p>These works were consulted on and there is evidence of such within the N drive and I@W however after the 2<sup>nd</sup> stage consultation we found no further evidence to support how the works progressed or whether a Section 20B notice was issued. We have noted that these works were generated through the HMS order and monitored by ADC Maintenance Officers rather than through Technical Services.</p> <ul style="list-style-type: none"> <li>- For 2/4 works (387 Brighton Road – wall ties and 14-18 Lisher Road - replacement of metal railings, balustrades &amp; external decorations), we were unable to locate a copy of the invoice sent to the leaseholder to confirm whether the invoice specifically detailed the actual costs incurred (as required by Section 20B).</li> <li>- For the other 2 works (Grange Court – fire safety and 72-78 Buci Crescent – soil stack) the invoices contain no detail of the actual costs incurred.</li> <li>- 1 (Fire Safety works - Grange Court/Sea House/Locks Court) where the final account figure of £102,811.95 (used to calculate the invoices sent to the leaseholders) does not equate to the sum</li> </ul>	<p>process.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>		

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>of the invoices paid to the contractor for these works (£136,067.94).</p> <p>- 1 (72-78 Buci Crescent - Soil Stack) where the tender value was £1,328 yet the final invoice value claimed was £2,096. There is no final account for these works as they were raised as an order through HMS so were managed by a Maintenance Officer. However, the original estimated cost to each leaseholder was £365.20 with the final invoice figure being £371.25. This small increase does not seem to equate to the £768 increase in overall cost of the works.</p> <p>We have also noted during testing that the contracted works attracted VAT yet VAT is not included in any recharge made to leaseholders.</p> <p>Where accurate and detailed invoicing does not occur, there is an increased risk that the Council is failing to meet legislative requirements, that leaseholder challenge may occur and that financial loss will result.</p>			
<p><b>3.31</b> A process needs to be effected whereby any potential works where the costs may not be recoverable (i.e. due to defective lease/emergency works etc.) are identified at the earliest opportunity and a decision taken by the Head of Housing (HoH) as to whether the works proceed and the costs are borne by the HRA.</p> <p>Where this decision is taken, an authorisation form should be fully completed and certified by the HoH and a copy of the form attached to the</p>	<p>The cost of some works to leasehold properties may not be recoverable due to restrictions of the lease, emergency etc.</p> <p>Authorisation by the Head of Service is therefore required in order to accept that the cost will be borne by the HRA.</p> <p>We were advised that a Write Off Authorisation Form should be completed where the cost of works is considered unrecoverable.</p> <p>Examination of the N drive found ten such forms, none of which are dated and none</p>	<p>The process will need to distinguish between decisions made in advance not to charge leaseholders (i.e. emergency works) and decisions after works carried out on the grounds of "reasonableness". The levels of authority for such decisions will need to be considered also.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p>As above</p>	<p>31<sup>st</sup> March 2020</p>



Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>relevant job within HMS/I@W in order that an audit trail exists to support that the costs are not being pursued.</p> <p>Discussions on whether works may be un-recoverable should form part of the regular meetings recommended above with Technical Service &amp; Maintenance Officers.</p>	<p>of which are copies of an actual form authorised by the HoH. Some contain notes as to why the costs are un-recoverable but many do not and all look like they have been raised retrospectively rather than as part of a process whereby a decision is taken in advance not to recover the cost. Seven of the ten were related to jobs raised through the HMS.</p> <p>We also noted an example of an order for works (1-6 Warren Court) valued at £9,200 and raised through HMS where an email suggests that the previous HoH agreed the works should be done with no charge to any leaseholder but no write off form for this was found on the N drive.</p> <p>Where the recovery of work costs is not considered at the inception of the works, there is an increased risk that any unrecoverable costs are not authorised in advance of their being incurred and this may lead to increased costs to the HRA.</p>			
<p><b>3.32</b> The Council's Policy in respect of options available to leaseholders for payment of major works should be reviewed, approved by ADC Executive and then consistently applied.</p>	<p>On 15 June 2010, the ADC Cabinet decided the payment option arrangements for leaseholders, this includes the provision of ten year loans. Furthermore, on 13 July 2010 the ADC Cabinet decided additional deferred payment arrangements for works costing more than £5,000 in any financial year.</p> <p>We have not identified any other reports/decisions which revise the decisions taken by the ADC Cabinet in June/July 2010 therefore these decisions would appear to be the most recent and therefore constitute the current policy.</p>	<p>The arrangements will be reviewed with Finance and Legal.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p>As above</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>These policy decisions are not, however accurately reflected in the current Leaseholders Handbook which states "If you are not able to pay for the cost of major works in full at the time of invoicing, then we offer an interest free loan up to five years depending on the size of the bill and individual circumstances. In this case you will pay in monthly instalments by either direct debit or payment card".</p> <p>The policy decisions were also not detailed correctly in the Paying for Major Works information that was sent to leaseholders in March 2017 with their invoices. The differences being:</p> <ul style="list-style-type: none"> <li>• The interest added column on the Paying for Major works information states 5.4% for all works costing more than £500 yet this is not what is detailed in the decision by Cabinet.</li> <li>• The Cabinet decision in June 2010 states that "for loans exceeding £1,500, a Land Registry charge would be taken out" the Land Registry requirement on the Paying for Major Works information states N/A for works costing £1,500-£5,000.</li> <li>• The Cabinet decision in July 2010 states the administration fee for deferred payments as £100 yet the Paying for Major Work information states £90.</li> </ul> <p>Our walkthrough of a loan arranged in 2015 has shown that he was advised that the charges added to the loan for £10,998 would be 4.4% interest (reviewed</p>			

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>annually), £50 admin fee, £40 Land Registry fee and £295 legal costs. This contradicts the Cabinet's decision which states an administration fee of £90 and a Land Registry fee of £50. Furthermore, the reports to the ADC Cabinet in 2010 made no mention of legal costs (nor did the information sent to leaseholders in 2017). The amounts actually invoiced to this leaseholder were £1209.59 interest (so no annual review), £295 legal costs and £40 Land Registry fee (so no admin fee and incorrect LR fee).</p> <p>We have further confirmed that as a result of invoices sent in February 2017, one leaseholder requested to pay their major works costs (£3,072.49) over a period of 24 months. The email sent to this leaseholder confirms that no interest has been added and that monthly standing order payments should be arranged by the leaseholder. The policy requires DD payments and there is no mention of admin or Land Registry costs that the policy requires and no evidence can be seen on HMS/I@W to confirm that costs have been invoiced.</p> <p>Where approved policies are not known or accurately and consistently applied, there is an increased risk that loans are incorrectly arranged or that incorrect fees are charged. This may result in financial loss to the Council.</p>			
<p><b>3.33</b> Once the Major Works Payment Policy has been decided the Council should review how implementing payment loans/arrangements will for</p>	<p>Proper arrangements are required to ensure that the Council effects payment arrangements correctly and in line with any policy and legal requirements.</p>	<p>This will be reviewed with Finance and Legal. Deadline - 31<sup>st</sup> March 2019</p>	<p>As above</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>major works will be achieved.</p> <p>An agreed process, which reflects policy requirements should be effected to ensure that any future loans/arrangements are correctly actioned. Legal Services and Finance should be involved in any discussions to ensure that all legal and financial requirements are met.</p> <p>The agreed process should be formalised in a documented procedure which details the forms that need to be completed, by whom and when and how supporting information/documentation should be retained.</p>	<p>We found some procedures and forms (including a Service Charge Loan Application Form) on the N Drive and emails between the Finance and Leasehold teams going back several years. Our examination of this information suggests that the information provided by the leaseholder on the loan application form would seem to be the primary source for calculation of affordability.</p> <p>Any payment arrangements were effected by Finance until April 2016, when the arrangements transferred to the Adur Homes Leasehold Team.</p> <p>We were advised by the Leasehold Officers that they are very unsure regarding the procedures to be followed, whether they are up-to-date, lines of responsibility etc. They also had queries regarding:</p> <ul style="list-style-type: none"> <li>• how instalments and interest would be applied to Owner Accounts;</li> <li>• monitoring;</li> <li>• how the Council would legally stand in recovering any arrears of interest etc. if charges were not made against properties; and</li> <li>• their ability to calculate interest on loans and setting-up loan/instalment agreements with interest;</li> </ul> <p>We have noted elsewhere in the audit inconsistencies with arranging loan agreements and lack of supporting information which would suggest that current arrangements are not effective.</p>			

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>Where a defined process for effecting payment arrangements does not exist, there is an increased risk that arrangements are not correctly made or that legal requirements are not satisfied and this may impact on the Council's ability to recover all relevant costs leading to possible financial loss.</p>			
<p><b>3.36</b> Adur Homes should rationalise and define within a policy where and how documentation to support the various leaseholder processes should be retained.</p> <p>Staff should then be notified as to the policy requirements.</p>	<p>Defining where and how information should be retained will assist management ensure that all required information is held correctly in a consistent manner.</p> <p>During the audit we confirmed that there are different systems and network locations where staff can access relevant documentation in respect of leaseholder processes.</p> <ul style="list-style-type: none"> <li>• Procedure guidance notes are held within the Council's N: network drive;</li> <li>• Leaseholder Handbook accessible from the Council's Website;</li> <li>• Service Charges, including ground rents information is held within the N: Drive and could be held within Information@ Works;</li> <li>• Supporting documents such as invoices and notices sent to Leaseholders are scanned and held within Information@ Work System or the N drive;</li> <li>• Supporting documents in respect of major works are held within the N: Drive; and</li> </ul>	<p>There are two main areas to be considered:</p> <p>(1) – location of policies, procedures &amp; guidance notes and (2) supporting documentation for calculation of charges, management of accounts etc. Document retention will be incorporated in all relevant procedures.</p> <p>Training will be provided once the policy is agreed.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p>Update provided by Interim Leasehold Manager confirmed that a list of areas where policies and procedures need to be developed has been drafted and an action plan with priorities and timescales needs to be put in place to deliver.</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<ul style="list-style-type: none"> <li>Since the introduction of Google information is also now held on Google drives.</li> </ul> <p>Testing in all areas of this audit confirmed the need for regularisation on the retention of supporting information/ documentation as there is limited information and notes held within the HMS system related to leaseholders, documentation could be held in either I@W, the N drive, or in both and in many instances tested not at all.</p> <p>Where documentation is held in a variety of locations or not at all, there is an increased risk that the Council would be unable to demonstrate actions taken if a leaseholder were to challenge charges made upon them. This may lead to dissatisfaction, compliant, Tribunal investigation and potentially financial loss.</p>			
<p><b>3.37</b> The issue with indexing documents onto I@W should be rectified as soon as possible and once this is actioned, all outstanding paper records should be scanned and indexed onto the system in order that a complete record of documents is electronically available for each leaseholder account.</p>	<p>The Council's New Ways of Working policy requires for the retention of information electronically.</p> <p>Leasehold Team documents should be retained electronically through the I@W system. However, during the audit, it was confirmed that no indexing was done in 2015/16 or 2016/17 in respect of charging and that currently paper documents are held in boxes.</p> <p>The RTB&amp;LO has confirmed that she indexed the documents relating to the 2017/18 charges and invoicing but Housing have experienced problems with locating documents that have been scanned and indexed into I@W and that</p>	<p>We are reliant on IT to sort the issue – in the meantime we will explore the possibility of bulk filing to I@W to a central folder for each year as an interim solution. Additional resources may be required in order the scanning backlog to be actioned.</p> <p>Deadline - 30<sup>th</sup> June 2019</p>	<p>Update provided by Interim Leasehold Manager confirmed that a list of areas where policies and procedures need to be developed has been drafted and an action plan with priorities and timescales needs to be put in place to deliver.</p>	<p>31<sup>st</sup> March 2020</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>despite this being reported to IT the issue has not been rectified. This has been evidenced within the audit when incorrect documents have been viewed on another leaseholder's account.</p> <p>Where documents are not retained electronically against the correct leaseholder account, there is an increased risk that staff are unable to access all relevant information. The Council's policy in respect of New Ways of Working is also not being achieved. Retaining paper documents in boxes may also increase the risk that information is lost.</p>			

### Compliance with IR35 Tax Legislation 2017-18 (Final Report issued February 2019)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p><b>3.4</b> Evidence to support that an IR35 assessment has been conducted should be retained centrally for all interims and consultants.</p> <p>Furthermore an IR35 assessment should be performed for Mia Design Consultancy Limited and the supplier should be set up on the Payroll system if deemed to be an employee.</p>	<p>IR35 assessments are required in order to determine the employment status of new interims and consultants.</p> <p>During the audit we were advised that departments decide whether IR35 applies to the worker. This assessment is not provided to the Creditors team when payments are made so ensuring that the assessment has been done cannot be verified.</p> <p>Reports listing payments to consultants and agency staff were obtained from the general ledger for Adur, Worthing and Joint Services. From these reports 16 instances were identified where repeated payments were made to suppliers who</p>	<p>Managers will be reminded to refer cases to the Chief Financial Officer for assessment rather than doing their own.</p> <p>On issue of the draft audit report the case of Mia Design Consultancy Ltd had been discussed with the Head of Business and Technical Services and the worker was due to be added to the Payroll system. This will be checked to confirm completion.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p><i>No update yet provided</i></p>	<p><i>None set</i></p>

	<p>could be sole traders. Examination of supplier websites confirmed that 8 of these suppliers were not sole traders.</p> <p>Testing on the remaining sample of 8 suppliers, identified one (Mia Design Consultancy Limited) relating to a sole trader who had a Council email address and appeared in the Adur &amp; Worthing phone book. This supplier received regular monthly payments via the Creditors system in 2017/18 and therefore appears to fall under the scope of the IR35 tax legislation.</p> <p>Where an IR35 assessment is not carried out when necessary and evidence of that assessment is not held centrally, there is a risk that the Councils do not identify and correctly process off payroll workers. This would result in non-compliance with the legislation and place the Councils at risk of paying deductions due, interest and a financial penalty.</p>			
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### Compliance with the Freedom of Information Act 2018/19 (Final report issued in March 2019)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p><b>3.7</b> A process should be effected to ensure that all staff have completed the mandatory FOI training, especially those staff who are responsible for responding to FOI requests.</p>	<p>A record of all those who completed the FOI training course on the Learning Hub was provided as was a record of contacts from the MatSoft system. Whilst the majority of the contact addresses provided related to a shared inbox, 24 direct email addresses were provided. Those 24 staff were checked against the record of those who had completed the training but only one member of staff from this list had completed the training.</p> <p>The list of those staff who had completed</p>	<p>The SIGO will be carrying out a series of workshops for Service Information Officers during the months of March and April 2019. The SIGO is also currently reviewing the FOI training Course on the Learning hub as it is not fit for purpose. Once this is updated the SIGO will re-launch the learning module, which will be mandatory and it will be the responsibility of Heads of Service to ensure their teams complete</p>	<p>Update provided by Head of Customer &amp; Digital Services on 9/8/19 confirmed that the SIGO held workshops with key officers in May and June 2019 but had since resigned and a new SIGO would take up position in October 2019.</p> <p>Update provided on 31/10/19 confirmed that new FOI training has been identified and funding allocated. New</p>	<p><b>29<sup>th</sup> February 2020</b></p>



	<p>the mandatory training only contained 86 staff. This is significantly less than the 850 staff that the Councils have. It was not possible for a report to be run confirming the staff who had not completed the training. However, our test clearly demonstrates that there is currently no effective process in place for ensuring that mandatory training is completed. This issue was also raised in the previous FOI audit.</p> <p>Where mandatory FPI training is not completed and there is no process for monitoring that such training has been completed, there is a risk that staff responsible for completing FOI requests are not sufficiently trained and that requests will not be responded to appropriately and may result in reputational damage or financial loss.</p>	<p>this training.</p> <p>Deadlines:-</p> <p>Workshops: 30<sup>th</sup> April 2019</p> <p>E-learn: 31<sup>st</sup> May 2019</p>	<p>SIGO started in post on 14/10/19 and rolling out training is on priority list.</p> <p>Update provided by SIGO on 31/12/19 confirmed that this issue was ongoing due to lack of resources both within the Information Governance team and in Services. Training for SIOs is scheduled for 24/02/20.</p>	
<p><b>3.10</b> All FOI requests should be responded to within 20 working days in accordance to the statutory requirements.</p>	<p>The FOI Act requires that FOI requests are replied to within 20 working days.</p> <p>Tests on the sample of ten FOI requests identified three cases where the responses were made after the 20 working day requirement. We also identified a further two cases which did not appear to have been responded to.</p> <p>Where FOI requests are not responded to within twenty working days, there is an increased risk of customer dissatisfaction leading to complaints and investigation by the Information Commissioner. The Councils' reputation will be damaged and they may be fined due to non-compliance.</p>	<p>The SIGO has already taken steps to address this. Any FOI that goes over the deadline becomes the responsibility of the Head of Service. Notifications are also sent to Directors where deadlines are at risk of being missed. Responsibility is escalated as early as possible. Compliance has improved but further work needs to be done. The FOI workshops and online training mentioned above should also highlight the need to respond</p> <p>Deadline - 31<sup>st</sup> May 2019</p>	<p>Update provided by Head of Customer &amp; Digital Services on 9/8/19 confirmed that performance on FOI responses had improved significantly since the audit and is being reported to CLT but the SIGO position had been vacant since July 2019 but a new officer was starting in October 2019 who will continue to progress the good work completed so far.</p> <p>Update provided by SIGO on 31/12/19 confirmed that this issue was ongoing due to lack of resources both within the Information Governance team and in Services. Training for SIOs is scheduled for 24/02/20.</p>	<p><b>29<sup>th</sup> February 2020</b></p>

## Corporate Governance 2018/19 (Final Report issued March 2019)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.8 Mandatory training in respect of governance (such as ethics and risk management) should be provided to all staff when they start at the Councils, as a refresher on a tri-annual basis and when any legislative changes occur.</p> <p>The Monitoring Officer should consult with Human Resources (HR) through the People Working Group or by other means in order to highlight issues and gaps in officer awareness, and identify satisfactory means by which relevant staff could have these areas matched to their training plans.</p>	<p>There is currently no mandatory governance training provided to staff and there is no longer centralised induction training provided where such issues may be raised.</p> <p>Whilst we noted that HR are currently in the process of reviewing training provision, including at time of induction, through the People Working Group, the group did not that time have any representation from Legal/Democratic Services.</p> <p>During the audit we noted a number of areas in which officers expressed reservations about wider staff awareness of core governance requirements including:</p> <ul style="list-style-type: none"> <li>• The need to register and publish notice of key and exempt decisions at least 28 days in advance; and</li> <li>• The need to inform the Monitoring Officer of any sub-delegations of duty.</li> </ul> <p>Where officers are unfamiliar with governance requirements, there is a risk that constitutional and/or statutory responsibilities will not be met which could result in unlawful or mismanaged decisions and actions.</p>	<p>Governance and Decision Making Training has been offered on 3 separate occasions to all Senior Managers, Heads of Service &amp; Directors during the last 6 months. This included training about key and exempt decisions.</p> <p>Training on Scheme of Delegations to Officers is being undertaken on a one to one basis with each Head of Service and their managers and there is a rolling programme being undertaken to review all sub delegations and publish the register of sub- delegations. It is anticipated this will be completed by December 2019.</p> <p>Training on ethics should be completed by line managers at induction time with reference to the Officer Code of Conduct and Protocol for Relationships which form part of the constitution and are available to all staff on the website.</p> <p>Deadline - 31<sup>st</sup> December 2019</p>	<p><i>No update yet provided</i></p>	<p><i>None set</i></p>

## Building Services – Stocks & Stores 2018/19 (Final Issued

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>The stock control spreadsheet should be kept up to date in order that it accurately reflects the current physical existence of materials in both the main storage and operatives' vans.</p>	<p>Maintaining up to date records assists management in ensuring the accuracy of its' stock levels and provides for effective stock management to be implemented.</p> <p>At the time of the audit, the Building Services Team was revamping its stock control processes. We were informed that an exercise was being undertaken to ensure clear and accurate records are being maintained by the Team in respect of stock type and quantity.</p> <p>Where up to date and accurate stock records are not maintained, there is an increased risk of loss or misappropriation of stock, which would result in a direct financial loss for the Council</p>	<p>Building Services have done some work to revamp processes. Housing Operations Manager to check what the improvements have been insofar as they may resolve some of the action points in the audit report.</p> <p>Deadline - 31<sup>st</sup> December 2019</p>	<p><i>No update yet provided</i></p>	<p><i>None set</i></p>



**Corporate Investigations Team (CIT) – Fraud update**  
**(statistical information from 1 April 2019 to 31 December 2019)**

**Update on work since last report to JGC in March 2019**

Since 16/07/2019, the Corporate Investigations Team have been conducting a full review of all persons currently receiving a 25% single person discount on their Council Tax in the Adur area. We verified replies from a total of 6743 households in Adur, to ascertain whether they should continue to receive a 25% discount. We found 6.45% of all SPDs claimed in Adur were false, which is above the national average of 4% (National Audit Commission 2019).

CIT have also conducted full pre-investigations on 102 Homeless Assistance applications and 935 Housing Applications, during the period 01/04/2019 to 31/12/2019, to ascertain their entitlement to access social housing within the Adur & Worthing areas.

Detailed below is the recovery/savings achieved by the CIT from their successful investigations since April 2019:

<b>Investigation type</b>	<b>No of successful investigations</b>	<b>* Saving per case £</b>	<b>Recovery/Saving £</b>
Adur SPD exercise	435	<b>Varying amounts by CT Band</b>	<b>138,583.80</b>
Housing – Housing Register	41	<b>3,240*</b>	<b>132,840</b>
Housing – Homeless Assistance Application	3	<b>3,240*</b>	<b>9,720</b>
Council Tax Reduction	5	<b>Varying Amounts</b>	<b>4,373.82</b>
Council Tax – Adur SPD NFI Matches	148	<b>Varying amounts by CT Band</b>	<b>61,239.40</b>
Council Tax – Worthing SPD NFI	187	<b>Varying amounts by CT Band</b>	<b>50,230.79</b>
			<b>479,787.81</b>

*\* The figures used in the above calculations are those used in the National Fraud Initiative Report 2018.*





ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 7

Joint Strategic Committee  
11 February 2020  
Agenda Item xx

Key Decision : No  
Ward(s) Affected: All

## **JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21 to 2022/23, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL**

### **REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES**

#### **EXECUTIVE SUMMARY**

##### **1. PURPOSE**

- 1.1 This report asks Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21 to 2022/23 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 2020/21 to 2022/23.
  - ii) Refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 11 February 2020.
- 2.2 The Joint Strategic Committee is recommended to:
- i) Approve and adopt the TMSS and AIS for 2020/21 to 2022/23, incorporating the Prudential Indicators and Limits, and MRP Statements.
  - ii) Forward the Prudential Indicators and Limits, and MRP Statements of the report for approval by Worthing Council at its meeting on 18 February 2020, and by Adur Council at its meeting on 20 February 2020.

### **3. INTRODUCTION**

#### **3.1 Background**

The Councils are required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in high quality counterparties or instruments commensurate with the Councils' low risk appetite, providing adequate liquidity initially, before considering investment return. This is consistent with national guidance which promotes security and liquidity above yield.

The second main function of the treasury management service is the funding of the Councils' capital plans. These capital plans provide a guide to the borrowing 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 Councils' risk or cost objectives.

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

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

CIPFA defines treasury management as:

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



## 3.2 Reporting requirements

### 3.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report to provide the following:

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

The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy and the Commercial Property Strategy are reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through those reports. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The capital strategy shows:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Councils have borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported as part of the outturn report and the annual review of the Corporate Property Investment Portfolio.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### 3.2.2 Treasury Management Reporting

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

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

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how the repayment of borrowing associated with capital expenditure is funded from 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 noting 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.

**Scrutiny** - The above reports are required to be scrutinised by the Joint Governance Committee (JGC) 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 2020/21

The strategy for 2020/21 covers two related subjects:

#### **Capital programme financing**

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

#### **Treasury management (the management of the council's cash flow, investments and debt)**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Councils;

- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers

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

### **3.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A briefing for members was provided by Link Asset Services in June 2019 and further training will take place in 2020 as required.

The training needs of treasury management officers are periodically reviewed and officers attend courses provided by appropriate trainers such as Link and CIPFA.

### **3.5 Treasury management consultants**

The Councils use Link Asset Services, Treasury Solutions as the external treasury management advisors.

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

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

The scope of investments within the Councils' operations includes both conventional treasury investments, (the placing of residual cash from the Councils' functions), and commercial type investments in property. The Councils use appropriate specialist advisers in relation to the commercial activity.

## **4. THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23**

The Councils' capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected

in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

#### 4.1 Capital expenditure

This prudential indicator is a summary of the Councils' capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

The tables below summarise the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing or borrowing need.

#### ADUR DISTRICT COUNCIL

Capital expenditure	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
Non-HRA	10.041	9.719	10.200	3.116	2.794
HRA	2.993	6.593	16.768	13.537	11.870
Commercial property purchases	26.532	49.868	37.020	0.000	0.000
<b>TOTAL</b>	<b>39.566</b>	<b>66.180</b>	<b>63.988</b>	<b>16.653</b>	<b>14.664</b>
<b>Financed by:</b>					
Capital receipts	0.490	1.967	1.045	0.923	0.423
Capital grants and contributions	1.024	6.536	2.317	0.388	0.388
Revenue Reserves & contributions	3.405	4.838	6.423	7.371	7.618
<b>Net financing need for the year</b>	<b>34.647</b>	<b>52.839</b>	<b>54.203</b>	<b>7.971</b>	<b>6.235</b>

The net financing need for commercial property purchases included in the above table against expenditure is shown below:

Adur DC Commercial property	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Expenditure	26.532	49.868	37.020	0.000	0.000
Financing required	26.382	49.324	35.800		
<b>Net financing need for the year</b>	<b>34.647</b>	<b>52.839</b>	<b>54.203</b>		
Percentage of total net financing need	76%	93%	66%		

## WORTHING BOROUGH COUNCIL

Capital expenditure	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
Non-HRA	11.576	16.932	21.470	5.671	12.075
Commercial property purchases	26.697	50.304	47.999	0.000	0.000
<b>TOTAL</b>	<b>38.273</b>	<b>67.236</b>	<b>69.469</b>	<b>5.671</b>	<b>12.075</b>
<b>Financed by:</b>					
Capital receipts	2.534	0.357	4.056	0.000	0.000
Capital grants and contributions	2.910	2.293	7.290	1.162	3.496
Revenue Reserves & contributions	1.305	1.727	2.764	3.291	3.477
<b>Net financing need for the year</b>	<b>31.524</b>	<b>62.859</b>	<b>55.359</b>	<b>1.218</b>	<b>5.102</b>

Worthing BC Commercial property	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Expenditure	26.697	50.304	47.999	0.000	0.000
Financing required	26.697	49.912	46.930		
<b>Net financing need for the year</b>	<b>31.524</b>	<b>62.859</b>	<b>55.359</b>		
Percentage of total net financing need	85%	79%	85%		

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, 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 scheme include

a borrowing facility and so the Councils are not required to separately borrow for these schemes. The Councils currently do not have any such schemes within the CFR. The Councils are asked to approve the CFR projections below:

#### ADUR DISTRICT COUNCIL

<b>Capital Financing Requirement (£m)</b>	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
CFR – non-HRA	25.185	28.372	35.356	36.337	36.800
CFR Commercial	37.962	87.287	123.087	121.357	119.577
CFR – HRA	60.103	60.430	71.849	80.569	88.121
<b>Total CFR</b>	<b>123.250</b>	<b>176.089</b>	<b>230.292</b>	<b>238.263</b>	<b>244.498</b>
<b>Movement in CFR</b>	<b>34.647</b>	<b>52.839</b>	<b>54.203</b>	<b>7.971</b>	<b>6.235</b>
<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	35.663	54.230	56.615	11.360	9.871
<b>Less: MRP/VRP and other financing movements</b>	<b>(1.016)</b>	<b>(1.391)</b>	<b>(2.412)</b>	<b>(3.389)</b>	<b>(3.636)</b>
<b>Movement in CFR</b>	<b>34.647</b>	<b>52.839</b>	<b>54.203</b>	<b>7.971</b>	<b>6.235</b>

#### Worthing Borough Council

<b>Capital Financing Requirement (£m)</b>	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
CFR – non-HRA	43.977	56.924	65.353	68.285	75.152
CFR Commercial	26.697	76.609	123.539	121.825	120.060
<b>Total CFR</b>	<b>70.674</b>	<b>133.533</b>	<b>188.892</b>	<b>190.110</b>	<b>195.212</b>
<b>Movement in CFR</b>	<b>31.524</b>	<b>62.859</b>	<b>55.359</b>	<b>1.218</b>	<b>5.102</b>
<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	32.635	64.316	57.591	4.410	8.510
<b>Less: MRP/VRP and other financing movements</b>	<b>(1.111)</b>	<b>(1.457)</b>	<b>(2.232)</b>	<b>(3.192)</b>	<b>(3.408)</b>
<b>Movement in CFR</b>	<b>31.524</b>	<b>62.859</b>	<b>55.359</b>	<b>1.218</b>	<b>5.102</b>

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Councils' overall financial position. The capital expenditure figures shown above demonstrate the scope of this activity and, by approving these figures, members consider the scale proportionate to the Councils' remaining activity.

#### 4.3 **Minimum revenue provision (MRP) policy statement**

The Councils are required to set aside funds to repay the accumulated General Fund debt associated with the capital investment programme each year (the CFR) through a revenue charge to the General Fund budget (the minimum revenue provision - MRP), although they are also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

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

For both Councils, the MRP relating to built assets under construction will be set aside once the asset is completed. 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. No such policy was required by Worthing Borough Council which had no debt as at 1 April 2008.

##### 4.3.1 **General Fund**

For non-HRA capital expenditure after 1st April 2008 the MRP will be calculated as the annual amount required to repay borrowing based on the annuity method: equal annual payments of principal and interest are calculated, with the interest element reducing and the principal element increasing 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 2020/21.

#### 4.3.2 **Housing Revenue Account**

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

### **WORTHING BOROUGH COUNCIL**

- 4.3.3 Worthing applies the same MRP policy as Adur for capital expenditure funded from borrowing from 1 April 2008. Worthing has the same discretion as Adur Council in the application of MRP in respect of capital loans to approved Counterparties. It is proposed to retain this policy for 2020/21.

### **ADUR and WORTHING COUNCILS - VOLUNTARY REVENUE PROVISION**

- 4.3.4 **MRP Overpayments** – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31<sup>st</sup> March 2020 Adur made VRP overpayments of £50k and Worthing has a cumulative £490k VRP overpayment which will be reclaimed over the following 5 years.

## **5. BORROWING**

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



## 5.1 Current portfolio position

The Councils' treasury portfolio positions at 31st March 2019 and at 31st December 2019 are shown below.

### Adur District Council

	Principal at 31.03.19 £m	Actual 31.03.2019 %	Principal at 31.12.19 £m	Actual 31.12.2019 %
<b>External Borrowing</b>				
PWLB	(98.227)	85%	(144.367)	88%
Other Borrowing	(17.940)	15%	(20.262)	12%
Finance lease	(0.000)		(0.000)	100%
<b>TOTAL BORROWING</b>	<b>(116.167)</b>	100%	<b>(164.629)</b>	
<b>Treasury Investments:</b>				
Local Authority Property Fund	0.983	9%	2.983	16%
<b>In-house:</b>				
Banks	6.010	57%	9.010	48%
Building societies	0.000	0%	2.000	11%
Bonds	0.055	1%	0.030	0%
Local authorities	0.000	0%	0.000	0%
Money market funds	3.504	33%	4.624	25%
<b>TOTAL INVESTMENTS</b>	<b>10.552</b>	100%	<b>18.647</b>	100%
<b>NET DEBT</b>	<b>(105.615)</b>		<b>(145.982)</b>	

### Worthing Borough Council

	Principal at 31.03.19 £m	Actual 31.03.2019 %	Principal at 31.12.19 £m	Actual 31.12.2019 %
<b>External Borrowing</b>				
PWLB	(61.222)	91%	(108.008)	89%
Other Borrowing	(6.028)	9%	(14.000)	11%
Finance lease	(0.000)		0.000	
<b>TOTAL BORROWING</b>	<b>(67.250)</b>	100%	<b>(122.008)</b>	100%

	Principal at 31.03.19 £m	Actual 31.03.2019 %	Principal at 31.12.19 £m	Actual 31.12.2019 %
<b>Treasury Investments:</b>				
Local Authority Property Fund	0.491	5%	1.484	8%
<b>In-house:</b>				
Banks	7.000	72%	4.500	25%
Building societies	0.000	0%	3.000	17%
Bonds	0.075	1%	0.050	0%
Local authorities	0.000	0%	5.000	28%
Money market funds	2.200	22%	3.850	22%
<b>TOTAL INVESTMENTS</b>	<b>9.766</b>	<b>100%</b>	<b>17.884</b>	<b>100%</b>
<b>NET INVESTMENTS</b>	<b>(57.484)</b>		<b>(104.124)</b>	

Worthing Borough Council has also made two loans which are categorised as capital rather than a treasury investment:

- a £10m loan to Worthing Homes
- a £5m loan to GBMet

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	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt at 1 April	(85.138)	(116.167)	(168.456)	(221.709)	(228.480)
Expected change in Debt	(31.029)	(52.289)	(52.253)	(6.771)	(4.835)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(116.167)	(168.456)	(221.709)	(228.480)	(233.315)
The Capital Financing Requirement	123.250	176.089	230.292	238.263	244.498
Under/(over) borrowing	7.083	7.633	8.583	9.783	11.183

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

<b>Adur District Council</b>	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
<b>External Debt for commercial activities / non-financial investments</b>					
Actual debt at 31 March £m	(37.962)	(87.187)	(122.887)	(121.057)	(119.177)
Percentage of total external debt %	33%	52%	55%	53%	51%

### **Worthing Borough Council**

<b>Worthing BC External Debt £m</b>	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Debt at 1 April	(41.564)	(67.250)	(130.009)	(184.868)	(185.086)
Expected change in Debt	(25.686)	(62.759)	(54.859)	(0.218)	(4.102)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(67.250)	(130.009)	(184.868)	(185.086)	(189.188)
The Capital Financing Requirement	70.674	133.533	188.892	190.110	195.212
Under/(over) borrowing	3.424	3.524	4.024	5.024	6.024

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

<b>Worthing B C</b>	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
<b>External Debt for commercial activities / non-financial investments</b>					
Actual debt at 31 March £m	(26.697)	(76.509)	(123.339)	(121.525)	(119.660)
Percentage of total external debt %	40%	59%	67%	66%	63%

Within the prudential indicators there are a number of key indicators to ensure that the Councils operate their activities within well-defined limits. One of these is that the Councils need to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Financial Officer reports that the Councils complied with this prudential indicator in the current year and does not envisage difficulties for

the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

## 5.2 Treasury Indicators: limits to borrowing activity

The Councils have approved a maximum budget of £125m per Council in respect of commercial property purchases.

**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	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt	103.0	105.0	112.0	119.0
Other long term liabilities	1.0	1.0	1.0	1.0
Commercial activities/ non-financial investments	88.0	124.0	122.0	120.0
<b>Total</b>	<b>192.0</b>	<b>230.0</b>	<b>235.0</b>	<b>240.0</b>

### WORTHING BOROUGH COUNCIL

Operational boundary £m	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	5.0	4.7	4.5
Other Debt	55.0	55.0	57.3	60.5
Other long term liabilities	1.0	1.0	1.0	1.0
Commercial activities/ non-financial investments	80.0	124.0	122.0	121.0
<b>Total</b>	<b>151.0</b>	<b>195.0</b>	<b>195.0</b>	<b>197.0</b>

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

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

2. The Councils are asked to approve the following authorised limits:

#### ADUR DISTRICT COUNCIL

Authorised limit £m	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt	105.0	120.0	124.0	129.0
Other long term liabilities	1.0	1.0	1.0	1.0
Commercial activities/ non-financial investments	90.0	124.0	122.0	120.0
<b>Total</b>	<b>196.0</b>	<b>245.0</b>	<b>247.0</b>	<b>250.0</b>

#### WORTHING BOROUGH COUNCIL

Authorised limit £m	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	5.0	4.7	4.5
Other Debt	50.0	60.0	62.3	69.5
Other long term liabilities	1.0	1.0	1.0	1.0
Commercial activities/ non-financial investments	90.0	124.0	122.0	120.0
<b>Total</b>	<b>156.0</b>	<b>200.0</b>	<b>200.0</b>	<b>205.0</b>

### 5.3 Prospects for interest rates

The Councils have appointed Link Asset Services as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. The following table gives their central view:

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PwLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PwLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PwLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PwLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the

EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 5.9 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward

pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

## Investment and borrowing rates

Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. The gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%, therefore the Councils will consider carefully the duration of longer term borrowing until such time as the extra 100 bps margin is removed.

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 short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 5.4 Borrowing Strategy

The Councils are both currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Councils' reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are currently low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 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 rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. 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 Both Councils will refer in the first instance to the Public Works Loan Board (PWLB) for sourcing their borrowing needs, given that they are eligible to access the PWLB “Certainty” rate of interest, being 20 basis points below the normal prevailing PWLB rates. However, borrowing from other sources, including other Local Authorities and the Local Government Association Municipal Bonds Agency, may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

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 eg over £20m and takes time to arrange because the lender and the Council needs to undertake due diligence. However the new health hub may offer an opportunity to take advantage of this form of borrowing, if it is at lower rates than the PWLB.

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:

- i) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing;
  - ii) Weighing the short term advantage of internal borrowing against potential long term borrowing costs, in view of the overall forecast for long term borrowing rates to increase over the next few years;
  - iii) PWLB fixed rate loans for up to 20 years;
  - iv) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB, market debt and loans from other councils in the debt portfolio;
  - v) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.
  - vi) Short term loans from other Councils where appropriate;
  - vii) Longer term PWLB loans
  - viii) Other forms of borrowing where appropriate eg green bonds or the Municipal Bonds Agency where these offer better value than the PWLB
- 5.6 Preference will be given to PWLB borrowing by annuity and EIP loans instead of maturity loans, as this may result in lower interest payments over the life of the loans.

## 5.7 Policy on borrowing in advance of need

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

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

## 5.8 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment 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

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

The degree to which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

# 6. ANNUAL INVESTMENT POLICY AND STRATEGY

## 6.1 Investment Policy – Management of risk

6.1.1 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). The strategy and approach to managing risk for investing in non-financial investments, essentially the purchase of commercial property, is dealt with by the Commercial Property Investment Strategy which forms part of the Capital Strategy.

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

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Councils’ investment priorities will be security first, portfolio liquidity second and then yield, (return).

- 6.1.3 The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. As conditions in the financial markets remain uncertain, most of the proposed maximum limits for Specified and Unspecified Investments for 2020/21 are the same as for 2019/20. However the indicators will be revised to reflect the recent £5m loan by Worthing Borough Council to GB Met College. Over the forthcoming months, the Councils will consult the treasury advisors about the range of “ethical” and “green” investments that is developing. Counterparties will be asked to provide their “sustainability” or “climate change” policies to ensure that the Council invests funds appropriately.
- 6.1.4 Investment instruments identified for use in the financial year are listed in Appendix B under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Councils’ treasury management practices.
- 6.1.5 The guidance from the MHCLG and CIPFA place 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**” 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.
  - **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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity ie an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
- e) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix B.
  - f) **Transaction limits** are set for each type of investment in Appendix B.
  - g) The Councils will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 6.10).
  - h) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 6.5). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.
  - i) The Councils have engaged **external consultants**, (see paragraph 3.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Councils in the context of the expected level of cash balances and need for liquidity throughout the year.
  - j) All investments will be denominated in **sterling**.
  - k) As a result of the change in accounting standards for 2019/20 under IFRS 9, the Councils will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. Consequently any fluctuations in the value of the Councils' investments in the Local Authorities' Property Fund will not be taken through the general fund for the period of the override).

6.1.6 However, the Councils will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 6.16). Regular monitoring of investment performance will be carried out during the year.

### 6.1.7 Changes in investment limits from last year

- a) Worthing Borough Council has added GB Met College to its list of investments.
- b) Both Councils intend to explore the options for “ethical” or “green” investments with the treasury advisors.
- c) The investment limit with other local authorities has been set at £5m per authority, to ensure that there is an appropriate spread of risk.
- d) The investment limit with AAA rated money market funds has been amended to £9m for Worthing for any period over 7 days. For Adur, investment in money market funds will now be at the discretion of the Chief Financial Officer, who will ensure that best value investment opportunities are maximised. The limit per fund of £3m remains the same.
- e) Deutsche Bank has been removed from the Specified Investments list.

## 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 Asset Services, our treasury advisors, on all active counterparties that comply with our criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council

criteria will be suspended from use, with all others being reviewed in light of market conditions.

- 6.2.4 The Link Asset Services' 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.

### **The Councils' Minimum Investment Creditworthiness Criteria**

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

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

#### 6.4 **UK banks – ring fencing**

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Councils will continue to assess the new-formed entities in the same way that they do others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

#### 6.5 **Country Limits and Proposed Monitoring Arrangements**

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

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

6.6 Although the Councils can control the foreign exposure for fixed term deposits via the choice of counterparties, the ability to do this for instant access Money Market Funds (MMFs) is more difficult, as the assets which comprise the

funds generally consist of loans to other financial institutions (UK and worldwide).

- 6.7 Recognising the present financial climate, and that any investment is only as good as the underlying assets, the Councils shall use a Money Market Fund Portal for placing and redeeming transactions. This will allow access to information on the underlying composition of the MMFs, including the geographic spread of the underlying assets.

## **Investment Strategy**

### **6.8 In-house funds**

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

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

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

### **6.9 Investment returns expectations**

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.25%

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:



2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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

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

**ADUR DISTRICT COUNCIL**

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2020/21	2021/22	2022/23
Principal sums invested > 365 days	50%	50%	50%

**WORTHING BOROUGH COUNCIL**

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2020/21	2021/22	2022/23
Principal sums invested > 365 days	50%	50%	50%

Both Councils are currently holding investments in the Local Authorities' Property Fund and other small bonds (£50k for Worthing and £25k for Adur) which are expected to be invested for more than 365 days.

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

6.12 The Councils' proposed investment activity for placing cash deposits in 2020/21 will be to use:

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

### **Other Options for Longer Term Investments**

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

- a) **Supranational bonds greater than 1 year to maturity** eg European Reconstruction and Development Bank
- 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** 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.
- 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 will seek further advice on the appropriateness and associated risks with investments in these categories as and when an opportunity presents itself).

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

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

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

6.17 **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.

6.18 **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. Representatives of the Fund are due to visit the Councils at the end of January to give a presentation on current and forecast performance.

**7. OTHER MATTERS**

- 7.1 **Balanced budget requirement** - the Councils comply with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.
- 7.2 **Worthing Leisure Trust** - the arrangements for establishing The Worthing Leisure Trust include provision for Worthing Council to provide the Trust with temporary cash flow advances (if required) up to a maximum of £500k to assist it in the early start-up years. Such advances as may be made shall be repayable as soon as practical and attract a rate of interest for the loan term of Bank Base Rate plus 5%.

**8. ENGAGEMENT AND COMMUNICATION**

- 8.1 The Adur and Worthing Councils’ treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2019, and which defines the respective roles of the client and provider authorities for a period of three years.
- 8.2 Information and advice is supplied throughout the year by Link Asset Services Ltd, the professional consultants for the Councils’ shared treasury management service.

**9. FINANCIAL IMPLICATIONS**

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

Finance Officer ..... Date.

**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.

Legal Officer: Susan Sale Date: 16th January 2020

**Background Papers**

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2019/20 to 21/22 – Joint Governance Committee, 22 January 2019 and Joint Strategic Committee 31 January 2019

Annual Joint In-House Treasury Management Operations Report 1 April 2018 – 31 March 2019 for Adur District Council and Worthing Borough Council – Joint Governance Committee, 30 July 2019 and Joint Strategic Committee, 10 September 2019

Overall Budget Estimates 2020/201and Setting of 2020/21 Council Tax Report

Link Asset Services Ltd TMSS Template 2020/21

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2017)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2017)

MHCLG Investment Guidance

Funding and Management Agreement with South Downs Leisure Trust

**Officer Contact Details:-**

Pamela Coppelman

Group Accountant (Strategic Finance)

Telephone: 01903 221236

Email: [pamela.coppelman@adur-worthing.gov.uk](mailto:pamela.coppelman@adur-worthing.gov.uk)

## **SUSTAINABILITY & RISK ASSESSMENT**

### **1. ECONOMIC**

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

### **2. SOCIAL**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

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

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. ENVIRONMENTAL**

Matter considered and no issues identified.

### **4. GOVERNANCE**

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

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2020/21 - 2022/23, submitted and approved before the commencement of the 2020/21 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 2020/21 – 2022/23

- 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	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
Non-HRA	10.041	9.719	10.200	3.116	2.794
HRA	2.993	6.593	16.768	13.537	11.870
Commercial activities	26.532	49.868	37.020	0.000	0.000
<b>TOTAL</b>	<b>39.566</b>	<b>66.180</b>	<b>63.988</b>	<b>16.653</b>	<b>14.664</b>

#### Worthing Borough Council

Worthing Capital expenditure	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
Non-HRA	11.576	16.932	21.470	5.671	12.075
Commercial activities	26.697	50.304	47.999	0.000	0.000
<b>TOTAL</b>	<b>38.273</b>	<b>67.236</b>	<b>69.469</b>	<b>5.671</b>	<b>12.075</b>

#### 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 %	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	%	%	%	%	%
Non-HRA	16.04	14.81	16.45	22.29	23.58
HRA	23.82	25.10	27.24	29.86	30.50
Commercial activities	(8.25)	(19.45)	(25.51)	(24.02)	(22.69)
<b>TOTAL</b>	<b>31.61</b>	<b>20.46</b>	<b>18.18</b>	<b>28.13</b>	<b>31.39</b>

## WORTHING BOROUGH COUNCIL

Worthing %	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	%	%	%	%	%
Non-HRA	4.84	3.62	2.53	4.89	6.39
Commercial activities	(2.43)	(10.64)	(19.09)	(17.32)	(16.41)
<b>TOTAL</b>	<b>2.41</b>	<b>(7.02)</b>	<b>(16.56)</b>	<b>(12.43)</b>	<b>(10.02)</b>

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

### HRA Ratio

Adur	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
HRA debt £m	(59.581)	(59.908)	(71.327)	(80.046)	(87.599)
Number of HRA dwellings	2552	2540	2539	2560	2574
Debt per dwelling	£23.3k	£23.6k	£28.1k	£31.3k	£34.0k

### 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**

<b>Limits to maturity structure of fixed interest rate borrowing 2020/21</b>		
	<b>Lower Limit</b>	<b>Upper Limit</b>
<b>Under 12 months</b>	0%	20%
<b>12 months to 2 years</b>	0%	25%
<b>2 years to 5 years</b>	0%	40%
<b>5 years to 10 years</b>	0%	70%
<b>10 years to 20 years</b>	0%	80%
<b>20 years to 30 years</b>	0%	60%
<b>30 years to 40 years</b>	0%	60%
<b>40 years to 50 years</b>	0%	45%

**WORTHING BOROUGH COUNCIL**

<b>Limits to maturity structure of fixed interest rate borrowing 2020/21</b>		
	<b>Lower Limit</b>	<b>Upper Limit</b>
<b>Under 12 months</b>	0%	35%
<b>12 months to 2 years</b>	0%	35%
<b>2 years to 5 years</b>	0%	75%
<b>5 years to 10 years</b>	0%	75%
<b>10 years to 20 years</b>	0%	75%
<b>20 years to 30 years</b>	0%	75%
<b>30 years to 40 years</b>	0%	75%
<b>40 years to 50 years</b>	0%	75%

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

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

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

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

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

The investment policy proposed for the Councils is:

**Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

### **SPECIFIED AND NON SPECIFIED INVESTMENTS**

#### **Specified Investments identified for use by the Councils**

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Councils have the right to be repaid within 12 months if they wish. These are considered low risk assets where the possibility of loss of principal or investment income is small. 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.
- \*Certificates of deposit with banks and building societies

*\* Investments in these instruments will be on advice from the Councils' treasury advisor.*

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.

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:

<b>Instrument</b>	<b>Country and sovereign rating</b>	<b>Counterparty</b>	<b>Max'm exposure limit £m and/or %</b>
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB)	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB)	£4m
Term Deposits/ Call Accounts	UK	Clydesdale	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB)	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB)	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc	£3m
Term Deposits/ Call Accounts	UK	Goldman Sachs International Bank	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

<b>Instrument</b>	<b>Country and sovereign rating</b>	<b>Counterparty</b>	<b>Max'm exposure limit £m and/or %</b>
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	£4m
Term Deposits	UK	Yorkshire BS	£2m
Term Deposits	UK	Coventry BS	£2m
Term Deposits	UK	Skipton BS	£2m
Term Deposits	UK	Leeds BS	£2m
Share Capital	n/a	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, call accounts or Money Market Funds, or any combination thereof, except that this limit may be breached for liquidity purposes for up to 1 week at any time.*

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

## APPENDIX B - ANNEX 1

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

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

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
<ul style="list-style-type: none"> <li>☒ Deposits with banks and building societies</li> <li>☒ Certificates of deposit with banks and building societies</li> <li>☒ Deposits with Local Authorities</li> <li>☒ The UK Government</li> </ul>	√	√	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution	No
<p><b>Gilts and Bonds:</b></p> <ul style="list-style-type: none"> <li>☒ Gilts</li> <li>☒ Bonds issued by multilateral development banks</li> <li>☒ Bonds issued by financial institutions guaranteed by the UK government</li> <li>☒ Sterling denominated bonds by non-UK sovereign governments</li> </ul>	√	√	5 years	The higher of £3m or 25% of funds	No
<p>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.</p>	√ (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
<p>Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies</p>	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

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

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

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.
3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

## APPENDIX B - ANNEX 2

### 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:

<b>Instrument</b>	<b>Country and sovereign rating</b>	<b>Counterparty</b>	<b>Max'm exposure limit £m and/or %</b>
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB)	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB)	£4m
Term Deposits/ Call Accounts	UK	Clydesdale	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB)	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB)	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc	£3m
Term Deposits/ Call Accounts	UK	Goldman Sachs International Bank	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds



<b>Instrument</b>	<b>Country and sovereign rating</b>	<b>Counterparty</b>	<b>Max'm exposure limit £m and/or %</b>
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	£9m (the limit may be exceeded for up to 7 days), maximum £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS	£4m
Term Deposits	UK	Yorkshire BS	£2m
Term Deposits	UK	Coventry BS	£2m
Term Deposits	UK	Skipton BS	£2m
Term Deposits	UK	Leeds BS	£2m
*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 with the above criteria on maturity.*

*NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof, except that this limits may be breached for liquidity purposes for up to 1 week at any time.*

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

**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?
<ul style="list-style-type: none"> <li>☒ Deposits with banks and building societies</li> <li>☒ Certificates of deposit with banks and building societies</li> <li>☒ Deposits with Local Authorities</li> <li>☒ The UK Government</li> </ul>	√	√	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution	No
<p><b>Gilts and Bonds:</b></p> <ul style="list-style-type: none"> <li>☒ Gilts</li> <li>☒ Bonds issued by multilateral development banks</li> <li>☒ Bonds issued by financial institutions guaranteed by the UK government</li> <li>☒ Sterling denominated bonds by non-UK sovereign governments</li> </ul>	√	√	5 years	The higher of £3m or 25% of funds	No
<p>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.</p>	√ (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
<p>Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies</p>	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

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

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

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.
3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

**COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO PROFESSIONAL INVESTOR STATUS**

(i) **Money Market Funds**

Invesco  
Federated Investors  
CCLA  
Black Rock

(ii) **Building Societies**

Skipton Building Society  
Coventry Building Society  
Leeds Building Society

(iii) **Brokers**

BGC (Sterling)  
Tradition  
ICAP  
Imperial

(iv) **Other**

ICD (Portal used for money market fund investments)  
Link Asset Services

These arrangements will be regularly reviewed as appropriate.

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**(i) Full Council**

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

**(ii) Joint Strategic Committee**

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

**(iii) Joint Governance Committee**

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

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

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

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

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

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

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

## ECONOMIC BACKGROUND

**UK. Brexit.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the general election on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

**GDP growth** has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report**, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

**The MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that domestic "unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government

has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44 year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However; CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with



increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

**EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

There were no policy changes in the December meeting which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of forming **coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to

address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN.** has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.**

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

### **INTEREST RATE FORECASTS**

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The

forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

### **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **A resurgence of the Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the

anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.

- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on some \$19trn of corporate debt in major western economies, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.



ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 8

Ward(s) Affected: All

## **Strategic Property Investment Fund 2020 Annual Commercial Property Investment Strategy 2020/21**

### **Report by the Director for the Economy**

#### **Executive Summary**

Statutory guidance places a duty on local authorities to prepare an annual investment strategy to be approved by the full council or equivalent, in advance of forthcoming financial years.

This report seeks to provide an update on the recent investment activities and current position of the Strategic Property Investment Fund as of January 2020. This covers:

- The current overall fund structures and completions within the current financial year to date.
- Updates to processes to support the ongoing structured and measured approach to property income generations and pro-active risk management inherent in any property investment.
- Update mechanisms to support the ongoing development of a balanced portfolio with a move from initial income generation to total return approach as the fund matures, with an increasing focus on strategic asset management and long term growth approach.
- Outline the future strategy to increase the respective Councils' funds by a further £50 million per Council from £125m per Council to £175m per Council, increasing capital reserve allocations and ensuring ongoing resourcing of the pro-active management of the funds

A review has also been undertaken of the current Investment Strategy has been undertaken and updated version is attached to this report as an Appendix to this report.

The primary objective of the CPIS is to build a strong and resilient portfolio generating consistent revenue for the benefit of the Councils' delivery of services for the benefit of Adur and Worthing.

It is recommended that both of these reports be approved by the respective Councils as the Commercial Property Investment Strategy for 2020/2021.

## **1. Purpose**

- 1.1 To update and confirm the Councils' robust Commercial Property Investment Strategy (CPIS) to support the Councils' strategic income generation objective.
- 1.2 To meet the Councils' statutory obligation to prepare an annual investment strategy to be approved in advance of the relevant financial year by Full Council (or equivalent).
- 1.3 The report will support the Councils' medium term financial strategy and seeks to renew and refresh the current investment strategy in relation to the investment funds providing details on:
  - Robust parameters to guide and support the development of an income generating property portfolio that seeks to manage and provide a financially resilient income stream for the Councils
  - Update governance criteria to ensure diligent analysis and transparency to support the transparent decision making process

## **2. Recommendations**

- 2.1 It is recommended that Joint Governance Committee considers the contents of this report, providing feedback and/or comments to the Joint Strategic Committee (JSC)
- 2.2 It is recommended that the Joint Strategic Committee:
  - i. Agree the suggested delivery and governance model as set out in the report which will be approved by full Council as part of the overall Commercial Property Investment Strategy

- ii. Note that at the end of the 2019-2020 financial year a Commercial Property Investment Fund Annual Asset Review to be undertaken to detail specific performance of assets and potential future risks and opportunities along with proposals to manage these individual sites moving forward. This will be reported to the JSC by the end of September.
- iii. Notes that as part of the 2020/21 capital strategy, consideration is given to increasing the overall investment size from £125m to £175m per Council which will be funded from borrowing.
- iv. Approves that the average lot size be increased from £5m - £15m to £10m - £20m.
- v. Recommends to Adur District Council and Worthing Borough Council to adopt the Commercial Property Investment Strategy for 2020-2021
- vi. Approves that the budget for future years may be brought forward with the approval of the relevant Executive Members for Resources, following their consideration of a business case

### **3. Context**

- 3.1. Due to continued reductions in central government grant funding, local authorities are increasing reliant upon income generating models to support the delivery of council services.
- 3.2. Adur and Worthing Councils have to make savings of £10m over the next 5 years. This is detailed in the Council's Outline Forecast and Budget strategy for 2020/21 which set out the initial challenge and detailed the Council's approach to delivering the required level of savings.
- 3.3. <sup>1</sup>Direct investment in commercial properties is one of the ways that Councils across the country have sought to increase their income growth in support of delivering council services
- 3.4. According to the Ministry of Housing Communities and Local Government, local authority expenditure on trading services totalled £4.0bn in 2018-19, up £993m (33%) in real terms from the previous year. (Trading services include

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<sup>1</sup> Local Authority Capital Expenditure and Receipts, England: 2018-19 Final Outturn

the maintenance of direct labour and service organisations, such as civic halls, retail markets and industrial estates, and commercial activity)

- 3.5. Direct property investment is commonly undertaken by local authorities who have acquired assets both within their administrative boundaries and nationally.
- 3.6. National local authority spend on commercial property this financial year to date has totalled circa £1.9bn, with a total of £2.2bn spent in 2019. According to the Estates Gazette Radius Exchange, Councils have invested £3.5bn into office assets and a further £2.4bn into retail and leisure stores and schemes with almost 30% of all transactions in commercial real estate outside of the council's administrative area as councils seek to provide financial resilience for their services.
- 3.7. Typically these investments have been funded through Public Works Loan Board (PWLB) long term lending which is at rates of circa 2%-3%. Historically, this lending has been on preferential terms to the market enabling authorities to utilise this to generate income over and above borrowing costs. This surplus is used to contribute towards the funding of services and mitigating the impact of cuts to services whilst also protecting services that would otherwise be at risk of closure.
- 3.8. Members will be aware that earlier in the year the PWLB increased borrowing rates by 1%, nevertheless the rates still represent good value.
- 3.9. Adur District and Worthing Borough Councils have an established Strategic Property Investment Fund following a report to JSC in July 2015. Since this time, subsequent reports (the most recent being March 2019) have built upon and developed this workstream following the successful introduction of the Strategic Property Investment Fund and have increased the current fund size to £125m per Council
- 3.10. The approval of the 2019 Commercial Property Investment Strategy (CPIS) provided mechanisms to grow the portfolio and monitor performance through improved asset management, continued annual reviews and KPI monitoring. This report reinforces the continued need to monitor performance but moves to take a longer term total return approach to growing the portfolio. The investment strategy as part of this year's report follows the same format as previously.



3.11. This year's investment strategy reflects on the changes in the market over the last 12 months and looks ahead to the future providing context for considering the expansion of the fund size and continued investment within commercial property both in the context of council revenue requirements and general market regulations on this activity.

#### 4. Issues for consideration

##### 4.1. Financial position

4.1.1. Please note that all capital values quoted in the report are based upon initial purchase price excluding purchaser's costs. The two portfolios properties are subject to annual market valuations. This shows that overall the Worthing fund has increased in capital value by circa £800,000 and the Adur fund has shown a modest increase of circa £600,000 as at 1 April 2019. These are accounting valuations and do not include in year revaluations or on this financial year's acquisitions.

##### Year 2019-2020 position

	Number of purchases	Total Spend	Net return after borrowing
Adur	3	£40.85m	£747,187
Worthing	6	£51.73m	£831,688*

##### Year 2018-2019 position

	Number of purchases	Total Spend	Net return after borrowing
Adur	3	£24.98m	£521,730
Worthing	3	£25.14m	£522,210

## Overall Fund position

	Number of purchases	Total Spend	Total Net return after borrowing
Adur	7	£76.76m	£1.55m
Worthing	13	£85.17m	£1.70m*

\*This figure attributes nil income to Cannon House, Chatsworth Road - purchased with vacant possession and currently on the market available to let at £104,000 pa.

This figure does not include the uplift in income from the Liverpool Gardens Car Park acquisition should the Council seek to operate this car park directly, estimated at an additional £70,000pa.

4.1.2. Based on the current purchases, the Council will over-achieve it's income targets for 2019/20 as follows:

### Total income for 2019/20

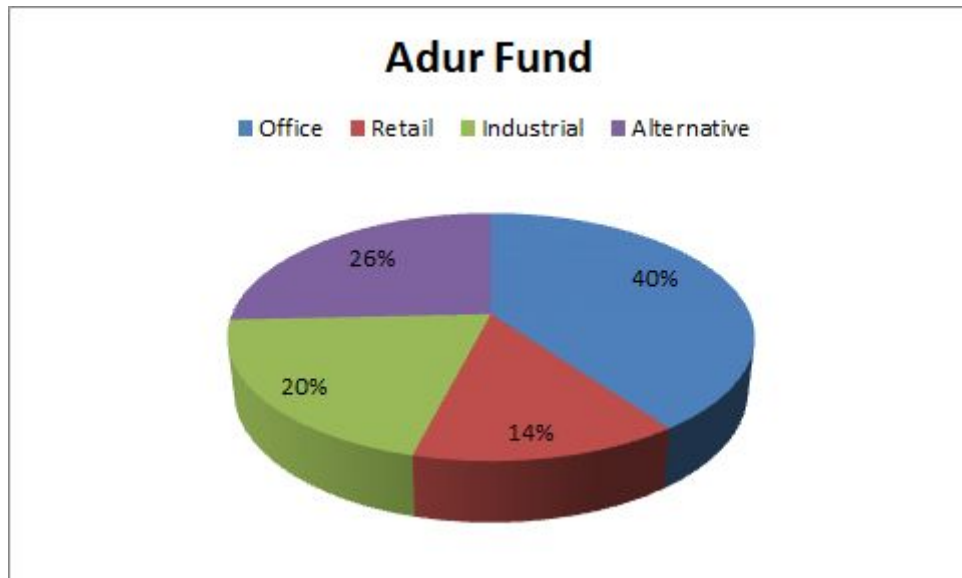
	Budget	Forecast outturn	Over achievement
	£	£	£
Adur	-2,728,010	-3,543,017	815,007
Worthing	-3,229,040	-3,882,659	653,619

4.1.3. It is important to note that due to the timings of individual purchases throughout the financial year, the rent received will be reduced in the first year to reflect the time held. Overall, the total annual rental yield from the current portfolios is expected to be £4.59m per annum for Adur and £5.3m for Worthing from next year.

## 4.2. Current Fund Structure

4.2.1. During the current financial year, the Councils have sought to acquire properties with yields at circa 5% as the funds move to a lower risk return, seeking strong underpinning factors with the investment but with potential for long term stable income and growth opportunities. The Councils have sought to acquire investments with strong covenants and often index linked rental growth for greater security.

4.2.2. The pie charts below detail the current weighting of the funds considering all purchases to date



These funds have been targeting the following asset class weightings:

Office	Retail	Industrial	Alternative
30%	20%	25%	25%

Details of the 2019-2020 individual acquisitions are summarised at **Appendix 2**

- 4.2.3. The above charts show that the latest financial year still leaves both Councils weighted towards office investments as this has been driven by a combination of market opportunities and strong fundamentals within this sector.
- 4.2.4. Both funds have significantly increased their diversification into alternative and industrial asset classes, seeking to spread risk where opportunities with sufficiently strong fundamentals present.
- 4.2.5. It is important to note that this diversification will continue as the funds mature and seek a total return approach rather than immediate short term income.
- 4.2.6. Purchases continue to focus on the South East market, where market foundations remain strong. Acquisitions have been spread across regional centres.
- 4.2.7. The key considerations underpinning the recent acquisitions has been similar to the 2018-2019 market commentary and a key update is provided below on the relevant sectors:

**1. Offices**

Office markets remain strong but investment volumes are lower than last year due to a shortage of stock, making office investments an attractive investment. Offices have been considered to be the least volatile investment sector so it is not unexpected that both Councils are heavily weighted towards office within the portfolios.

Looking to 2020 office occupier markets are likely to continue to perform well across the UK despite ongoing political background noise. Demand will be driven by a wide range of sectors including professional services and the public sector. On the capital markets side, yield compression is possible during 2020 if uncertainty dissipates.

**2. Retail**

Retail properties have continued to present high volatility rates and other than food retail acquisitions and those more historic retail acquisitions which benefit longer term regeneration aims of the Councils in borough, the Councils have typically sought to avoid retail due to the higher risk of these investments.

It is anticipated that there will be continued structural change in UK retail in 2020. Performance will be strongest in London and the surrounding key urban locations while polarisation of assets will see prime retail outperform the rest. Repurposing of assets will be the key trend in 2020, converting excess retail space to create mixed-use destination schemes.

### **3. Industrial**

Industrial investments remain highly sought after for strong stock, often pushing yields for prime assets significantly below 5%. The Councils have invested into this sector seeking to balance risk with return on stock close to this yield but in more regional centres where market fundamentals for the asset remain good.

It is expected that rental growth will continue although at a lower rate than we have seen recently. Industrial investments will remain competitively priced due to continued demand for industrial space, particularly in relation to last mile distribution linked to online retail. The Councils will remain alert to opportunities, although these are expected to be relatively limited in comparison with office and retail.

### **4. Alternatives**

The Councils have added alternative investments to the funds, acquiring long index linked income to strong covenants. Owing to the attractiveness of such investments within the market, tighter yields reduce the net return for the Councils, but by seeking to purchase strong covenants, investments are de-risked significantly in comparison to retail/industrial.

It is likely that 2020 will continue to present uncertainty so competition for such investments is likely to remain high. The Councils should seek further alternative sector investments to diversify risk across the funds.

#### **4.3. Fund Size**

- 4.3.1. The decision to increase the fund size in the 2019 strategy provided means that the current un-spent capital after all costs of acquisitions are taken into account is as follows:

Adur: Circa £37m

Worthing: £48m

- 4.3.2. The overall fund size of £125m per council is relatively small within the context of wider commercial property investment funds. Risks presented by smaller funds include lower diversity and increased volatility as they are inherently exposed across the total return to a smaller number of assets.
- 4.3.3. Proposals to increase this fund size beyond £250m would potentially provide greater flexibility from an asset management approach as the fund seeks a total return approach and provide capacity to protect revenue generation when seeking to re-evaluate and reposition existing purchases, maintaining essential income requirements.
- 4.3.4. Proposals to increase the fund size will provide greater resilience and market movements and risk, de-risking this from short term fluctuations.
- 4.3.5. The proposal to consider an increase in both funds to a total fund value of £350m will enable the Councils to not only increase overall net revenue returns to Council budgets annually, but also benefit from de-risking the fund exposure through increased diversification and economies of scale.
- 4.3.6. Proposals to increase the overall fund size do not impact the fundamental decision making process but in order to benefit from the increased fund size coupled with challenges presented within fluctuations within the Public Works Loan Board lending, it is recommended that the average lot size be increased from £5m-£15m to £10m-£20m.
- 4.3.7. With this being an average lot size, the Councils will continue to evaluate opportunities higher and lower than these costs in line with the evaluation criteria to ensure that opportunities of interest and benefit to the Councils are not unduly ruled out.
- 4.3.8. This will enable Councils to seek to invest in higher quality assets (lower yielding) but with a larger lot size will limit the impact of lower yielding assets on surplus revenue, maintaining income levels.
- 4.3.9. Considering an Increase to the overall fund size and increasing the average lot size will provide continued opportunity for the Councils to judiciously invest with commercial property to provide a continued revenue stream for the Councils' services.

#### **4.4. Resources and Capacity**

- 4.4.1. During 2019-2020 there has been significant personnel change within the Property and Investment Team, but notwithstanding this excellent progress has been made on delivering the Commercial Property Investment Strategy.
- 4.4.2. Progress has also been made on the appointment of a firm of chartered surveyors to undertake the day-to-day management of the portfolio. The Councils' have procured Savills, a FTSE250 RICS regulated property firm with over 130 offices across the uk and 39,000 employees globally.
- 4.4.3. Officers have also compiled a 'Commercial Property Investment Officer' Job Description which is just to be evaluated in February. This additional role was approved as part of the 2019/20 budget and will provide some of the additional capacity required to manage a portfolio of this size. This was following recommendations in the 2018 JSC report. To date this work has been undertaken by appointed specialist consultants to ensure appropriate resource levels have been provided for prudent management of the fund.
- 4.4.4. As part of the development of the 2020/21 Revenue budget, an additional role of Asset Portfolio Manager has been recommended for approval. Following the recruitment of the Commercial Property Investment Officer, a further Job Description will be compiled and recruited to for an 'Asset Portfolio Manager' to lead on asset management and strategy for the portfolios. This was recommended in the March 2019 report and work is ongoing on this.
- 4.4.5. The property and Investment team will continue to engage specialist consultants where required and appropriate and subscriptions maintained for specialist property software/data to ensure the Councils are well informed in delivery of the Commercial Property Investment strategy.
- 4.4.6. The Property and Investment team will also continue to maintain relevant CPD requirements for the RICS, seeking to develop trainees/apprentices through their Assessment of Professional Competence and for more senior officers to develop specialist skills to supplement the service delivery.

#### **4.5. Future Fund Direction and Update to Commercial Property Investment Strategy**

- 4.5.1. The current weighting of the portfolio into the varying asset classes has improved in diversification from previous years as the funds have started to

mature with a larger number of assets within each fund. It is anticipated that this will continue although until the fund is full it is to be expected to have periods of imbalance whilst further properties are acquired or repositioned.

- 4.5.2. Owing to market uncertainties, it is unlikely that the funds will seek to meet their target percentage of retail stock as it is not clear if the retail investment market will meet the investment criteria of the Councils. The SPIF has therefore been updated to reduce the target retail percentage to 15% but to increase the office investment percentage to 35%.
- 4.5.3. This move away from retail within the strategy should be viewed in the light of exploring retail investments that present strategic opportunities or for foodstore investment.
- 4.5.4. The funds continue to invest within the office market but security of investment must continue to be balanced with fund diversity, consideration will need to be actively seeking to maintain the alternative investments within the funds (Hotels, Car Parks, Leisure etc) as a higher priority than previous years.
- 4.5.5. The Councils should remain reactive to opportunities that present themselves for additional Council benefit - e.g. where there is the option for site assembly with adjoining properties, longer term regeneration opportunities or other potential windfall acquisitions.
- 4.5.6. Acquisition should also be considered for portfolio acquisitions where the investment opportunity meets the Council's KPI to invest but the fund would need to acquire a number of assets. This can potentially mean acquiring a number of units as part of a single transaction, which may be considered to exceed the average lot size for a single purchase, however individual lots are likely to meet the average size requirements. This is a means to deploy capital in a potentially more efficient manner that generates greater return and opportunities for the Councils.
- 4.5.7. The Councils move their funds to a total return fund rather than seeking immediate revenue return. A focus on both revenue return over costs should now be considered along with capital growth of the asset to take into account the capital appreciation. This may mean the council takes lower initial returns on more secure assets, de-risking the portfolio but also providing opportunity for capital growth. This will mean that the target return 2% after borrowing costs may need to be lowered, although the strategy already allows for lower returns on portfolio fit and viable business case.



- 4.5.8. As the Councils move to a total return approach to re-classify opportunities into 'Core', 'Added Value' and 'Opportunistic'.
- 4.5.9. That the funds seek to proactively seek value add opportunities with the portfolio but also undertake a risk review and engage tenants where appropriate to protect and grow revenue and capital values from the investments.
- 4.5.10. There is also scope due to the financial performance to adopt an appetite for assets with 7%-8% yields, perhaps where there are more regional opportunities that are well let that can improve flexibility within the fund but also to improve the running yield for asset management purposes within the opportunistic category above.
- 4.5.11. To undertake the whole portfolio review on an asset by asset basis and bring a further report back to members with the findings and with individual property recommendations to September JSC.

#### **4.6. Statutory Guidance:**

- 4.6.1. When investing in property, local authorities must comply with statutory guidance. This includes two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), in addition to, the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, "Statutory Guidance on Local Authority Investment Activity". Copies of this guidance are attached to the CPIS 2019/20, for which there is a link under background documents at the end of this report.
- 4.6.2. This statutory guidance on investment strategy includes requirements for councils to: -
- prepare an annual Investment Strategy which must be approved before the start of the forthcoming financial year by the full Council, or its closest equivalent.
  - ideally present the Strategy prior to the start of the financial year.
  - ensure the Strategy is publicly available on a local authority's website.
  - disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority.

- include quantitative indicators within the strategy, that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return.

The investment strategy must include:

- i) details of the processes used to ensure effective due diligence, defining the authority's risk appetite, including proportionality in respect of overall resources.
- ii) qualify independent and expert advice and scrutiny arrangements.
- iii) disclose the contribution that investments make "towards the service delivery objectives and/or place making role of the local authority".
- iv) propose indicators that enable councillors and the public to assess the authority's investments and the decisions taken.

- The investment guidance is clear that Councils may not "borrow in advance of need" to profit from the investment of the sums borrowed. The definition of investment has recently been extended to include investment in property and the granting of loans to third parties.

- In recognition of the importance of commercial income to councils at a time when government funding is steeply declining, a council can choose to disregard the Prudential Code and this part of the guidance. In this case, its investment strategy should set out why this is the case and what the council's relevant policies are.

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

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

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

The annual Treasury Management Investment Strategy is also being brought to the March Council. This Treasury Management Investment Strategy and

the Commercial Property Investment Strategy 2020/21, which is attached as **Appendix 1**, provide evaluation criteria for the assessment of investment opportunities, risk profiling, evaluation, resourcing and monitoring, accounting for the statutory guidance.

#### **4.7. Investment Evaluation Process**

- 4.7.1. Prospective investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals, in a risk matrix (Appendix 3). This risk matrix provides analysis of a set of key criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.
- 4.7.2. The risk matrix provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the portfolio. A minimum score threshold is set, below which it is not recommended to proceed unless there are significant unforeseen factors that require consideration, to include additional regeneration opportunities for the Council, land assembly opportunities or other circumstances that can be suitably justified in the round consideration of potential acquisition.
- 4.7.3. The score threshold is not an absolute, but set to guide decisions, reflecting the Fund Structure objectives, as detailed in the Commercial Property Investment Strategy (Appendix 1), which assumes a low risk profile. The process is further supported by the inclusion of a Strength, Weakness, Opportunities, and Threats analysis (SWOT).
- 4.7.4. To ensure arms-length objectivity and scrutiny, external agents and consultants provide professional market analysis, specialist data and advice, to support the evaluation and internal reporting process.
- 4.7.5. Since tenant default is a significant threat to the performance of the property investment fund, in-house reports are undertaken by Credit Safe and/or Dun and Bradstreet, providing an assessment of tenant covenant strength and financial resilience. This is augmented by additional internal assessment of the tenants' covenant and likely future performance, including seeking additional information, where relevant.

- 4.7.6. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms with relevant market specialism.
- 4.7.7. To ensure independent and expert advice and scrutiny, all pre-sale technical due diligence is undertaken by arms-length external professional advisors, including as required: -
- i) A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by the RICS as part of their commitment to promoting and supporting high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
  - ii) A Building Survey report, as part of the proposed purchase for investment purposes, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
  - iii) Environmental, services and any further surveys/Technical Due Diligence required to qualify the investment.
  - iv) Specialist investment market advice, including, as required, occupational market context and financial modelling to qualify and forecast prospective investment performance.
- 4.7.8. The above is reviewed by the Property and Investment Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Investment and Major Projects, on whether to proceed.
- 4.7.9. The professional team including the Head of Major Projects and Investment receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process. In addition, it is also recommended that all members and officers involved in the decision process are provided with annual updates on the commercial investment market, including occupier activity and trends and maintain up to date qualifications and continuing professional development.

- 4.7.10. A separate paper will be presented in due course, detailing a proposal for a disposals strategy if required, as part of the whole fund annual review after year end.
- 4.7.11. It is also anticipated that further papers to adopt an asset management plan for the general fund will be brought forward in the coming year which will inform the future of the councils' historic estate.
- 4.7.12.
- 4.7.13. This will present opportunities for capital generation for projects but also to reduce the debt levels across the investment portfolio as the councils seek to include equity into the investment process, leading to better overall returns.

#### **4.8. Property Investment Governance**

- 4.8.1. Clear, robust and transparent governance is critical to the strategy, meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly and competitively, to investment opportunities in the market and avoid missing opportunities through delay.
- 4.8.2. The current Scheme of Delegations provides that the authority to acquire or dispose of land, is vested in the Head of Major Projects and Investment, and where the land is purchased through the Strategic Investment Fund, the delegation is only exercisable in consultation with the relevant Leader, Executive Member for Resources and the Chief Financial Officer.
- 4.8.3. It is proposed that a formalised staged governance approach is adopted in relation to Strategic Property Investment Fund (SPIF) purchases, as follows:

##### **Stage 1**

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

##### **Stage 2**

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

The report will include: -

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

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

### **Stage 3**

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

### **Stage 4**

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

- 4.8.4. The relevant Council for any acquisition will be determined, applying the principles in the Investment Strategy (Appendix 1) in relation to financial resilience and risk diversification requirements, to support the development of balanced portfolios.
- 4.8.5. Subject to approval, written authority to proceed, will be provided by the Head of Major Projects and Investment to the Property and Investment Manager, who will then seek to acquire the asset, which will be subject to an external Red Book valuation, building and other necessary surveys and legal reports and conveyancing, providing pre-acquisition due diligence.
- 4.8.6. A decision notice will be completed and published in accordance with the Officer Decision Making Protocol, and such decisions will be subject to the call-in provisions.

### **Stage 5**

- 4.8.7. Completed purchases will be reported as part of the Annual Review, or following year's Commercial Property Investment Strategy to JSC.

4.8.8. Should any proposal to purchase prove abortive, this will also be reported to in line with 4.8.7 above.

#### **4.9. Risk Management**

4.9.1. Property investment will necessitate exposure to risk, whereby the total invested can exceed the current Market Value. Prices are prone to fluctuation, particularly due to changes in the locality, the general economic outlook, or asset specific risks, such as tenant failure. Furthermore, property investment is relatively illiquid, requiring a longer term approach. In the event of a market crash, property is much less liquid than other assets and can be hard to sell.

4.9.2. The Councils' exposure to risk equates to the total amount of capital invested, plus financing costs (such as interest due on loans), property operational running costs (management, vacant business rates, service charges, professional fees etc.) and legislative compliance. The Councils' risk quantum will be defined as this total exposure, less the value of held assets.

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

4.9.4. Larger investment funds have greater overall exposure but tend to be better insulated to market fluctuations where they comprise of a diverse mix of strong performing assets.

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

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

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

- 4.9.7. Financing property investments is based upon utilising reserves, capital receipts and borrowing. Borrowing is currently available with fixed interest for the duration of any loan, via the Public Works Loan Board funding, mitigating the risk associated with exposure to interest rate fluctuations.
- 4.9.8. The Minimum Revenue Provision Policy (part of the treasury management strategy statement) details the Council's position and deals with the Minimum Revenue Provision (MRP) that must be made to mitigate that risk. The MRP is the amount the Councils must set aside each year from the annual revenue budget for the repayment of debt.
- 4.9.9. The Commercial Property Investment Strategy (Appendix 1) Financial Resilience section details a series of measures to guide decisions, based around spreading capital across a variety of asset classes, locations and sectors. This diversification reduces the risks of exposure to a single asset, tenant, or market failure.
- 4.9.10. Funds that are excessively concentrated in one particular sector or region increase risk, whilst a good spread of properties across retail, office alternative and industrial diversify sector-specific risks and varying the locality, reduces local market risk.
- 4.9.11. The average property size is a measure to ensure the fund does not only hold a very small number of large properties, which increases risk, such as a single large tenant failing. As the fund seeks to purchase more lower risk properties, to maintain the net revenue to the council after borrowing costs (as you would receive from higher risk properties) it has been recommended to increase the average lot size by £5m to account for this and for single lots where there is more than one tenant.
- 4.9.12. The Council's exposure to investment risk can also be profiled by defining the acceptable parameters. The Commercial Property Investment Strategy (Appendix 1) Fund Structure details a series of different segments that provide a basis for dividing commercial property investments, based upon their position at differing points on a risk v return spectrum.
- 4.9.13. The fund has been structured to include some allocation toward more risk exposed investment. This will enable the fund to respond fluidly, should a suitable opportunity arise, particularly where there is an opportunity for socio-economic benefits to residents, repurposing or re-gearing assets, to generate income. The proposed Commercial Property Investment Strategy distribution of purchases across the three categories (core, value add and



opportunistic) is weighted heavily towards lower risk assets. This reflects the Commercial Property Investment Strategy (Appendix 1) Fund Objectives and Fund Policy targets to adhere to a cautious perspective on investment, generating a return, whilst, insofar as possible, limiting exposure to unnecessary capital risk.

- 4.9.14. The ability to vary the distribution of purchases between each of the above three categories, is a common portfolio investment tool. This provides flexibility to respond fluidly to opportunities and changes in the economy, market climate and differing performance across asset classes, as the fund evolves. Such agility is key to maximising operational efficiencies.
- 4.9.15. The proposed portfolio weighting offers a lower return, which reduces overall exposure to invested capital risk. This portfolio profile favours acquiring premises leased to strong covenant tenants in established markets, which are typically more attractive to investors, thus easier to sell if required, when compared to higher risk investments.
- 4.9.16. Whilst acquiring properties offering higher returns may appear attractive, the additional yield typically reflects higher risks such as tenant default, low liquidity, obsolescence and market risk. These increase the prospect of the investment generating an income and capital loss.
- 4.9.17. The Commercial Property Investment Fund Annual Asset Review will consider a series of measures to provide detailed analysis of investment performance. This is to ensure detailed periodic arms-length objective monitoring is undertaken, using conventional measures, as a means to identify any emerging hazards or opportunities. This will support proactive management, which is key to driving a successful strategy and managing risk.

#### **4.10. Annual Performance Monitoring**

- 4.10.1. Active management of the portfolio is key to proactively maintain the buildings to maximise value and monitor occupiers. Tenant covenant strength, compliance with lease obligations, such as repair and maintenance, management of the payment of rent and service charge needs to be actively managed. External Managing Agents (Savills) have been appointed and the proposed recruitment of the Property Investment Surveyor is underway and due to be advertised prior to year end. This post will support the Investment Strategy Annual Review and future asset management of the fund

4.10.2. In addition to ongoing monitoring, the Commercial Property Investment Strategy (Appendix 1) details a series of measures to undertake a comprehensive annual re-evaluation, including detailed assessment of key performance indicators, to quantify, monitor and benchmark the portfolio operation and strategic direction.

4.11. **Scope of Investment**

4.12. A holistic approach to property income generation will be undertaken. In addition to acquiring investment property, the Councils are already successful commercial landlords and will build upon this: -

4.13. Retaining existing assets where appropriate, to generate income, investing where necessary to enhance returns.

4.14. Re-evaluate the existing property portfolio to identify opportunities to maximise the financial benefit through the implementation of a new Asset Management Plan and relevant portfolio review/disposal programme .

4.15. The Property and Investment Manager/Investment Surveyor will review the existing portfolio and report any of the existing property portfolio that fit the investment criteria, recommending transfer into the Property Investment Fund, whereby they will be funded and managed with an express focus upon income generation. This will support a more tailored approach for relevant premises that is proactive and focussed solely upon income, as opposed to wider socio-economics drivers, that apply to the existing estate.

4.16. The Property and Investment Manager/Investment Surveyor will review the existing Commercial Property Investment fund and report any of the existing investment property fund that do not fit the investment criteria, recommending transfer into the general Commercial Property Portfolio, whereby the sites can be managed in accordance with less strict KPIs on income generation and capital appreciation, but can be used to support a more tailored approach to economic regeneration, placemaking and other socio-economics drivers, that similarly apply to the existing estate.

4.17. Any capital return generated from the investment fund, will be ring fenced for future property investment, after deduction of financing costs and professional fees.

4.18. To undertake a Commercial Property Investment Fund Annual Asset Review and further reporting should this highlight opportunities to dispose of assets

which will then be subject to a separate reporting process. This annual review will be presented to JSC in September 2020

#### **4.19. Corporate Implications**

4.20. If the Councils had not taken the decision to invest, this would have led to an overall reduction in the capacity of the Councils to deliver, with cuts in services, particularly those we are not under a statutory duty to deliver.

4.21. The additional income delivered from SPIF investments, has contributed to the delivery of a more robust and sustainable Revenue Budget for 2020/21 and the delivery of the budget strategy.

4.22. As part of this initiative, the councils will inevitably be taking on more risk. Consequently, a robust risk management strategy has been adopted to cover both acquiring property and managing the portfolio for the future, to ensure that there is sufficient revenue income, to repay the debts the councils are acquiring and to continue to contribute to the councils' financial health.

### **5. Engagement and Communication**

5.1. This report builds upon the previous Commercial Property Investment Strategy Report 2019/20, taken to JSC in March 2019.

5.2. Consultations have taken place with legal and finance and their comments are contained within.

### **6. Financial Implications**

6.1. The Councils have over the past few years addressed significant budget shortfalls. The investment in commercial property has enabled the Councils to protect front line services, address falling income from Government Grants, and increase the level of spend in areas such as Housing Need.

	2017/18	2018/19	2019/20	2020/21
<b>Adur</b>				
Level of annual savings	£1,089,000	£1,333,000	£757,000	£1,379,000
Net new annual income from new commercial property	£100,000	£493,000	£200,000	£400,000
% of savings from commercial property income	9.18%	36.98%	26.42%	29.01%
<b>Worthing</b>				
Level of annual savings	£1,669,000	£1,853,000	£1,367,000	£2,483,000
Net new annual income from new commercial property	£200,000	£420,000	£150,000	£400,000
% of savings from commercial property income	11.98%	22.67%	10.97%	16.11%

- 6.2. Looking ahead, this investment continues to be an important strand of the budget strategy, helping balance the budget as the Councils continue to address significant financial challenges.
- 6.3. The Councils have already approved an overall investment of £125m per Council which was allocated as follows:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Adur		11,579	26,532	49,868	37,020
Worthing	3,472	9,464	26,697	50,304	47,999
Total	3,472	21,043	53,229	100,172	85,019

- 6.4. The Executive Member for Resources can approve an accelerated spend in any given year subject to the provision of a business case to justify a higher level of spend.
- 6.5. Following successful investment activities this financial year and in order to continue to provide revenue support to meet the savings required under the MTFs, as well as to be able to react to opportunities within the market, this report recommends reviewing the overall fund size with the intention to increase the amount invested to £175m per council but retaining the annual

limit of £50m per year. This will be addressed more fully in the capital strategy due to be considered in July 2020.

- 6.6. It is recommended where possible the Councils continue to seek to retain an average of 20% of the rental income towards future expenditure on repairs, refurbishment, lettings incentives, and void periods. To achieve this the Council will take three measures:
- i) A regular contribution to earmarked reserves is to be created over the next 5 years to equate to 10 - 20% of annual rental income;
  - ii) Any over-achievement against the commercial income budget set will be placed into earmarked reserves at the year end;
  - iii) Where commercial properties are disposed of, all the surplus income in excess of any associated debt and the original purchase price, will be placed into a specific reserve for future capital reserve requirements. In the short term, this reflects the need to build reserves. In the medium term, it is envisaged these funds could also be released for reinvestment into the portfolios.

## **7. Legal Implications**

- 7.1. S.111 Local Government Act 1972 provides Councils with the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.”
- 7.2. Section 120 (1) Local Government Act 1972 provides the Council with the power to acquire land, whether inside their area or not, for the benefit, improvement or development of their area. Section 1 Local Government Act 2003 enables the Councils to borrow money for the purpose of the prudent management of its financial affairs. Section 12 Local Government Act 2003 empowers the Councils to invest for the purposes of the prudent management of its financial affairs.
- 7.3. s.1 of the Localism Act 2011 provides the Councils with the general power of competence to do anything that an individual may do.
- 7.4. The Scheme of Officer Delegations includes the following delegation to the Head of Major Projects and Investment at paragraph 3.13.2: “To acquire land in connection with the Council’s functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the

Council's functions. (Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer).

- 7.5. The Officer Decision Making Protocol in each Council's Constitution provides a procedure for giving notice of key decisions, Officer Decision making, the publication of Decision Notices, and the procedure for Call-In of such decisions.
- 7.6. Any decisions made to acquire under the Strategic Investment Strategy are subject to scrutiny by the Council's Joint Overview and Scrutiny Committee in accordance with the Joint Overview and Scrutiny Procedure Rules in each Council's Constitutions.

## **Background Papers**

- March 2019 JSC report
  - Strategic Property investment Fund 2019 (SPIF)
  - The Commercial Property Investment Strategy (CPIS 2019-2020)
- Platforms for our places
- Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- The Prudential Code for Capital Finances In Local Authorities
- The Chartered Institute of Public Finance and Accountancy: Prudential Property Investment

## **Officer Contact Details:-**

Robert Crossan

Property and Investment Manager

07795 856195

[Robert.crossan@adur-worthing.gov.uk](mailto:Robert.crossan@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

- This proposal continues the implementation of the council's capital and Medium Term Financial Strategy to generate additional revenue for the funding of council services

### **2. Social**

#### **2.1 Social Value**

- Matter Considered, no issues identified

#### **2.2 Equality Issues**

- Matter Considered, no issues identified

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

- Matter Considered, no issues identified

#### **2.4 Human Rights Issues**

- Matter Considered, no issues identified

### **3. Environmental**

- Matter Considered, no issues identified

### **4. Governance**

- This aligns with the council's capital strategy. Investment in good quality commercial property to produce additional revenue is part of a combined strategy in the councils' approved budget strategy



# Appendix 1

Commercial Property Investment Strategy:

**THE COMMERCIAL**

**PROPERTY INVESTMENT**

**STRATEGY 2020-2021**

# Contents

1. Objectives
2. Fund Policy
3. Financial Resilience
4. Fund Structure
5. Purchase Guidelines
6. Annual Review

## The Property Investment Strategy

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### 1. Objectives

The key objective:-

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

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

- ❖ To invest in commercial property to generate a sustainable income, with clear margins exceeding the cost of capital and borrowing.
- ❖ To build financial resilience through the creation of a diverse portfolio to balance risk and return.
- ❖ To acquire established commercial properties generating an immediate stable income and preserve capital (notwithstanding market changes).
- ❖ Supporting economic growth within the District and Borough, where suitable opportunities arise, provided the return covers the costs of an associated financing.
- ❖ Re-evaluate the existing property portfolio to maximise the financial benefit.
- ❖ Retain the existing property portfolio, where appropriate to maximise long term revenue generation.

## The Property Investment Strategy

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### 2. Fund Policy

- ❖ Retain existing assets where appropriate, to generate income, investing where necessary to enhance returns.
- ❖ Review the benefits of an investment vehicle, such as a holding company, to retain acquired assets.
- ❖ Capital receipts from the sale of Strategic Property Investment Fund (SPIF), or other council properties, to be considered for: -
  - Reinvestment in SPIF, to sustain income generation and maximise opportunities
  - Repayment of capital borrowing to improve the return on existing assets.
- ❖ Allocation of new purchases between Adur and Worthing Portfolios, to be recommended in consideration of fund diversification risk management.
- ❖ We will not engage with occupiers who may present a significant unmitigated reputational risk.


## The Property Investment Strategy

### 3. Financial Resilience

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

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

Risk Diversification		
Geographical Diversification	Maximum of 30% of the Target Fund size is invested in any single town.	Given the size of the funds, initially concentrating on outer London and the wider South East area, with consideration given to wider geographical diversification, as the funds grow and approach their target sizes.
Asset Class/Sector Mix	Industrial/Warehouses 25% Offices 35% Retail 15% Alternatives 25% (e.g. car parking)	To ensure a spread of risks, acquisition across office, retail and industrial sectors. As the fund grows,, the portfolios will be heavily weighted into certain sectors and classes, driven by opportunities and market performance. It is expected weightings will progress towards targets as the portfolio matures in the longer term.
Average Property Size	Guide Size c.£10-20m	Assuming a combined fund size of £250M, this will support a spread of investments. Acquisition outside the guide sizes will be considered where they offer a good return, support diversity and do not create over exposure to a large single tenant/asset but also facilitate larger multi-let properties.
Leases Expiring within 5 years	Maximum 30%	Spread and diversity sought in future lease expiries across acquisitions to protect revenue streams
Target Return	A return exceeding the cost of borrowing	Initial return exceeding the cost of borrowing, preferably by 2%. Lower returns considered if there is a viable business case/portfolio fit or for lower risk investments
Target Fund Size	£250M	In order to make a meaningful contribution to the financial challenge, the Councils has agreed to build a portfolio that will generate an initial yield of at least 5%. Potential increase this fund size to be considered in July Capital Strategy.
Capital Expenditure Allowance	20% of the rental income	Held in a fund to support future management and Capital Expenditure for the portfolio, such as voids, maintenance and/or refurbishment. Surplus income will be set aside into a revenue account and capacity within the annual revenue budget to support this will be built over the next 3 financial years.



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

# The Property Investment Strategy

## 4. Fund Structure

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



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

	%	
Core	65% (+/- 10%)	Modern, or extensively refurbished buildings, fully let on long leases to good covenant tenants in major core markets.
Value Add	Max 25% (+/- 10%)	Single or multi-let buildings, with various lease lengths and tenant covenants. Opportunity to add value.
Opportunistic	Max 10%	Higher risk assets that can be repurposed to generate income.

# The Property Investment Strategy

## 5. Purchase Guidelines

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



## Property Investment Strategy – Property Investment Portfolio Management

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### 6. Annual Review

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

#### **Portfolio**

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

#### **Asset Management**

- ❖ Rent collection rates, arrears and service charge reconciliation.
- ❖ Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re-gearing opportunities.
- ❖ Dilapidations, health and safety and insurance claims.
- ❖ Capital expenditure over the preceding 12-month period.
- ❖ Tenant covenant strength monitoring report.
- ❖ Tenant compliance with lease terms and any default, or issue.



# **THE PROPERTY INVESTMENT**

## **STRATEGY**

## **FUND STRUCTURE**

Different fund structure segments provide a basis for dividing commercial property investments, based upon their risk profile, as illustrated in the below table.



These segments can be defined as follows: -

**Core investments:** - comprise the bedrock of a diversified portfolio and present minimum risk, being the least risky investment segment. Typically they comprise fully leased, secure investments to strong covenant tenants, in urban locations/markets that tend towards strong demand.

Attractive for the lower level of risk they provide compared to other investment types, which is reflected in the lower yield when compared to more risky property investments.

Typical property characteristics: -

- subject to long leases to strong covenant tenants on fully repairing terms.
- buildings are typically modern, in good repair and condition.
- the buildings have reduced depreciation and obsolescence, providing a stable relatively predictable income.

This type of investment suits investors who seek capital preservation and long hold periods. This type of investment is typically the most liquid, on the basis they are generally attractive, marketable assets when compared to the following segments.

**Added Value:** - More risky investments reflected in the potential for higher return by increasing property value.

Typical Property Characteristics: -

- single let, or multi let, with varying tenant covenants
- Opportunities to improve buildings.
- Fairly liquid in a stable market.
- Potentially vacant, partially vacant, or close to lease expiries, creating opportunities to make improvements.
- Opportunities to increase value could include physical improvements, such as refurbishment, or re-development, letting vacant space to stronger covenant tenants on more investor attractive terms, lowering operating expenses.

These properties carry more risk due to the property not operating to its full potential when acquired, commonly with less secure income. If the business plan to increase value does not succeed, a tenant fails, or vacates, there is potential for reduced return, or losses.

**Opportunistic:** - similar approach to value add, with additional risk due to property typically requiring substantive work to increase value.

Typical property characteristics: -

- Part of fully vacant when acquired.
- No income when acquired, with ongoing vacant running costs.
- Typically distressed property, requiring substantial investment.
- These properties are considered high risk, with failure of a business plan typically resulting in financial losses.

# Appendix 2

Summary of April 2019 - Jan 2020 Purchases:

	Adur	Worthing	Combined
<b>Income Target</b>			
Net Income Target	-£2,728,010	-£3,229,040	-£5,957,050
Net Income Target position	-£3,543,017	-£3,882,659	-£7,425,676
<b>Target Delivered to date</b>	<b>£815,007</b>	<b>£653,619</b>	<b>£1,468,626</b>
<b>Purchases</b>			
Completed excl Purchases costs as at Jan 2020	£40,850,000	£48,000,000	
Prev Years	£35,910,000	£37,170,999	
<b>Sub Total</b>			
Committed future expenditure (Under Offer)	nil	nil	
Committed future expenditure (Exchanged)	nil	nil	
<b>Total</b>	<b>£76,760,000</b>	<b>£85,170,999</b>	
<b>NET INCOME (pa after finance costs)</b>			
2019-2020	£741,187	£866,447	
Previous Years	£809,497	£868,304	
<b>Total</b>	<b>£1,550,684</b>	<b>£1,734,751</b>	

Adur	Address	Description	Tenure	Passing Rent PA	Purchase Price	Purchase Date	Gross Yield	Net Yield (purchase costs deducted @ 6.5%)	Net Income (PA after finance costs)	Tenant
										Konica Minolta Business Solutions UK Ltd 01132885 Alliance Automotive UK Ltd 03430230 Western Power Distribution (East Midlands) Plc 02366923
	Eskan Court, Milton Keynes Photon Park, Wakefield	Multi Let offices in Milton Keynes circa 25,000 ft2 Office and Industrial unit with circa 9 acres	Freehold Freehold	£400,323 £930,000	£5,600,000 £15,100,000	Apr-19 Aug-19	7.15% 6.16%	6.71% 5.78%	£192,326 £376,498	Aston Barclay Holdings Ltd Company Number: 0427312 Bannatyne Fitness Limited 03287770 National Car Parks Limited 00253240
	Regent Street, Luton	Multi Let, Hotel, Gym and Car Park	Freehold	£1,029,710	£20,150,000	Dec-19	5.11%	4.80%	£172,363	Premier Inn Hotels Limited 05137608

Worthing	Address	Description	Tenure	Passing Rent PA	Purchase Price	Purchase Date	Gross Yield	Net Yield (purchase costs deducted @ 6.5%)	Net Income (PA after finance costs)	Tenant
	Waitrose, Newton Mearns	36,000 ft2 food store plus 182 car parking spaces	Hertiable Interest (freehold)	£714,733	£12,200,000	Apr-19	5.86%	5.50%	£178,007	Waitrose 00099405
	Decimal Place, Amersham	27,000ft2 office block with parking	Freehold	£710,065	£12,700,000	Sep-19	5.59%	5.25%	£240,701	Barnett Waddingham OC374854
	Interface House, Royal Wootton Bassett	35,000 ft2 office with 296 car parking spaces	Freehold	£468,000	£6,750,000	Sep-19	6.93%	6.51%	£206,112	Swindon Silicone Systems 01378199
	Liverpool Gardens Car Park, Worthing *	Surface Car Park in within borough	Freehold	£260,000	£4,200,000	Nov-19	6.19%	5.81%	£60,353	CP Plus Limited 02595379
	Cannon House, Worthing *	7,500 ft2 office in Worthing with parking	Freehold	£104,000	£1,300,000	Nov-19	8.00%	7.51%	£34,759	Vacant
	Unit 11D South Marston Business Park, Swindon	90,000ft2 warehouse plus parking and service yard	Freehold	£630,000	£10,850,000	Dec-19	5.81%	5.45%	£146,515	Bleckmann Logistics UK Limited 10769673

\* NB Liverpool Gardens Car park on profit share but income to increase by circa £70,000 pa if operated by the council

\* NB Cannon House acquired with vacant possession, but estimated annual rent of £104,000 pa

# Appendix 3

Risk Matrix:



INVESTMENT PROPOSAL

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

Criteria	Criteria Description	Comments	Weighting	Weighted Property Score	Excellent	Good	Acceptable	Marginal	Poor
Location: Macro	Quality of the location (town, city, area) with regard to the property use		3	0					
Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use		3	0					
Building Quality	Quality of the building compared to the Industry standard Grade A for the property type		3	0					
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant		3	0					
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations		2	0					
Lease Term	Length of the secured income.		3	0					
Lease Structure	Tenant repairing obligations, rent review mechanisms		3	0					
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent/ ERV		3	0					
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate		3	0					
Management Intensity	Complexity and cost of managing the property		2	0					
Liquidity/Exit Strategy	The degree to which the property can be quickly sold in the market without affecting the price. Please provide specific commentary on exit strategy.		2	0					
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required		2	0					
Asset Management Opportunities	Opportunities to add value to the property		1	0					
Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector with a focus upon income v capital values at lease expiry		4	0					
Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio		3	0					
Weighted Score		A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered.		0					

Investment Decision Guide for filling in matrix

example considerations

Criteria	Criteria Description	Maximum Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
Scoring numerically between 1 and 5 as detailed in this guide							
SCORE TO APPLY TO EACH COLUMN			5	4	3	2	1

Shading denotes client to fill in

SCORING GUIDE

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

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

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>



ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 9

Ward(s) Affected: N/A

## **Risk & Opportunity Management Update**

### **Report by the Director for Digital & Resources**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 This report provides updates on the management of the Councils' risks and Opportunities.

##### **2. Recommendations**

- 2.1 That the progress in managing risks and opportunities be noted;
- 2.2 That the Committee consider if it would like any further information on any of the Risks and Opportunities; and
- 2.3 That the Committee agree to receive a further progress report in May 2020.

##### **3. Context**

- 3.1 The Committee has previously requested that progress update reports on the management of the Councils' risks and opportunities should be reported to the Committee to assist it in its role monitoring the effective development and operation of risk management and corporate governance in the Councils. The Committee has also requested that more detailed information be provided on

the 'High/Red' Service Risks for each Directorate. The last report to the Committee was on 24 September 2019.

#### **4. Issues for consideration**

- 4.1 Progress continues to be made to monitor and review the full Risk and Opportunity registers. Corporate Risks and Opportunities, which reflect the aims set out in Platforms for our Places are reported quarterly to the Councils Leadership Team. The Joint Strategic Committee also receives an annual summary report on the management of the Corporate Risks and Opportunities. Service Risk registers are regularly updated in consultation with Directors, Heads of Service and Departmental Management Team meetings.

#### **5. A Summary of the Risk and Opportunities Management updates**

- 5.1 A summary of the main changes to the Risks and Opportunities since the last updates report in September 2019 is included in the table attached as Appendix A to this report. At the request of the Committee, this report also includes details of the mitigation measures in place for all 'High/Red' Risks (Corporate and Service) and these are attached at Appendix B to the report.
- 5.2 The number of 'High' Risks now reported is 6 Corporate and 8 Service (4 for Financial Services and 4 for Housing Services) - Another Corporate Risk has been added since the last report which relates to Climate Emergency issues. Updates on changes to the Risks and Opportunities including any added or removed are included in Appendix A to this report. This work continues to highlight the good practice being followed across the organisation in the management of Risks and Opportunities and the importance of risk and opportunity management.

#### **6. Engagement and Communication**

- 6.1 The Councils Leadership Team have been consulted on the production of this report.

#### **7. Financial Implications**

- 7.1 There are no direct financial implications as a result of this report but there are some financial implications if the Risks/Opportunities occur.

## **8. Legal Implications**

- 8.1 There are no legal matters arising as a result of this report. The Joint Governance Committee does have responsibility for receiving the annual risk report and also for monitoring the effective development and operation of risk and opportunity management.
- 8.2 Risk and Opportunity management is an important element in ensuring that service delivery objectives are achieved.

## **Background Papers**

Adur and Worthing Councils Risk and Opportunity Management Strategy - 2018 - 2020

Risk & Opportunity Management updates report to Joint Governance Committee - 24 September 2019

## **Officer Contact Details:-**

Mark Lowe  
Scrutiny & Risk Officer  
Tel: 01903 221009  
[mark.lowe@adur-worthing.gov.uk](mailto:mark.lowe@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered. The Risks and Opportunities are directly linked to the projects and work streams that have been in place to help deliver the commitments and activities contained in the Councils strategic vision 'Platforms for our Places'. Some of these will 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 do impact on communities.

#### **2.2 Equality Issues**

Matter considered. Some of the Risks and Opportunities refer to equalities issues.

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

Matter considered. Some of the Risks and Opportunities may relate to crime and disorder issues.

#### **2.4 Human Rights Issues**

Matter considered and no direct issues identified.

### **3. Environmental**

Matter considered. Some of the Risks and Opportunities may impact on environmental issues.

### **4. Governance**


Matter considered. As part of good governance the Councils need to manage Risks and Opportunities. The Councils Risk and Opportunity Management Strategy sets out clear governance controls for the management of Risks and Opportunities and part of these include provision for the Service Risks and Opportunities to be considered three times a year by the Joint Governance Committee.

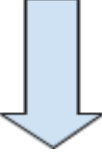


Updates on Risk and Opportunity Management

Risk & Opportunity Management Dashboard	September 2018 update	January 2019 update	May 2019 update	September 2019 update	January 2020 update
Number of Corporate Risks & Opportunities	Risks 9 Opportunities 5	Risks - 9 Opportunities - 5	Risks- 9 Opportunities - 5	Risks - 9 Opportunities - 5	Risks - 10 Opportunities - 5
Number of Service Risks & Opportunities	Environmental Services - 8 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 7 Risks Business & Technical Services - 5 Risks Customer & Digital - 9 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 2 Risks/1 Opportunity	Environmental Services - 4 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 5 Risks Business & Technical Services - 5 Risks Customer & Digital - 8 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 2 Risks/1 Opportunity	Environmental Services- 5 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 5 Risks Business & Technical Services - 5 Risks Customer & Digital - 8 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 2 Risks/1 Opportunity	Environmental Services - 5 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 5 Risks Business & Technical Services - 5 Risks Customer & Digital - 8 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 1 Risk	Environmental Services - 4 Risks Housing - 8 Risks/2 Opportunities Wellbeing - 5 Risks Business & Technical Services - 6 Risks Customer & Digital - 7 Risks Financial Services - 7 Risks/1 Opportunity Human Resources - 5 Risks Legal Services - 1 Risk

	<p>Revenues &amp; Benefits - 5 Risks</p> <p>Culture - 12 Risks/5 Opportunities</p> <p>Major Projects &amp; Investment - 9 Risks</p> <p>Place &amp; Economy - 3 Risks</p> <p>Planning &amp; Development - 17 Risks/1 Opportunity</p>	<p>Revenues &amp; Benefits - 5 Risks</p> <p>Culture - 12 Risks/4 Opportunities</p> <p>Major Projects &amp; Investment - 10 Risks</p> <p>Place &amp; Economy - 5 Risks</p> <p>Planning &amp; Development - 17 Risks/1 Opportunity</p>	<p>Revenues &amp; Benefits - 5 Risks</p> <p>Culture - 11 Risks/4 Opportunities</p> <p>Major Projects &amp; Investment - 10 Risks</p> <p>Place &amp; Economy - 5 Risks</p> <p>Planning &amp; Development - 18 Risks/1 Opportunity</p>	<p>Revenues &amp; Benefits - 4 Risks</p> <p>Culture - 11 Risks/4 Opportunities</p> <p>Major Projects &amp; Investment - 10 Risks</p> <p>Place &amp; Economy - 5 Risks</p> <p>Planning &amp; Development - 19 Risks and 1 Opportunity</p> <p>Leisure - 1 Risk</p>	<p>Revenues &amp; Benefits - 4 Risks</p> <p>Service no longer part of the Councils</p> <p>Major Projects &amp; Investment - 10 Risks</p> <p>Place &amp; Economy - 6 Risks</p> <p>Planning &amp; Development - 18 Risks and 1 Opportunity</p> <p>Leisure - 2 Risks</p>
<p><b>Number of High Risks on Service Registers</b></p>	<p>Housing - 4</p> <p>Financial Services - 3</p> <p>Major Projects &amp; Investment - 1</p>	<p>Housing - 4</p> <p>Financial Services - 4</p>	<p>Housing - 4</p> <p>Financial Services - 4</p>	<p>Housing - 4</p> <p>Financial Services - 4</p>	<p>Housing - 4</p> <p>Financial Services - 4</p>

<p style="text-align: center;"></p> <p>Risks where assessment score has increased since the last report</p>	<p>None.</p>
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 <p>Risks where assessment score has reduced since the previous report.</p>	<p>None</p>
<p>New Risks/Opportunities added since last report</p>	<p>Corporate Risk - Climate Emergency - High Risk</p> <p>Business &amp; Technical Services - Failure to replace seafront groynes. Now working with Project lead (Environment Agency) on options appraisal and funding opportunities - Medium risk</p> <p>Place &amp; Economy - Seafront observation wheel - Risk that Operator exits at the end of the contract in response to revenue pressures - Medium Risk</p> <p>Leisure - Competition in the leisure industry - Impact on the Worthing and Adur leisure trusts - Medium Risk.</p>
<p>Risks/Opportunities removed since last report.</p>	<p>Environmental Services - Not fit for purpose ash processor and ash transfer table - Risk removed because new equipment now in place.</p> <p>Customer &amp; Digital - Digital Project Management approach - Risk removed on the basis of effective Project Management framework now in place in the service.</p> <p>Planning and Development - Building Control skills shortage - Risk to be removed on the basis that the Service now has a full complement of experienced officers.</p>



## APPENDIX B

### Joint Governance Committee - 28 January 2020

#### Corporate 'High' Risks

<u>Risk</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
<p><b><u>Council Finances</u></b></p> <p>Council finances continue to be under pressure after several years of reducing income from central government. The councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.</p>	<p>January 2020</p> <p>The Councils have again set a balanced budget addressing both the challenge of falling income from Government and the budget pressures resulting from County Council pressures.</p> <p>The Councils await the outcome of the fairer funding review and continues to both lobby for a good level of retained business rates and develop a budget strategy to mitigate the risks.</p> <p>May 2019</p> <p>A five year financial strategy is in place and is regularly refreshed. The strategic strands of property investment, commercial income, digital, and temporary accommodation acquisition are progressing well, evidenced in various reports to committee. However there are uncertain additional pressures in play, particularly from budget cuts expected at West Sussex County Council, and continued uncertainty around the timing of the comprehensive spending review and fairer funding review.</p> <p>Significant additional pressures have recently been identified from WSCC.</p> <p>Following the recent LGA Finance Peer Review, delivery of the improvement plan is progressing well and includes:</p> <ol style="list-style-type: none"> <li>1. Releasing strategic finance capacity by modernising financial management processes and systems</li> <li>2. Applying suggested technical accounting measures to release capacity in the budget to commit to reserves and use cash flow to reduce the borrowing</li> </ol>	<p>Major</p>	<p>Likely</p>

	<p>requirement</p> <p>3. Reviewing the existing plan for strategic initiatives, and making the case for additional resources on an invest to save basis to bring delivery of some projects forward. For example investment on a post to boost sales and marketing in environmental services was recently agreed.</p> <p>An experienced business coach has recently been commissioned to provide commercial support and skills building for all senior managers, helping them develop business plans for 2020/21.</p>		
<p><b>Welfare Reform</b></p> <p>'Welfare Reform' is used to cover a range of issues in particular:</p> <ul style="list-style-type: none"> <li>• Changes to how benefits paid to those who are working to incentivise work.</li> <li>• Changes to the maximum level of benefits paid to families and individuals who are not working</li> <li>• Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC)</li> <li>• Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities.</li> <li>• UC being paid monthly, to an individual person or family member, into a bank account.</li> <li>• Benefits for young people and single people reduced</li> <li>• Benefits for larger families reduced</li> </ul> <p>The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully the following effects have been reported.</p> <ul style="list-style-type: none"> <li>• 5-6 weeks gap before UC is paid (in some cases longer)</li> <li>• Local systems unable to track individuals in need, as the system is centralised and data is no longer available</li> <li>• Housing costs not being met by the level of out of work benefits</li> </ul> <p>The impact for the Councils of this is potentially on two fronts, increased homelessness presentations and/or</p>	<p>January 2020 -</p> <p>The rollout of Universal Credit continues to have a limited impact in reducing the number of live Housing Benefit claims (the monthly caseload change for both Councils averages approximately -0.5%).</p> <p>The "benefits freeze" will end in April 2020 - see <a href="https://www.bbc.co.uk/news/uk-politics-50278634">https://www.bbc.co.uk/news/uk-politics-50278634</a></p> <p>September 2019-</p> <ul style="list-style-type: none"> <li>• DWP have now taken the lead in arranging a multi-agency group to provide an opportunity for all partners to collaborate on this work</li> <li>• Continued partnership work to identify and work those most at risk, embedded in work such as 'Preventing Homelessness' ; Going Local - Social prescribing and</li> <li>• Internal service reviews</li> </ul> <p>The Government has announced that from April 2019 the digital and budgeting support that is provided to residents will be provided nationally by Citizens' Advice and funded directly by the Government.</p> <p>A video is available on the Councils web pages to help local communities better understand the new benefit.</p> <p>The DWP roll out of UC has been further delayed (for the transfer of existing claimants onto the new benefit) and timetables for this are still awaited.</p> <p>At present information is that the impact is slow and although there are clearly individuals who have found the new process challenging and one of the biggest ongoing risks is related to housing costs and homelessness.</p>	Major	Very Likely

<p>reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.</p> <p>Recent agreements to cut budgets from WSCC lines - e.g the Local Assistance Network funding; Supported Housing and IPEH (Universal services) may also impact in these areas.</p>			
<p><b><u>Housing supply</u></b></p> <p>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.</p> <p>Emergency/Temporary Accommodation - the lack of EA/TA supply at LHA rates means that the Councils are paying for costly B&amp;B accommodation whilst assessing customers for statutory obligations.</p> <p>The lack of move on accommodation at LHA rates means there are blockages in TA</p> <p>The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets.</p> <p>Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.</p>	<p>January 2020</p> <p>EA/TA</p> <ul style="list-style-type: none"> <li>• Budget estimates for 19/20 are that ADC will be considerably underspent on its EA/TA budget and that WBC will be on target. This is down to arrangements that have reduced the cost of nightly paid accommodation for those in need as well as continued efforts to prevent homelessness at the earliest possible juncture, despite the growing numbers presenting to A&amp;W councils</li> <li>Specific examples: <ul style="list-style-type: none"> <li>• Several long term lease arrangements for TA have been agreed and more are being explored.</li> <li>• Two properties have been purchased by WBC, one (Downview Phase 1) will be ready for occupation in early 2020, phase 2 will commence on site in the spring of 2020 and the tender process for Rowlands Road has now completed.</li> <li>• HRA properties at Albion Street in Adur to be converted to provide TA in the district</li> </ul> </li> </ul> <p>Other</p> <ul style="list-style-type: none"> <li>• Councils are supporting other projects - e.g. Lyndhurst Rd and using the empty homes grants to support landlords to bring on line more properties</li> <li>• Opening Doors - Full service went live in June 2019 - all placements to date have been 100% successful</li> <li>• Adur Homes - Cecil Norris House construction is underway - procurement complete for Albion Street, further reports on these will be presented at JSC in coming weeks</li> <li>• WBC reviewing its own land for use</li> <li>• MHCLG funding to support Rough Sleepers - ongoing with 50% reduction in Rough sleeping</li> </ul> <p>The adopted Local Plan for Adur has identified key strategic housing sites and planning applications have been submitted to and or approved on the following sites which will</p>	<p>Major</p>	<p>Very Likely</p>

	<p>deliver a significant level of housing and affordable housing to meet future housing needs:</p> <ul style="list-style-type: none"> <li>● New Monks Farm (600 homes inc. 180 affordable homes)</li> <li>● West Sompting (520 homes inc. 156 affordable homes)</li> <li>● Western Harbour Arm (Free Wharf 540 inc. 162 affordable)</li> </ul> <p>To assist the delivery of these sites the Council has worked with the developers and has helped to secure over £20 million additional public sector funding from the LEP and Homes England. The Council has also contracted to sell the Civic Centre site to a Registered Provider to deliver 170 affordable homes on the site of the former Council offices.</p> <p>The emerging Local Plan for Worthing is looking at allocating key green and brownfield sites to help increase the level of housing to help meet future housing needs. The Council has also been active to secure LEP and Homes England funding (over 15 million) to help deliver the following brownfield sites and ensure the delivery of affordable housing:</p> <ul style="list-style-type: none"> <li>● Teville Gate</li> <li>● Union Place</li> <li>● Grafton</li> </ul> <p>In addition, in view of the Council's housing need Worthing Council has agreed to bring forward two greenfield sites in advance of the Local Plan (West Durrington (Phase II) and Fulbeck Avenue). These two sites have the potential to bring forward 400 new homes including 120 affordable homes.</p> <p>Worthing is also reviewing its Community Infrastructure Levy in view of concerns that it is affecting the delivery of affordable housing on brownfield sites.</p>		
<p><b><u>IT Disaster recovery</u></b></p> <p>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.</p>	<p>January 2020</p> <p>Work to migrate servers to a cloud hosted solution is progressing which is reducing the services hosted on the internal data centre and this work will be assisted by the appointment of a Security Consultant in the next few months to review Security provision.</p> <p>September 2019 -</p> <p>Business Continuity plans are in place for every service detailing what actions will be taken in the event of IT failure, and a Business Continuity working group meets regularly to drive continuous improvement of our response plans and incident readiness.</p>	Extreme	Moderate



	<p>Reports to JGC on a regular basis.</p> <p>Power outage DR test successfully completed in June 2018. Recommendations have been implemented. Results of DR test and future Risk Management plans reported to JGC in July 2018 and report in September 2018. Annual Network security test carried out successfully and being implemented.</p> <p>The cloud migration project is progressing, which involves moving applications out of the Town Hall data centre and into secure hosting with Amazon Web Services. We plan to migrate all document storage to Google Team Drive, taking the opportunity to review files and address GDPR compliance.</p> <p>The Senior Management Team recently undertook training via Sussex Police on cyber security where our technical approach was praised and ongoing needs for awareness raising and training for staff were confirmed. An awareness programme is in development.</p>		
<p><b><u>Major Projects delivery</u></b></p> <p>Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.</p> <p>Delivering major schemes has a major reputational impact - it impacts directly on investor confidence and is afforded a high priority by local communities.</p>	<p>January 2020</p> <p>The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver.</p> <p>Both councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development. The councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.</p> <p>The councils have provided clear and unambiguous signals to the development sector about their intentions and commitment to deliver. A dedicated team has been established to manage the major projects and capital budgets adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings takes place to oversee progress.</p>	Major	Likely

<p><b>Climate Emergency</b> <b>Climate Emergency</b></p> <p><b>Council response to the Climate Emergency needs to be threefold;</b></p> <p><b>1) Mitigating climate change</b> Through reducing greenhouse gas emissions from council activities, working towards the carbon neutral target made as part of the Climate Emergency Declaration, and through working towards 100% clean energy for Adur &amp; Worthing under the UK100 Cities Pledge.</p> <p><b>2) Adapting to climate change;</b> By working across the council services and estate and with local stakeholders and partners to provide environmental resilience across Adur and Worthing and the South East. Measures required include</p> <ul style="list-style-type: none"> <li>• Addressing drought and heatwave planning, addressing urban heat island effect, increasing green infrastructure, addressing wildfire risk.</li> <li>• Preparing for tidal and storm surges, heavy rainfall and wind events, addressing risk of coastal, surface and river flooding through sustainable drainage, natural flood management, coastal defences, flood resilience.</li> <li>• Preparing for extreme cold events.</li> </ul> <p><b>3) Preparing for more frequent extreme climate events and impacts</b> Through emergency planning and developing resilience in the short and long term, and the ability of the council to respond to crisis situations in conjunction with the emergency services and other partners.</p> <ul style="list-style-type: none"> <li>• Preparing for risks of damage to properties and infrastructure as well as risk to public health and safety from extreme weather events.</li> <li>• Developing resilience in local food, transport, energy and water systems and the built environment.</li> <li>• Lobbying government for a more robust approach to the multiple threats of climate change.</li> </ul>	<p>January 2020</p> <p>Rapid progress has been made since the councils declared a climate emergency in July 2019.</p> <ul style="list-style-type: none"> <li>• Detailed Carbon Reduction Plan approved Dec 2019</li> <li>• Sustainable AW framework approved Dec 2019</li> <li>• Zero2030 conference arranged for March 2020</li> <li>• Work being commissioned for area wide carbon emissions analysis</li> <li>• Work being commissioned on offsetting options</li> <li>• £32m smart hubs project underway, delivering multiple renewable energy projects in Worthing and Shoreham</li> <li>• Food networking event held Oct 2019</li> <li>• Climate Assembly approach agreed, starting late spring 2020</li> </ul>	<p>Major</p>	<p>Likely</p>
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## Communities Directorate High Service

### Risks and Projects

#### Housing

<u>Risk</u>	<u>Potential Effect</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
1. Compliance - Fire, Gas, electrical and water quality (Adur Homes)	<p>1. Death/injury/illness. - Fire/safety related; - water borne disease (legionella)</p> <p>2. Potential legal action and-or claims. - Legal action against accountable staff (up to Head of paid Service) - compensation and or other claims for injury etcl</p> <p>3. Financial risk -Of managing service failure and loss of accommodation</p> <p>4. Reputational risk -see above</p> <p>5. Loss of use of premises and personal impact to tenants as well as operational and financial risk to councils - see above</p> <p>6. Court judgement relating to BSW case. Judge found in favour of contractor and Council requested to make a fee. Wider impact risk now because two other contracts awaiting adjudication.</p> <p>1-5 Can result from a failure to comply with regulatory standards around Fire/Gas/Electrical and Water Safety and/or implement action plans agreed with WSFR and other bodies.</p>	<p>Fire Safety Risk manager is overseeing the completion of all Fire Risk Assessments across HRA properties - these will be completed by Feb 2020.</p> <p>All actions emanating from these assessments are being categorised and prioritised.</p> <p>New Fire Safety and compliance officer role is being created to support the strategic/lead Manager role</p> <p>Capital programme contract for fire safety - sheltered accommodation - has been awarded and will start on site in Feb 2020</p> <p>Contracts to replace and upgrade community alarm systems has been awarded</p> <p>General Blocks Fire safety works contract out to tender</p> <p>Door replacement programme continues Engagement with leaseholders to identify and support them to bring their doors into compliance with the current legislation, is also ongoing.</p> <p>Fire safety actions being included in all other capital programme activities</p> <p>Fire Safety Policy reviewed and updated</p>	Extreme	Moderate

		<p>Quarterly meetings being held with WSFRS.</p> <p>Adur Homes and Council Business &amp; Technical Services Teams continue working together to deliver a range of compliance projects eg. Fire doors/landlord electrical - Smoke detection and emergency lighting.</p> <p>Water tanks now inspected and plan in place to replace them when necessary.</p> <p>Gas safety monitoring and compliance at 99.7%. New contract has been implemented.</p>		
2. Rising costs of emergency and temporary accommodation	<p>Increased pressure on general funds</p> <p>Councils have to spend money on expensive B&amp;B type accommodation.</p>	<p>Both Adur and Worthing Councils have created funds specifically for the acquisition and renovation of properties to provide cost effective, local temporary accommodation for families and individuals in need.</p> <p>Actively working with landlords to increase supply Held open day in March 2018 to attract new landlords and to develop landlord incentive scheme. Opening Doors now launched.</p> <p>Change in approach to homeless prevention Including priority banding for those who would be owed a duty if they can make their own arrangements.</p> <p>Community homelessness strategy (Aim to make homelessness everyone's responsibility).</p> <p>Provide people with more information on choices so that they can help themselves.</p> <p>Allocated a dedicated housing solutions officer dedicated to working with clients who are interested in private sector housing as an option (prevention)</p> <p>Joint project with Worthing Churches Homeless Project/Roffey Homes and the Council at Lyndhurst Road in Worthing to create new temporary accommodation - 37 units - 18 for the Councils. For</p>	Major	Very Likely

		<p>new contracts with WSCC, these rooms will be incorporated into Turning Tides general provision.</p> <p>Team is handing back expensive leases and taking new, more affordable properties. 50 new SLA/Leased properties so far with 37 more in the pipeline.</p> <p>Parkfield scheme. Grant funding Worthing Homes to convert old children's centre into four flats (Homeless Prevention) complete and nominations to these properties are lined up.</p> <p>Purchase of Downview pub site in west worthing agreed - has planning permission to convert into residential (13 units) to be used as temp accommodation.</p> <p>Purchase of property at Rowlands Road.</p> <p>Pilot project underway. Private rented scheme to work with landlords.</p> <p>Director for Communities has set up a monthly overview steering group to help break down temporary accommodation problems.</p> <p>Housing Solutions Team restructuring - More emphasis on temporary accommodation reduction.</p> <p>Business Planning Workshop held to look at the issues of temporary accommodation and help drive down costs.</p> <p>New structure in place. Aquisition and landlord team now in place. Team responsible for negotiating private sector accommodation.</p> <p>Use of New Burdens: Additional HIPA being used to assist timely decision making and reduce TA provision for Relief Cases.</p> <p>Case management taking place to monitor decision making.</p>		
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<p>3. Overall Risk of increasing demand for housing advice and homelessness applications</p>	<p>Impact on front line service delivery for customer services in terms of Contact Centre and front line services from Portland House.</p> <p>Increased waiting time for housing advice and casework.</p> <p>Increased costs of temporary and emergency accommodation.</p> <p>Increased competition for limited affordable housing supply.</p> <p>Risk of not meeting legal obligations of the new Homelessness Reduction Act 2017</p>	<p>Triage system implemented to provide advice and guidance at the earliest opportunity to reduce presentations as homeless.</p> <p>Create more housing options for those at risk of homelessness via the housing solutions officer dedicated to seeking private sector accommodation</p> <p>Early identification of potentially vulnerable individuals and families to the development of multi agency pathways eg hospital discharge and care leavers. Better joint working with agencies to prevent crisis presentations.</p> <p>Improving Communication and digital offer to increase customer self service and understanding of alternatives with the aim to reduce administration and officer time processing applications.</p> <p>Working with partners across sussex in Sussex Home-Move Partnership to implement the new Home Connections System Better recording and case management.</p> <p>Improve the Housing Team performance.</p> <p>Trialling different methods of assessing people's needs.</p> <p>Capacity of Portland House being assessed.</p> <p>Service redesign - This has created 3 additional officer posts to provide advice.</p>	<p>Major</p>	<p>Very Likely</p>
<p>4. Housing Revenue Account - Financial sustainability as a result of Rent Reduction Policy and Rent collection levels - Impact on budget and service provision</p>	<p>1. Financial</p> <p>-Reduced ability to Invest in capital expenditure to maintain buildings and properties and new homes</p> <p>2. Operational</p> <p>- Limited ability to deliver good quality services and meet customer need</p> <p>-Ability to cover day to day repairs and maintenance</p>	<p>30 year business plan shows the potential to outlive the issues highlighted if the service is able to raise rents post 2020</p> <p>Reviewing what services we offer with the budget available.</p> <p>Prudent management of revenue budget</p>	<p>Major</p>	<p>Likely</p>

	<p>3. Business Sustainability/failure</p> <p>-deficit budgets set for forthcoming years, any further uncertainty could result in business failure</p> <p>Background - Until 2020 the Government requires all social housing providers to reduce their rents by 1% each year.</p> <p>This creates a financial pressure over the next 3 years.(£0.68m in 2018/19 and by 2020/21 this will have increased to £1,944,000)</p> <p>Arrears level is running at 3.19% (£452,202). Good practice benchmark is 1%.</p> <p>Loss of income to the HRA.</p> <p>Use of reserves.</p>	<p>AH Improvement Plan focus on reducing rent arrears and being monitored monthly by Head of Service and Operations Manager.</p> <p>Engagement with Wellbeing and Housing Solutions staff to promote budgeting and financial inclusion strategies.</p> <p>Income streams review taking place.</p> <p>Planning to increase rent by 2.7% in the next Financial Year and for next years there will be increases at CPI plus 1%.</p>		
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## **Digital & Resources Directorate High Service**

### **Risks and Projects**

#### **Financial Services**

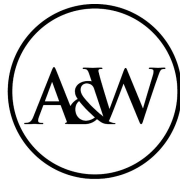
<b><u>Risk</u></b>	<b><u>Potential Effect</u></b>	<b><u>Internal Controls</u></b>	<b><u>Impact</u></b>	<b><u>Likelihood</u></b>
<p>Risk to overall financial position - Known areas of risk within the budget eg Income from demand led services, outcomes of job evaluation, Pay award higher than assumed.</p>	<p>1. Go over budget</p> <p>2. Do not have resources to meet priorities.</p>	<p>Council holds reserves to manage the risk of lost income.</p> <p>Where a service has been identified as being at risk a close monitoring regime is put in place.</p> <p>The enhanced monitoring for CLT for areas of commercial risk is continuing. .</p> <p>Proactive control of discretionary spend implemented to help resolve areas of overspend within the budget.</p> <p>New budget management strategy in place to build reserves and to better manage risks.</p>	<p>Major</p>	<p>Likely</p>

<p>Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend</p>	<p>Budgets are insufficient to fund core costs leading to an overspend.</p>	<p>Closely monitor progress through Budget/ Performance Monitoring. • Where issues are identified build into budget for the following year.</p> <p>Proactive management of discretionary budgets to manage in year pressures.</p> <p>Annual savings and budget exercise undertaken to reset budget and deal with areas of high pressure.</p> <p>Staffing budgets very carefully controlled.</p> <p>Rigorous process for establishing new posts. Other staffing controls – recruitment and selection. Controlling vacancy filling and monitoring against targets.</p>	<p>Major</p>	<p>Likely</p>
<p>Future resources from Government are less than assumed</p>	<p>Budget shortfall is understated leading to a greater level of savings. Particular issue in 21/22 Financial Year is likely due to fairer funding review.</p>	<p>Lobby Government for an appropriate resource distribution. • Take action to reduce the overall cost of services or increase income where possible.</p> <p>Government has moved to a 4 year settlement which gives the Councils greater certainty about grant levels.</p> <p>Councils have responded to new Business Rate retention scheme proposals.</p> <p>Councils have responded to the fairer funding review consultation.</p> <p>Councils have responded to the Local Government settlement consultation</p> <p>Councils have received a 1 year settlement for 2020/2021. Awaiting outcome of fairer funding review.</p>	<p>Major</p>	<p>Likely</p>



<p>General risk of not finding significant budget savings from both Councils.</p>	<p>Impact on ability to balance the budget to deliver the Corporate Priorities and priority services.</p>	<p>Sufficient savings have been identified for 2020/21. Risk is now in the 2021/22 Financial Year..</p> <p>Introduced Medium Term Financial Plan Tracker to check savings over 3 years.</p>	<p>Major</p>	<p>Likely</p>
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ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 10

Ward(s) Affected: All

## Major Projects Delivery Corporate Risk

### Report by the Director for the Economy

#### Executive Summary

##### 1. Purpose

- 1.1. To respond to the request from the Chairs of Governance Committee for the relevant officer to attend to discuss the risks around major projects identified in the Corporate Risk register; assess whether the risks were appropriately described; and actions being undertaken by the Officer.

##### 2. Recommendations

- 2.1. To note the contents of the report.

##### 3. Delivering Regeneration & Major Projects - Context

- 3.1. It is widely acknowledged that urbanisation and regeneration as a trend is set to continue. As the world's population grows, and more people are attracted to live in towns and cities either through necessity or desire, so too does the need for cities to keep pace providing the facilities and amenities to meet demand. Coupled with environmental, economic and societal challenges, towns and cities need to evolve and adapt at an even greater pace.

- 3.2. Successful places are responding to these challenges and taking the opportunities that are presented to them.
- 3.3. Towns are reimagining themselves and are fast becoming hubs for cultural and civic activity; drivers of research and innovation, attractive leisure destinations and compelling places to live and work. There is now a strong narrative as to the importance of regional towns, and how they contribute to the national economy.
- 3.4. Achieving such a change requires a concerted effort across the public and private sector. The delivery of new homes, offices and industrial premises, and the provision of leisure, cultural and retail facilities have diversified their offer and brought new life to town centres. The provision of new public spaces and significant investment in infrastructure underpins the creation of more attractive and accessible destinations. The towns that are embracing regeneration are finding renewed activity and purpose, resulting in positive changes for their economies.
- 3.5. Regeneration does not however happen overnight or in a silo. It happens in the context of a changing retail sector, stretched budgets (for both the public sector and private companies), and environmental and political imperatives for change. Securing a town's competitiveness is increasingly challenging. The market place is becoming crowded and places need to utilise their heritage and cultural identity to create compelling narratives for their future.
- 3.6. Delivering homes, infrastructure and jobs requires clear strategy but quick action, not least because the established patterns of development and inherited infrastructure present a further factor to which planning and delivery of regeneration and development must fit and respond. There are few blank canvases on which to work.
- 3.7. No less important but harder to quantify are the perceptions of a town. These can be just as important to those looking to invest, live or establish a business. Aligned to this is the need to create relationships and engage in diverse communities. These are as much a part of successful regeneration as the physical plans and investment.
- 3.8. As a result, bringing forward coherent approaches to regeneration and major project delivery, at the same time as navigating those

complexities, is no easy task. The factors that are influencing the approach are broad.

- 3.9. Setting the strategy, creating partnerships, focusing on outcomes and aligning resources are all important. The ability to combine the best of the public and private sector, the delivery of infrastructure and utilisation of new forms of investment to unlock sites are all essential to the reinvention of towns.
- 3.10. The inclusion of Major Projects Delivery on the Council's Corporate Risk Register is a recognition of the complex and complicated nature of delivering these projects.

#### 4. Risk Management Arrangements

- 4.1. The Council's Risk and Opportunity Management Strategy 2018-20 sets out the Council's commitment to managing risk and opportunity in an effective and appropriate manner. Risks and Opportunities are split into three categories:
  - **Corporate** - These are Risks and Opportunities which relate to the long term goals of the Councils. These tend to be medium to long term but some may feature for a shorter period of time because of a significant event or planned business activity. Inclusion of a Risk or Opportunity in the Corporate Risk and Opportunity register indicates that it is one of a number of Risks/Opportunities that the Councils need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.
  - **Service**. - These are Risks and Opportunities which relate to the day to day operations of each individual service. Service Risks and Opportunities should also link to each Service area's Business Plan. Service Risks will also be identified as part of the business continuity process. As part of these business continuity processes, each Service area will be required to complete a business impact analysis which will identify risks associated with its operation and the impact on business processes/activities and appropriate mitigation procedures that will be implemented. Local Service Business unit strategies will help to mitigate the risks.

- **Project** - These are Risks identified in connection with all major projects which the Councils undertake. These projects are run in accordance with appropriate project management guiding principles. Risks associated with major projects are those that if they occur will have an effect on at least one project objective.
- 4.2. The Risk and Opportunity register identifies Major Project Delivery as a corporate risk for the Councils as place-making, regeneration and development are important to the long term goals of the organisation.

## **5. Actions Taken to Manage Major Projects Delivery Risk**

- 5.1. As described in Section 1 delivery of these major projects requires the Council to work in partnership with the private sector and wider stakeholders. While, responsibility for the Major Projects Delivery risk sits principally with the Head of Major Projects & Investment, management occur across the Economy Directorate and across the Council as a whole recognising that the response to the risk requires a multi-disciplinary approach bringing together perspectives from across planning, property development, infrastructure delivery and capital investment.
- 5.2. The Council has made a number of changes to its organisation and set-up to respond to the challenge which are summarised in the paragraphs below.
- 5.3. At a strategic level the Council's management structure includes the Director for the Economy who has overall oversight of the teams involved in regeneration and major project delivery. The Director role plays a key part in setting strategy, and working with private sector investors and other stakeholders to create a clear vision for the future. This has led to the development of a number of key strategy documents including:
- Adur Local Plan 2017
  - Shoreham Harbour Joint Area Action Plan 2019
  - Worthing Investment Prospectus 2016
  - Worthing Seafront Strategy 2018
  - Adur & Worthing Economic Strategy 2018
- 5.4. Along with the forthcoming Worthing Local Plan these documents combine to provide a clear strategy for the future development of

Worthing Borough and Adur District. The regular publication of the Building AW magazine seeks to ensure regular communication of these strategies and help build confidence and momentum in their delivery.

- 5.5. The Director for the Economy oversees three key service areas that have been designed to respond to individually and collectively to the challenge:
- The Major Projects & Investment Service brings together property development and surveying skills in a single team which oversees development, planning, and construction management skills in one team focused on delivering projects involving Council owned land such as Union Place, Adur Civic Centre redevelopments, Splashpoint, and the Worthing Integrated Care Centre.
  - The Planning and Development Team are crucial as each development proposal will require planning permission. Recent investment in delivering an advanced pre-application advice service, planning performance agreements, and the establishment of a team of case officers who deal solely with major applications are combining to ensure that projects successfully navigate the planning system.
  - The Council's Place & Economy team brings together a range of skills around business support, economic development, events, and marketing/place branding which are crucial to attracting investment and creating a high quality of life within Adur & Worthing.
- 5.6. The importance of the Major Projects delivery agenda is seen in other areas across the Council. The Council's legal team recognise this as a key area of focus and in their departmental structure a specific "Property and Contracts" team is in place to support property and development work. The Council's finance department have included these projects in the medium term financial strategy to ensure the resources are in place to deliver these projects. The Council's procurement team work closely with the Major Projects & Investment team to ensure that they can effectively procure development partners and construction contracts.

## **6. Financial Implications**

- 6.1. There are no direct financial implications arising from this report. However individual projects or initiatives within the Major Projects will require funding via the Council's budgets. Allowances have been made within the Medium Term Financial Plan to fully fund known commitments.

## **7. Legal Implications**

There are no direct legal implications arising from this report. However, early input from Legal Services is key to ensure that Major Projects work, including any risks and legal implications relating to a specific project, are identified at an early stage and appropriate legal advice can be given.

### **Background Papers**

None.

### **Officer Contact Details:-**

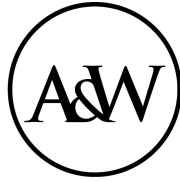
Cian Cronin

Head of Major Projects & Investment

07824 343896

[cian.cronin@adur-worthing.gov.uk](mailto:cian.cronin@adur-worthing.gov.uk)





ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2019  
Agenda Item 11

Ward(s) Affected: ALL

## Review of polling districts, polling places and polling stations

### Report by the Director for Digital and Resources

#### Executive Summary

##### 1. Purpose

- The (Acting) Returning Officer has completed a statutory review of polling districts, polling places and polling stations.
- The purpose of the review is to assess the size of the electorate in each polling district as well as the suitability of the location and access of each polling place and the number of polling stations located at each polling place.
- As a result of the review four polling places have been changed in Adur and one in Worthing.

##### 2. Recommendations

- 2.1 The Committee is asked to note the review proposals for polling places in Adur and Worthing.

##### 3. Context

- 3.1 Under the Representation of the People Act 1983 all local authorities in Great Britain must review their UK Parliamentary polling districts and places every five years. The current review has to be completed by 31 January 2020.

- 3.2 Although the statutory review refers only to UK Parliamentary elections the findings affect polling districts and places for all elections held within Adur and Worthing.
- 3.3 Whilst this review has to be carried out every five years, changes can be made to polling places outside of the review if required.

#### 4. Issues for consideration

- 4.1 No polling districts will be changed as a result of this review due to the fact that the number of electors in each polling district has not increased significantly. This will be revisited if necessary before the next statutory review.
- 4.2 Finding suitable polling places within polling districts can be challenging. Polling places are assessed against:
- Disabled access
  - Reasonable parking facilities
  - Accessibility to all electors in the polling district
  - Sufficient lighting and heating facilities
  - Kitchen and toilet facilities for staff
  - General booking availability
  - Provision of tables and chairs
- 4.3 Based on the review the following changes are being made to polling places:

<b>Polling district</b>	<b>Previous polling place</b>	<b>New polling place</b>
Adur - AD, AZ	Lancing Parish Hall, South Street, Lancing, BN15 8AJ	St Michael's Church Hall, South Street, Lancing, BN15 8AJ
Adur - AE	The Joyful Whippet Public House, Steepdown Road, Sompting, BN15 0LJ	St. James Church Hall, Mill Road, Lancing, BN15 0PT
Adur - AG	Community Room, The Gateway Centre, West Road, Fishersgate, BN41 1PN	Eastbrook Manor Community Centre, West Road, BN41 1QH
Adur - AM	The Crabtree Inn, 140 Crabtree Lane, Lancing, BN15 9NQ	The Globe Primary Academy, Irene Avenue, Lancing, BN15 9NZ
Worthing -	St. Andrew the Apostle Church,	Richmond Room (adj. To

WC1, WC2	Victoria Road/Clifton Road, Worthing, BN11 1XB	Assembly Hall), Stoke Abbott Road, Worthing, BN11 1HQ
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4.4 These polling places were used during the snap Parliamentary Election in December 2019 and worked well. Further information on all polling places and these proposed changes can be found in the attached appendix.

## 5. Engagement and Communication

- 5.1 The following groups and individuals were consulted as part of the review:
- Members of Parliament for East Worthing and Shoreham and Worthing West constituencies
  - Adur Councillors
  - Worthing Councillors
  - West Sussex County Councillors
  - Local contacts for political parties
  - Local disability groups including Worthing Mencap, Independent Lives, Guild Care and Sight Support Worthing
  - Community Works distributed information to local community and voluntary sector organisations across Adur and Worthing via their email lists
  - Presiding Officers

Consultation responses can be viewed on the website at <https://www.adur-worthing.gov.uk/polling-review/>

- 5.2 Changes of polling stations will be communicated to electors through their poll card which they are sent before an election. Additional communication will be made with electors in polling district AE as their polling station will now be located outside their polling district.

## 6. Financial Implications

- 6.1 The cost of hiring polling stations is funded from within existing budgets; and in the case of parliamentary elections, will be recouped from the Government.

## **7. Legal Implications**

- 7.1 Schedule A1 to the Representation of the People Act 1983 provides the steps that must be included in a statutory review of UK Parliamentary polling districts and polling places.
- 7.2 The Electoral Registration and Administration Act 2013 introduced a change to the timing of compulsory reviews and the Council is obliged to complete this review by 31st October 2020. Subsequent compulsory reviews must be started and completed within the period of 16 months that starts on 1 October of every fifth year after 1 October 2013.

### **Appendices:**

**Appendix 1 Adur Polling Places Review**

**Appendix 2 Worthing Polling Places Review**

### **Background Papers**

- Schedule A1 to the Representation of the People Act 1983
- <https://www.electoralcommission.org.uk/i-am-a/electoral-administrator/polling-place-reviews>

### **Officer Contact Details:-**

Helen Blakeborough

Electoral Services Officer

01903 221301

[helen.blakeborough@adur-worthing.gov.uk](mailto:helen.blakeborough@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Accessibility issues are considered in the allocation of polling places.

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

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

Matter considered and no issues identified.



**ADUR POLLING STATION REVIEW 2019 - COMMENTS AND ACTIONS TAKEN DURING CONSULTATION**

<b>Polling district</b>	<b>Address</b>	<b>PS Review comments</b>	<b>Electoral Services team comments/ comments received outside of review</b>	<b>Action taken</b>	<b>Recommendation</b>
AA, AS, AS1	Scout Hut, Eastern Avenue (Northern End), Shoreham-by-Sea, BN43 6PE	Neither of the polling stations for this ward are within the ward. I would like to see the council buildings midway up the west side of the park considered as an alternative as it is centre of the ward and therefore would be no need to split between 2 polling stations - Cllr Emma Evans email 07/08/2019. My only comment about the polling station where i'm a presiding officer is that there are three stations in a fairly small hall and consequently there is a risk that ballots can find their way into the wrong ballot boxes (it can be difficult to keep an eye on all voters when the hall is busy). Other than that the polling station is fine. I am a presiding officer at the Scout Hut on Eastern Avenue. PO email 12/08/2019		Emailed Environmental Services (13/08/2019) to ask if possible to arrange a viewing of Buckingham Park buildings. No visit arranged but on viewing the outside of the buildings it is clear that it is not a suitable location. There are two steps into the building and it is located quite a way into the park where there is no lighting so this would discourage electors from voting when it is dark.	No change
AB, AT, AT1	Shoreham Free Church Hall, Buckingham Road/Gordon Road, Shoreham-by-Sea, BN43 6WF				No change
AC	Sussex County Football Club, Culver Road, Lancing, BN15 9AX				No change
AD, AZ	Lancing Parish Hall, South Street, Lancing, BN15 8AJ	There can be difficulties getting a suitable room for an election. For the European Parliamentary election in 2019 we had to move rooms during the election because of another booking and we were not able to book the hall for the Widewater by-election in October 2019.	Not always possible to book at short notice and also have been asked to move rooms during election day. St Michael's Church Hall (located next door) have confirmed they would be able to provide all the necessary facilities. The access is good and the premises are suitable for a polling station.	Visited St Michael's Church Hall on 29/08/2019 and met with Church Warden. Hall has good access and premises are suitable for a polling station. The Hall will be used for the first time on 24 October 2019 for the Lancing Parich by-election in Widewater Ward	Change to St Michael's Church Hall, South Street, Lancing
AE	The Joyful Whippet Public House, Steepdown Road, Sompting, BN15 0LJ	As a resident who since 1982 has gone to the Joyful Whippet to vote. What facilities will ADC provide when the Joyful Whippet pub is demolished next year and a development of flats/houses is put there for residents north of a27 to vote. You will lose a proportion of electorates if they have to go across the a27, we only have one bus an hour, many residents are elderly & don't drive. Cokeham resident email 14/08/2019	The Joyful Whippet will soon be closed so an alternative location is required.	Following extensive research no suitable alternative premises were found within the Ward or Polling District	Change polling station to St James the Less Church Hall and use larger room to accommodate two polling stations. It is recognised that this location is not an ideal distance for people to travel it is the only suitable premises nearby. However, The Joyful Whippet will continue to be used for any elections that take place before it closes.
AF	Sompting United Reformed Church Hall, Cokeham Road, Sompting, BN15 0AE				No change
AG	Community Room, The Gateway Centre, West Road, Fishersgate, BN41 1PN	The Polling Station at Fishersgate is absolutely fine and is ideal in many respects. However, for several years, the outside lighting has not been working and this is a hazard in when it starts getting dark.....particularly as voters need to navigate a ramp (PO email 06/08/2019) The PS in West Road has a very steep slope and I have seen elderly folk balk at the thought of using it. It would be better to have a hand rail installed. If not Summer Close SHU would be an alternative. I think the EB Manor Community Centre is a bit too far to go (Cllr Les Alden email 06/08/2019)		Visited Sheltered Accomodation at Summer Close on 05/09/2019. Although it might be possible to locate a polling station here the residents would need to be consulted. The room is also very small with a number of large chairs and the kitchen is located in the room. There is very little parking which is required by carers of the residents. In addition the room is small with no separate kitchen. Following a visit to the Gateway Centre it is considered that this is still a suitable location although the disabled access is not ideal due to the steepness of the ramp. In addition the Academy is hoping to hand the building back to WSCC as it is not used by the school so alternative accommodation will need to be found in the near future. We would also need to check if the light works. We have also explored the possibility of moving back to Eastbrook Manor Community Centre. The building is currently being handed over to a new management company so there is no guarantee of booking at the moment. However, the Communities team at Adur & Worthing Councils confirmed it should be possible to use the building for a polling station in the meantime should it be required.	Move polling station to Eastbrook Manor Community Centre for time being until new organisation is in place. Communities team have confirmed they will encourage new organisation to allow us to use building as a polling station. However, Gateway Centre is suitable if it is not possible to use the Community Centre.

172 AH	Southwick Methodist Church Hall, Manor Hall Road, Southwick, BN42 4NA				No change
AI	Southwick Community Centre, Southwick Street, Southwick, BN42 4TE	A lot of voters on Butts Road and Whiterock place have to go to the Southwick Centre to vote which is quite a long way and very near the Manor Hall Road PS. Have you tried the Butts Road tenants hall? (Les Alden email 06/08/2019)		Arranged a viewing of Butts Road Tenants Hall on 27/08/2019. On viewing it was considered that the room was not suitable for use as a polling station. It is currently not used and has not been in use for some time. There are mouse traps laid out and it is not clean. There is also a step into the building so no level entrance. It is only a six minute walk to the current polling station at Southwick Community Centre.	No change
AJ, AK	Quayside Youth Centre, Upper Kingston Lane, Southwick, BN42 4RE	I am, currently, a Presiding Officer in the Hillside District, AK 11, Quayside Youth Centre. It houses 2 wards, and the Staff of both have the room to set them up so that it is apparent which ward is which. Access is easily available regardless of ability. As far as the rest facilities are concerned, the clerks and Presiding Officers have the use of an excellent kitchen and restful chairs. The Premises Manager is helpful. All in all, I should imagine that it is one of the most positive places to Preside. Pat Frewin email 06/08/2019			No change
ALA, ALB	St. James Church Hall, Mill Road, Lancing, BN15 0PT				No change
AM	The Crabtree Inn, 140 Crabtree Lane, Lancing, BN15 9NQ		Would like to review this location as some people do not like to enter a licensed premises so an alternative could be Globe Primary School, Irene Avenue. Contacted to ask if possible. Another possible alternative is Boundstone Children and Family Centre. Although it is out of the Ward it is not far from Crabtree Inn.	Two possible locations were identified, Globe Primary School and Boundstone Childrens' Centre. A visit was made to Globe View Primary School on 10/10/2019 and a suitable room with separate access is available for us to use. A visit was also made to Boundstone Children and Family Centre on 03/09/2019 and it would be suitable for a polling station although it is just outside the Ward. They would need to close the nursery for the day but would be willing to do so if the venues is considered the best alternative to the Crabtree Inn.	Change polling station to Globe Primary School.
AN	Function Room, The Harbour Club, Harbour Way, Shoreham-by-Sea, BN43 5HG	The facility is generally good and well thought out, although being upstairs does provide some challenges. For example, voters who were not members of the club used it as an opportunity to get onto the balcony for a look, which was a little distracting and intrusive to people who were casting their vote on that side of the room. However, if you want a relaxed atmosphere and to encourage young people to vote in the future, it is obviously one of the things to be managed at that location. PO email 07/08/2019	This polling station is not centrally located and therefore not easy for electors at the west end of Shoreham Beach to get to. Alternative location would be Shoreham Beach Primary School.	Shoreham Beach Primary have been contacted but they strongly oppose using the school as a polling station due to disruption the week before SATs. Church of the Good Shepherd also contacted to ask if possible to use but confirmed that they have events every day so not possible to use	No change
AO	Shadwells Court Meeting Room, Shadwells Road, Lancing, BN15 9ER	There is an issue in Mash Barn ward. There are 2 polling stations, one at Shadwells Ct and the other at Monks Hall. The allocation of polling stations means there are people who need to walk further than they need to, i.e allocated the wrong polling station by distance. Everyone to the West of Grinstead Lane and North of Crabtree Lane (Orchard Ave, Orchard Way, Grand Ave, First Ave, Second Ave and Eighth avenue) are allocated Shadwells Rd polling station, yet Monks Hall is closer, much closer in some cases. It results in people often visiting the wrong polling station and in other cases choosing not to bother. Cllr Cowan email 08/08/2019		Changing boundary between districts would achieve very little and there are many areas where people have to walk past one polling station to get to their own. It is noted that a suitable location at the New Monks Farm Hall housing development may need to be found beefore the next review in five years time but this will be located when necessary.	No change



AO1	Monks Farm Hall, North Road, Lancing, BN15 9BB	There is an issue in Mash Barn ward. There are 2 polling stations, one at Shadwells Ct and the other at Monks Hall. The allocation of polling stations means there are people who need to walk further than they need to, i.e allocated the wrong polling station by distance. Everyone to the West of Grinstead Lane and North of Crabtree Lane (Orchard Ave, Orchard Way, Grand Ave, First Ave, Second Ave and Eighth avenue) are allocated Shadwells Rd polling station, yet Monks Hall is closer, much closer in some cases. It results in people often visiting the wrong polling station and in other cases choosing not to bother. Cllr Cowan email 08/08/2019			No change
AP	Harriet Johnson Centre, Loose Lane, Sompting, BN15 0BG				No change
AQ	St. Peter's Church Hall, Bowness Avenue, Sompting, BN15 9TS				No change
AR	Shoreham Centre, Pond Road, Shoreham-by-Sea, BN43 5WU				No change
AU, AV	Day Centre, Milward Court, Wilmot Road, Shoreham-by-Sea, BN43 6BU	I wish to express my support for the continued use of Milward Court, Wilmot Road, as a Polling Station. It is the only community centre in Southlands Ward, and as it's part of a block of sheltered accommodation it is highly accessible to our older and disabled residents. It is also located right in the most densely populated area of the Ward by all the blocks of flats. Cllr Stainforth email 07/08/2019			No change
AW, AX	St. Michael's Church Hall, Church Lane, Southwick, BN42 4GB				No change
AY	Recreation Room, Broadway Park, Lancing, BN15 8NP				No change



**WORTHING POLLING STATION REVIEW 2019 - COMMENTS AND ACTIONS TAKEN DURING CONSULTATION**

<b>Polling district</b>	<b>Address</b>	<b>PS Review comments</b>	<b>Electoral Services team comments/ comments received outside of review</b>	<b>Action taken</b>	<b>Recommendation</b>
WA1, WA2	Broadwater Baptist Church, Dominion Road, Worthing, BN14 8JL				No change
WA3, WE1, WE2, WJ1	Offington Park Methodist Church, South Farm Road, Worthing, BN14 7TN	The withdrawal of the Worthing football ground station has inhibited voters, many cannot get to OPMC as the sole polling station. (Cllr Jenkins email 06/08/2019)		There are two possible alternative locations - Worthing Football Club and The Glynn Owen Centre. Contact has been made with WSCC about using Glynn Owen Centre who have confirmed that the centre is not able to accommodate a polling station and there is very little parking and the access road is very narrow. There is also very little parking on the busy road outside. Contact was also made with Worthing Football Club who confirmed that the building we previously used as a polling station had now been leased to a private gym. We have contacted the owner of the gym who has confirmed it is not possible to use the area as classes run daily and cannot be cancelled. There is also no kitchen.	No change
WA4, WA5	Scout Headquarters, St. Andrews Boys High School, Sackville Road, Worthing, BN14 8BQ		A Presiding Officer commented that there is no outside lighting except for weak porch light which points downwards. Floodlight would be useful as otherwise it is uninviting and potentially hazardous after nightfall.		No change but look at improving lighting
WB1, WB3	St. Richards Church, Collingwood Road, Worthing, BN12 6HZ	Lionel Harman comment from WBC May 2019 election (email to Alex Bailey) - There are currently two, one at St Richards Church and the other at the football club at Palatine Park, this makes it hard to man on election days, and also means some Residents walk past one polling station to get to the other. Historically there was only one at the local school, this changed about 5 years ago so the children's lessons weren't disrupted. Is it possible to review this situation and combine the 3 polling areas in Castle and relocate them all at the football club where there is plenty of room and parking.  There is an inadequate timber access ramp which is difficult for wheel chair users and ambulant persons alike, possibly to the point of dangerous (I expect it would be view as so following an accident). Lighting is poor in the evenings and notable for those with poorer eye sight. No microwave available to be able to have warm/hot food though out the day. Church layout is awkward, but workable. Doesn't fit the standard layout! PO email 07/08/2019		On looking at the location of the polling stations it was considered that Palantine Park Football Ground would be too far for electors in WB3 and that St Richard's is a more suitable loaction. We investigated the use of the ramp and will provide a ramp ourselves at this loaction to ensure it is safe.	No change but provide new ramp and better lighting.
WB2	Palatine Park Football Centre, Palatine Road, Worthing, BN12 6JN				No change

WC1, WC2	St. Andrew the Apostle Church, Victoria Road/Clifton Road, Worthing, BN11 1XB		When I worked at St Andrews church in the Worthing central ward it was cold and dark. We also made the church unsuitable for anyone to use. However, there was a room at the back which was large, light and warm. I would strongly suggest we use this next time. PO email 20/08/2019	A visit was made to the Church on 27/08/2019 to look at Church Hall to check suitability. Whilst the hall is a good size and light, the access is not ideal. The Church Warden showed us the side access which can be accessed by a wheelchair, however the path is narrow and very slippery when wet. There would also be very little space for tellers and it is likely that they would obstruct and could be intimidating for voters. The best entrance would be for electors to enter via the main entrance of the church but it is quite a distance to get from the main door to the hall and a ramp would have to be fitted for two stairs. Whilst the ramp would make it accessible for wheelchairs it is not suitable for people who have difficulty walking as it is quite steep. Whilst the church would be happy for us to continue to use the Church itself and allow us to provide our own additional lighting and heating, it is felt that an alternative venue would be preferable. With this in mind the Richmond Room, adjacent to the Assembly Hall, has been considered and fulfils all necessary requirements.	Change to Richmond Room, adj. Assembly Hall
WC3	Sidney Walter Centre, Sussex Road, Worthing, BN11 1DS				No change
WD1, WD2, WI1, WI2	Durrington Community Centre, 2 Romany Road, Worthing, BN13 3FJ				No change
WF1, WF3	The Barn, English Martyrs Church, Goring Way, Goring-by-Sea, BN12 4UE	We have often received feedback from residents in the southern part of Marine and Goring wards saying that they are the furthest point away from the current polling places in Ripley Rd, Barrington Rd and Goring Way. Indeed I have received feedback from older and more vulnerable residents that they have stopped voting because they struggle to walk to the polling place and don't want/trust postal votes. It was suggested to me that St Laurence's church could be an ideal polling place for Goring and Marine due to its location. It could serve the southern and less mobile residents of both these wards. As another note, the current Ripley Road polling place is awful for parking especially during the rush hours and when the school lan opening/closing. Cllr Crouch email 07/08/2019 I was placed at St John's Church (Ripley Road) and as always the venue were very accommodating and had everything we needed to ensure we were comfortable and able to facilitate the service on the day. PO email 16/08/2019		It was considered that electors in WF3 and WH1 may prefer a polling station at St Laurence Church Hall. Contact was made with St Laurence Church Hall but a response was received to say that they are fully booked and unable to help. In addition some residents in WF3 and WH1 are located closer to their current polling station so this would mean they have to travel further.	No change
WF2	Goring URC, Barrington Road, Worthing, BN12 4EA				No change
WG1, WG2, WG3	Heene Community Centre, 122 Heene Road, Worthing, BN11 4PL				No change

WH1, WH2	St. Johns Church Hall, Ripley Road, Worthing, BN11 5NQ	We have often received feedback from residents in the southern part of Marine and Goring wards saying that they are the furthest point away from the current polling places in Ripley Rd, Barrington Rd and Goring Way. Indeed I have received feedback from older and more vulnerable residents that they have stopped voting because they struggle to walk to the polling place and don't want/trust postal votes. It was suggested to me that St Laurence's church could be an ideal polling place for Goring and Marine due to its location. It could serve the southern and less mobile residents of both these wards. As another note, the current Ripley Road polling place is awful for parking especially during the rush hours and when the school lan opening/closing. Cllr Crouch email 07/08/2019 I was placed at St John's Church (Ripley Road) and as always the venue were very accommodating and had everything we needed to ensure we were comfortable and able to facilitate the service on the day. PO email 16/08/2019		It was considered that electors in WF3 and WH1 may prefer a polling station at St Laurence Church Hall. Contact was made with St Laurence Church Hall but a response was received to say that they are fully booked and unable to help. In addition some residents in WF3 and WH1 are located closer to their current polling station so this would mean they have to travel further.	No change
WJ2	Findon Valley Free Church, 1/11 Lime Tree Avenue, Worthing, BN14 0DJ				No change
WK1, WK2	Function Room, The John Selden, Half Moon Lane, Worthing, BN13 2EN		Would like to review this location although no obvious alternative. Larger ramp required for disabled access. Need to ensure tables and chairs are removed from room as otherwise space is cramped. Car park access is difficult and only 16 spaces. Hazard tape required for steps. No kitchen facilities.	This location was only changed for the 2 May 2019 elections. At this time other locations were sought and Durrington Working Mens Club and the RAF club were visited but both had unsuitable disabled access. Having held two elections at this location we will now be able to iron out any initial problems for future locations. Should there be any further issues we will look again at other locations in case anything should have changed.	No change but provide extra poll clerk for door in case of bad weather and larger ramp
WK3	St. Michaels Church, Hayling Rise, Worthing, BN13 3AL				No change
WL1, WL2	East Worthing Community Centre, Pages Lane, Worthing, BN11 2NQ				No change
WM1 (Parliamentary only)	St Andrew's Church, Church Road, Worthing, BN13 1HQ				No change
WM1, WM2	Tarring Priory Bowls Club, Church Road, Tarring, Worthing, BN13 1HQ	As Tarring Councillor I fully support the current polling station , however I feel a couple of improvements are necessary to ensure it is fully accessible. The lighting leading up to the Polling Station is very poor and would benefit from enhancements in addition the doors to the bowling club are very narrow with a difficult 'lip' for a number of wheel chair or buggy users. Every other aspect of the polling station is perfect and I would not want to see a return to the church or the school neither of which are ideal. Cllr Smytherman email 06/08/2018			No change





ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 12

Ward(s) Affected: All

## **Recruitment of Independent Persons and Allowances**

### **Report by the Director for Digital & Resources**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 To consider the Councils' recruitment process in respect of Independent Persons and any remuneration to be offered for the role.

##### **2. Recommendations**

- 2.1 The Joint Governance Committee is asked to consider the report and determine the number of Independent Persons they wish the Council to recruit and appoint.
- 2.2 Authorise the Monitoring Officer to commence a recruitment process in respect of any current vacancies and bring a report to a Sub-Committee of the Joint Governance Committee to enable the interview of suitable candidates.
- 2.3 Consider and determine any remuneration to be payable for the role.

### **3. Context**

- 3.1 The Joint Governance Sub-Committee's terms of reference enable it to consider applications from Independent Persons for the purposes of Standards and to make recommendations to each full Council in respect of appointments.
- 3.2 The Councils are statutorily obliged to appoint at least one Independent Person (IP). Such IP's are co-opted non-voting Members of the Joint Governance Committee.
- 3.3 In terms of standards, ethics and probity, the Joint Governance Committee, including the IP's are responsible for:
- Leading on the Councils' duties to design, implement, monitor, approve and review the standards of ethics and probity of the Council and its Councillors and Co-opted Members.
  - Promoting a culture of openness, accountability and probity in order to ensure the highest standards of conduct;
  - Leading on all aspects of corporate governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal conduct;
  - Overseeing and managing a programme of guidance, advice and training on ethics, standards and probity for Councillors and Co-opted Members;
  - Being responsible for the Council's Register of Members' Interests;
  - Exercising the functions of the Councils in relation to the ethical framework, corporate governance and standards of conduct of joint committees and other bodies.
- 3.4 It is a statutory requirement that the views of the IP must be sought and taken into account by the Council before it makes its decision on an allegation that a Member has breached the Code of Conduct, that it has decided to investigate. Legislation also provides that their views may be sought by the Councils or their Monitoring Officer at any other stage in the procedure when a complaint of a breach of the Code of Conduct is considered, or by the Member facing the allegation (Subject Member). The Councils' MO routinely consults with the IP at the assessment stage of every complaint.
- 3.5 The IP is an independent quality assurance role, rather than a decision maker; independence and impartiality are therefore crucial. If a Code of Conduct complaint is dealt with by way of a hearing of a Sub-Committee of the Joint



Governance Committee, the IP appointed to the matter, would be expected to sit on the Sub-Committee as a non-voting Member, providing independent views to the Committee.

- 3.6 The Localism Act 2011 further provides that a person cannot be an IP if they:
- a) Are a Member, Co-opted Member or Officer of the Authority
  - b) Are a Member, Co-opted Member or Officer of a Parish Council within the District of Adur
  - c) Are a relative or close friend of a Member, Co-opted Member or Officer of the Authority or one of its Parishes
  - d) Are, or have been within the last 5 years, a Member, Co-opted Member or Officer of Adur District Council or Worthing Borough Council, or one of their Parishes.

- 3.7 The Localism Act further provides that a person can only be appointed if the vacancy for an IP has been advertised in such a manner as the Councils consider is likely to bring it to the attention of the public. The candidate must submit an application to fill the vacancy and the proposed appointment must be approved by a majority of the Members of each full Council.

#### **4. Issues for consideration**

- 4.1 Section 28 of the Localism Act 2011 requires the Councils to appoint at least one IP to advise the Councils, the MO and any Subject Member of the Borough, District or Parish Councils, when subject to an allegation. Officers recommend the appointment of three IP's, all of whom would act as IP's for both Adur District Council and Worthing Borough Council.
- 4.2 The Councils currently have two IP's who were appointed in October 2016 for a term of office of 4 years. The 4 year period of appointment is due to elapse in October 2020, necessitating the further recruitment of IP's.
- 4.3 Officers recommend that it would be good practice for the terms of multiple IP's to ideally overlap, to ensure a level of continuity and institutional memory. It is therefore proposed that the Monitoring Officer advertise one vacancy in the press, on social media and on the Council's website, with a view to any suitable candidates being interviewed by the Sub-Committee in late March or early April in order that any recommendations to full Council for appointment of one IP could be considered in April 2020. Any successful IP appointed would then have a six month window of overlap with the Council's existing IP's

to allow some continuity. A further round of recruitment would need to follow in the autumn of 2020 when the existing two posts become vacant.

- 4.4 Members of the Joint Governance Committee are asked to consider offering remuneration for the role in the form of an honorarium payment. The role is essential to the process and procedure of upholding high standards of conduct and ethics amongst Members and dealing with allegations of a breach of the Code. The work of the IP's is very much appreciated by the Councils' MO in particular, as they can offer an impartial view which can improve the quality of decision making and ensure that decisions are made fairly; they provide a valuable and objective voice in the standards process. The role can be fairly onerous and time-consuming and carries a significant level of responsibility; it is felt that some level of payment would be an equitable reflection on the role itself as well as encouraging a wider range of applicants.
- 4.5 Members will be aware that the Chairman of the Joint Members Appointments Committee receives a payment of £100 for attendance at any meeting, which is estimated to be approximately 3-5 times per year. It is proposed that a similar arrangement be adopted in respect of IP's and that they are paid £100 on each occasion that they are required to attend a meeting of the Joint Governance Committee, its Sub-Committee or the Council, plus reasonable expenses for such attendance. If such an arrangement is adopted, IP's would still be required to consider allegations at the initial stage of a complaint, consider evidence provided and provide informal advice to both the MO and, on occasions, the Subject Member, on an unpaid basis.

## **5. Engagement and Communication**

- 5.1 Consultation has taken place with the Leaders of the Council and the Chairman of the Joint Governance Committee.

## **6. Financial Implications**

- 6.1 The cost of appointing new Independent Persons will be met from within existing budgets.

## **7. Legal Implications**

- 7.1 Section 27 Localism Act 2011 provides that an Authority must promote and maintain high standards of conduct by Members and Co-opted Members of the Authority.
- 7.2 Section 28 Localism Act 2011 requires that the Councils appoint an Independent Person and the steps that must be undertaken in the process.
- 7.3 Section 28(8)(c)(iii) Localism Act 2011 provides that an Independent Person's appointment must be approved by a majority of the Members of the Authority.

## **Background Papers**

- Localism Act 2011
- Report to Joint Governance Sub-Committee, 17th October 2016
- Local Government Ethical Standards: A Review by the Committee on Standards in Public Life, January 2019

## **Officer Contact Details:-**

Susan Sale

Solicitor to the Councils and Monitoring Officer

01903 221119

[susan.sale@adur-worthing.gov.uk](mailto:susan.sale@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

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

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Where appropriate within the Constitution, such as in relation to quasi-judicial meetings including meetings of the Joint Governance Sub-Committee held to determine allegations of breaches of the Code of Conduct, the requirements of the Human Rights Act have been taken into account in appropriate procedures.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

The role of the Independent Person is an important one as it ensures independence and impartiality in the process of considering allegations that Members have breached the Code of Conduct and therefore enables the Councils to comply with their obligation of upholding high standards of conduct and ethics.



ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 January 2020  
Agenda Item 13

Ward(s) Affected: All

## **Review of the Code of Conduct for Members**

### **Report by the Monitoring Officer**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 To consider proposed revisions to the Adur District Council and Worthing Borough Council Code of Conduct for Members.

##### **2. Recommendations**

- 2.1 The Joint Governance Committee is recommended to consider the proposed revised Code of Conduct for Members attached to this report as Appendix 1 and to recommend its adoption to both Adur District Council and Worthing Borough Council.

### **3. Context**

- 3.1 Both Councils have adopted a Code of Conduct for Members which forms part of the Constitution, and has been formally adopted. It has not been reviewed since its adoption in 2015, and should be regularly reviewed to ensure it is fit for purpose and meets the Council's statutory obligations of upholding high standards of conduct by Members.
- 3.2 The Code of Conduct has been reviewed, taking into account the recommendations made in 2019 by the Committee on Standards in Public Life. That body is the guardian of local government standards and is responsible for promoting the seven principles of public life based on the Nolan principles. The Committee undertook an examination of local government standards in 2019 and their report 'Local Government Ethical Standards' was published last year and a summary of their findings was reported to the Joint Governance Committee at their meeting on 26th November 2019.
- 3.3 It should be noted that many of the more significant recommendations made by the Committee on Standards in Public Life would require legislative changes to implement them. The Councils cannot therefore consider the adoption of such recommendations at this stage and must await any amendments to the primary legislation should that be forthcoming.
- 3.4 Adur District Council and Worthing Borough Council currently have their own Codes of Conduct for Members and it is proposed that this continues, rather than adopting a joint code. The revised and recommended Codes can be found attached to this report at Appendix 1. The currently adopted Codes, together with proposed revisions marked as track changes, can be found at Appendix 2 to this report.

### **4. Issues for consideration**

In summary the following amendments to the existing Code of Conduct are being recommended by your Officers:

- 4.1 The wording relating to the scope of the Code has been amended for clarity i.e. to ensure that it is absolutely clear that the Code applies when acting as a Councillor, but also when giving the impression of acting, or holding oneself out as so acting, as a Councillor.

- 4.2 The general obligations in respect of conduct have been expanded to include not only failing to treat others with respect, but also not engaging in conduct which amounts to harassment, intimidation or bullying, in line with the recommendation from the Committee for Standards in Public Life.
- 4.3 The general obligations have been expanded to include a provision for compliance with the Officer / Member Protocol on Relationships within the Council.
- 4.4 The general obligations have been expanded to include a provision about complying with the Constitution for completeness.
- 4.5 The general obligations have been expanded to include a provision about compliance with the Council's Social Media Policy in line with the recommendations from the Committee on Standards in Public Life.
- 4.6 The different types of Member's interests have been amended for simplification from disclosable pecuniary, personal and pecuniary to disclosable pecuniary, personal and prejudicial, to avoid confusion.
- 4.7 The category of individuals to whom disclosable pecuniary interests apply has been amended to include close associates and relevant persons of the Member, to ensure consistency between the different types of interests with the aim of simplifying the obligations.
- 4.8 The rules relating to disclosure have been simplified to ensure consistency between each of the different types of interests.
- 4.9 The Code now makes it clear that interests arising in either Adur District Council or Worthing Borough Council are relevant regardless of which Authority the Councillor is a Member of, due to the high level of joint working that the Councils are engaged in.
- 4.10 The provisions relating to gifts and hospitality have been amended from a value of zero to a value of £50 or totalling £100 in a year from one source in line with the recommendation from the Committee for Standards in Public Life.
- 4.11 An annual review provision has been included in line with the audit recommendations.

- 4.12 A training requirement has been included and it is recommended that all Members attend training on the Code of Conduct within a year of becoming a Councillor and at least every 3 years thereafter.

## **5. Engagement and Communication**

- 5.1 Consultation has been undertaken with the Chairpersons and Vice Chairpersons of the Joint Governance Committee, with Legal and Democratic Services colleagues and with the Director for Communities.

## **6. Financial Implications**

- 6.1 There are no financial implications arising from this report.

## **7. Legal Implications**

- 7.1 Section 27 Localism Act 2011 imposes a duty on a Local Authority to promote and maintain high standards of conduct by Members and Co-opted Members of the Authority. Section 27(2) obliges the Councils to adopt a code dealing with the conduct that is expected of Members and Co-opted Members of the Authority.
- 7.2 Paragraph 5.13 of the Councils' Constitutions deals with the Terms of Reference of the Joint Governance Committee and provides that whilst the promulgation of the Code of Conduct is within the remit of the Committee, the adoption and revision of the local code is a matter reserved to full Council.



## **Background Papers**

- Adur District Council Constitution
- Worthing Borough Council Constitution
- Localism Act 2011
- Report to Joint Strategic Committee 26th November 2019 titled 'Standards in Public Life'

## **Officer Contact Details:-**

Susan Sale

Solicitor to the Council and Monitoring Officer

01903 221119

[susan.sale@adur-worthing.gov.uk](mailto:susan.sale@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Having strong arrangements in place around Member conduct increases public confidence in the democratic process.

#### **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**

Failure to uphold high standards of conduct and ethics among Members and/or to fail to deal with allegations of misconduct can lead to reputational damage and a lack of confidence in the democratic process.

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## THE CODE OF CONDUCT FOR MEMBERS

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### 1.0 INTRODUCTION

- 1.1 Each Member is a representative of Adur District Council or Worthing Borough Council and the public will view that Member as such, and therefore, a Member's actions impact upon the Council as a whole and its reputation; a Member's actions can have both positive and negative impacts on the Councils.
- 1.2 This Code of Conduct is based upon the 'Nolan Principles: The Seven Principles of Public Life' and also encompasses the legislative framework of the Localism Act 2011.

### 2.0 INTERPRETATION

In this Code:

- 2.1 'Meeting' means any meeting of:

- The Full Council;
- The Executive of the Council;
- Any Committee, Sub-Committee, Joint Committee of the Council; and
- Any other meeting involving Members and/or Officers and/or the public,

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of Members.

- 2.2 'Member' includes:

- a Co-opted Member;
- an Elected Member;
- an appointed Member; and
- an Independent Person.

### 3.0 SCOPE OF THE CODE OF CONDUCT

- 3.1 This Code applies to all Members of Adur District Council and all Members of Worthing Borough Council.
- 3.2 It is each individual Member's responsibility to comply with the provisions of this Code.

### 3.3 The Code applies whenever a Member:

- Conducts the business of Adur District Council or Worthing Borough Council; or
- Acts, claims to act or gives the impression they are acting as a representative of Adur District Council or Worthing Borough Council; or
- Acts, claims to act or gives the impression they are acting in their official capacity as a Member of Adur District Council or Worthing Borough Council.

### 3.4 Where a Member acts as a representative of Adur District Council or Worthing Borough Council:

- on any other body, they must, when acting for that other body, comply with Adur District Council or Worthing Borough Council's Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

## 4.0 GENERAL OBLIGATIONS AS TO CONDUCT

### 4.1 All Members must act in accordance with the Nolan Principles: the Seven Principles of Public Life:

- 4.1.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- 4.1.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- 4.1.3 **Objectivity:** In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- 4.1.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- 4.1.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

- 4.1.6 **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- 4.1.7 **Leadership:** Holders of public office should promote and support these principles by leadership and example.
- 4.2 A Member must treat others with respect and not engage in conduct which amounts to harassment, intimidation or bullying.
- 4.3 A Member must not conduct themselves in a manner which is contrary to the Council's duty to promote and maintain high standards of conduct of Members.
- 4.4 A Member must ensure that they are aware of and comply with the requirements that the Bribery Act 2010 places on a Member and on the Council as a whole.
- 4.5 A Member must not disclose the information given to them in confidence by anyone, or information acquired by them which they believe, or ought reasonably to be aware, is of a confidential nature, except where:
- 4.5.1 they have the consent of a person authorised to give it; or
  - 4.5.2 they are required by law to do so; or
  - 4.5.3 the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
  - 4.5.4 the disclosure is:
    - (a) reasonable and in the public interest; and
    - (b) made in good faith and in compliance with the reasonable requirements of the Council; and
    - (c) the Member consulted the Monitoring Officer prior to its release.
- 4.6 A Member must not prevent another person from gaining access to information to which that person is entitled by law.
- 4.7 A Member must not conduct themselves in a manner which is contrary to the Council's duty under the equalities legislation.
- 4.8 When using, or authorising the use by others, of the resources of Adur District Council or Worthing Borough Council, a Member must:
- 4.8.1 act in accordance with the Council's reasonable requirements, procedures, policy and Constitution, including the requirements of the Council's Internet and Email Policy; and
  - 4.8.2 make sure that such resources are not used improperly for political purposes (including party political purposes); and

- 4.8.3 have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986, and the Protocol on the Pre-Election period.
- 4.9 A Member must comply with the provisions of the adopted Adur District Council and Worthing Borough Council Protocol for Relationships within the Council.
- 4.10 A Member must comply with the provisions of the formally adopted Constitution of the Council of which they are a Member.
- 4.11 A Member must comply with the provisions of the Adur District Council and Worthing Borough Council Social Media Policy.

## **5.0 OBLIGATIONS AS TO INTERESTS**

All Members must comply with their obligations in respect of any interests in accordance with this Code; failure to do so will amount to a breach of the Code.

### **5.1 Scope**

All interests, including those set out at 5.2, 5.3 & 5.4 below, relate to the interests of:

5.1.1 a Member; or

5.1.2 the partner of a Member, which includes:

- spouse or civil partner; or
- a person with whom they are living as husband or wife; or
- a person with whom they are living as if they are civil partners; or

5.1.3 a person who is a relevant person to a Member, which includes:

- a member of the Member's immediate family (child, parent, grandparent, sibling); or
- any person with whom the Member has a close association; or
- any person or body who employs or has appointed the Member, a member of their immediate family or any person with whom they have a close association; or
- any Firm in which the Member, a member of their immediate family or any person with whom they have a close association are a Partner, or any Company of which they are Directors; or
- any person or body in whom the Member, a member of their immediate family or any person with whom they have a close association, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.

5.1.4 Obligations relating to interests of those other than the Member themselves, for example family or relevant persons, only apply where the Member is aware or ought reasonably to be aware of the existence of the interest.

5.1.5 Members obligations in respect of interests apply to those that arise in either the Borough of Worthing or the District of Adur regardless of whether the Member is a Member of Adur District Council or Worthing Borough Council.

## **5.2 Disclosable Pecuniary Interests**

Disclosable Pecuniary Interests (DPI's) and their application are governed by the Localism Act 2011. Interests which fall within these provisions are reproduced at Appendix 1 to this Code.

## **5.3 Personal Interests**

5.3.1 A Member has a personal interest in any business of the Council:

(a) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council; or

(b) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management that exercises functions of a public nature, is directed to charitable purposes or one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union).

(c) Where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.

## **5.4 Prejudicial Interests**

5.4.1 Where a Member has a personal interest in any business of the Council, they also have a prejudicial interest in that business where the interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:

(a) affects the Member's financial position or the financial position of a member of their immediate family or any person with whom they have a close association; or

- (b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or a member of their immediate family or any person with whom they have a close association.

## **5.5 Notification**

- 5.5.1 Within 28 days of their election or appointment to office (whichever is the later), each Member must notify the Monitoring Officer, in writing, of any disclosable pecuniary interests, personal interests or prejudicial interests they may have, for inclusion in the Register of Interests.
- 5.5.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer, in writing, of the details of that new interest or change.

## **5.6 Register of Interests**

- 5.6.1 Any interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection during normal office hours and will be published on the Council's website.

## **5.7 Sensitive Interests**

- 5.7.1 Where a Member considers that disclosure of the details of a disclosable pecuniary, personal or prejudicial interest, on a copy of the Register made available for inspection and published, could lead to them, or a person connected with them, being subjected to violence or intimidation, they should make application in writing to the Monitoring Officer for the interest to be determined as being a sensitive interest.
- 5.7.2 Where a Member has an interest which has been determined as being sensitive, copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has an interest, the details of which are withheld.
- 5.7.3 Where the interest is a disclosable pecuniary interest the details will be withheld under Section 32(2) of the Localism Act 2011, and where a personal or prejudicial interest the details will be withheld at the Monitoring Officer's discretion.

## **5.8 Disclosure**

- 5.8.1 Subject to paragraph 5.8.2 below, if a Member is present at a meeting and has a disclosable pecuniary interest, a personal interest or a prejudicial interest, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence and nature of that interest at the commencement of the meeting, or immediately the interest becomes apparent (whichever is the sooner).



5.8.2 Where a Member is present at a meeting and has a disclosable pecuniary, personal or prejudicial interest which has been determined as being sensitive in accordance with paragraph 5.7 above, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence of the interest must not the nature of it.

## **5.9 Participation**

5.9.1 Subject to paragraphs 5.9.2 and 5.9.3 below, if a Member is present at a Meeting and has a disclosable pecuniary interest or a prejudicial interest in any matter to be considered or being considered at the meeting:

(a) the Member may not participate in any discussion of the matter at the meeting; and

(b) the Member may not participate in any vote taken on the matter at the meeting.

(c) the Member is required to leave the room where the meeting is held while any discussion or voting takes place.

5.9.2 Where a Member has a disclosable pecuniary interest or a prejudicial interest in any business of the Councils, they may attend that meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise, and the Member leaves the room where the meeting is held immediately after making representations, answering questions or giving evidence, prior to any debate, discussion or vote on the matter.

5.9.3 Paragraph 5.9.1 above does not apply where a Member is present at a meeting and has a prejudicial interest in the business being considered at that meeting, where the business relates to the functions of the Council in respect of:

(a) Housing, where they are a tenant of your Council, provided that those functions do not relate particularly to their tenancy or lease;

(b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;

(c) An allowance, payment or indemnity given to Members;

(d) Any ceremonial honour given to Members; and

(e) Setting Council Tax or a precept under the Local Government Finance Act 1992.

5.9.4 Where an Individual Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest or prejudicial interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter, nor seek to improperly influence any decision about the matter. Where a Member has a personal interest in any business of the Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.

## **5.10 Dispensations**

The Monitoring Officer may grant a Member a dispensation, but only in limited circumstances, to enable them to participate and vote on a matter in which they have a disclosable pecuniary interest. Applications for dispensations should be made to the Monitoring Officer in writing at least 10 working days before any anticipated involvement in a decision in connection with which the Member has an interest.

## **5.11 Offences**

5.11.1 It is a criminal offence, in accordance with the Localism Act 2011 to:

- (a) Fail to notify the Monitoring Officer of any disclosable pecuniary interests within 28 days of a Member's election;
- (b) Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the Register;
- (c) Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the Register that they have disclosed to a meeting;
- (d) Participate in any discussion or vote on a matter in which a Member has a disclosable pecuniary interest;
- (e) As an Executive Member discharging a function acting alone, and having a disclosable pecuniary interest in such a matter, failing to notify the Monitoring Officer within 28 days of the interest; and
- (f) Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

5.11.2 The criminal penalties available to a Court are to impose a fine and disqualification from being a Councillor for up to 5 years.

## **6.0 INTERESTS ARISING IN RELATION TO OVERVIEW AND SCRUTINY COMMITTEES**

In any business before an Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee (or of a Sub-Committee or Panel of such a Committee), where:

- (a) that business relates to a decision made (whether implemented or not) or action taken by the Executive or another of the Council's Committees, Sub-Committees or Joint Committees; and
- (b) at the time the decision was made or action was taken, a Member was a Member of the Executive, Committee, Sub-Committee or Joint Committee mentioned in paragraph (a) and was present when that decision was made or action was taken,

that Member may only attend a meeting of the Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee for the purpose of answering questions or giving evidence relating to the business, and must leave the room where the meeting is held immediately after making representations, answering questions or giving evidence.

## **7.0 PREDETERMINATION OR BIAS**

- 7.1 Where a Member has been involved in campaigning in their political role on an issue which does not impact on their personal and/or professional life, they should not be prohibited from participating in a decision in their political role as a Member. However, they must not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- 7.2 When making a decision, a Member must consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.
- 7.3 If a Member is not able to comply with paragraph 7.2 above, for example, because they have predetermined the decision or they are biased, they may not take part in the decision; they must leave the meeting room where the decision is being considered, not take part in the debate or vote, and not seek to improperly influence the decision in any way at all.

## **8.0 COMPLIANCE WITH CONSTITUTION, RULES, STANDARDS AND GUIDANCE**

Failure to comply with the requirements of the Council's Constitution or any rule, protocol, corporate standards or guidance issued pursuant to this Constitution shall be deemed to be a breach of this Code.

## **9.0 REGISTRATION OF GIFTS AND HOSPITALITY**

- 9.1 To preserve public confidence, Members are strongly encouraged not to accept any gifts from customers or contractors. It may constitute a serious criminal offence for a Member to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything, or showing favour or disfavour to any person, in their official capacity.
- 9.2 If a Member does accept any gift, hospitality or other benefit, by virtue of being a Member, with a value in excess of £50, or totalling £100 in any municipal year from a single source, they must comply with the Council's requirements to register and declare it, within 28 days of receipt. Such declaration and registration should be made to the Director for Communities for inclusion in the register held by Democratic Services Officers.
- 9.3 It is good practice for a Member to declare any offers of gifts, hospitality or other benefit, received, even if not accepted.

## **10. PUBLICATION, TRAINING AND REVIEW**

- 10.1 This Code of Conduct is formally adopted by both Adur District Council and Worthing Borough Council; it forms part of each Council's Constitution and is made available to the public via the Councils' website.
- 10.2 The Code of Conduct for Members will be reviewed on an annual basis by the Council's Monitoring Officer, when minor and consequential changes may be made under delegated authority. Any significant proposed changes will be considered by the Council's Joint Governance Committee, who have standards and ethics within their terms of reference.
- 10.3 Annual training on the Code of Conduct for Members is provided and all Members must attend within their first 12 months of appointment and at least every 3 years thereafter.

## Disclosable Pecuniary Interests under the Localism Act 2011

Interests	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant Council) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a Member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant Council: <ul style="list-style-type: none"> <li>(a) Under which goods or services are to be provided or works are to be executed; and</li> <li>(b) Which has not been fully discharged.</li> </ul>
Land	Any beneficial interest in land which is within the area of the relevant Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant Council for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): <ul style="list-style-type: none"> <li>(a) The landlord is the relevant Council; and</li> <li>(b) The tenant is a body in which the relevant person has a beneficial interest.</li> </ul>
Securities	Any beneficial interest in securities of a body where: <ul style="list-style-type: none"> <li>(a) That body (to M's knowledge) has a place of business or land in the area of the relevant Council; and</li> <li>(b) Either: <ul style="list-style-type: none"> <li>(i) The total nominal value of the securities exceeds £25,000 or 100<sup>th</sup> of the total issued share capital of that body; or</li> <li>(ii) If the share capital of that body is of more</li> </ul> </li> </ul>

	<p>than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds 100<sup>th</sup> of the total issue share capital of that class.</p>
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These descriptions on interests are subject to the following definitions:

- (a) 'Body in which the relevant person has a beneficial interest': means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- (b) 'Director': includes a member of the committee of management of an industrial and provident society;
- (c) 'Land': includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- (d) 'M': means the Member;
- (e) 'Member': includes a Co-opted Member;
- (f) 'Relevant Council': means the Council of which M is a Member;
- (g) 'Relevant Period': means the period of 12 months ending with the day on which M gives a notification for the purposes of Section 30(1) of the Localism Act 2011;
- (h) 'Relevant Person': means M or any other person referred to in Section 30(3)(b) of the Localism Act 2011; and
- (i) 'Securities': means shares, debentures, debenture stock, loans, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a Building Society.

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## THE CODE OF CONDUCT FOR MEMBERS

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### 1.0 INTRODUCTION

- 1.1 Each Member is a representative of Adur District Council or Worthing Borough Council and the public will view that Member as such, and therefore, a Member's actions impact upon the Council as a whole and its reputation; a Member's actions can have both positive and negative impacts on the Councils.
- 1.2 This Code of Conduct is based upon the 'Nolan Principles: The Seven Principles of Public Life' and also encompasses the legislative framework of the Localism Act 2011.

### 2.0 INTERPRETATION

In this Code:

- 2.1 'Meeting' means any meeting of:

- The Full Council;
- The Executive of the Council;
- Any Committee, Sub-Committee, Joint Committee of the Council; and
- Any other meeting involving Members and/or Officers and/or the public,

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of Members.

- 2.2 'Member' includes:

- a Co-opted Member;
- an Elected Member;
- an appointed Member; and
- an Independent Person.

### 3.0 SCOPE OF THE CODE OF CONDUCT

- 3.1 This Code applies to all Members of Adur District Council and all Members of Worthing Borough Council.
- 3.2 It is each individual Member's responsibility to comply with the provisions of this Code.

### 3.3 The Code applies whenever a Member:

- Conducts the business of Adur District Council or Worthing Borough Council; or
- Acts, claims to act or gives the impression they are acting as a representative of Adur District Council or Worthing Borough Council; or
- Acts, claims to act or gives the impression they are acting in their official capacity as a Member of Adur District Council or Worthing Borough Council.

### 3.4 Where a Member acts as a representative of Adur District Council or Worthing Borough Council:

- on any other body, they must, when acting for that other body, comply with Adur District Council or Worthing Borough Council's Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

## 4.0 GENERAL OBLIGATIONS AS TO CONDUCT

### 4.1 All Members must act in accordance with the Nolan Principles: the Seven Principles of Public Life:

- 4.1.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- 4.1.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- 4.1.3 **Objectivity:** In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- 4.1.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- 4.1.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.



- 4.1.6 **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- 4.1.7 **Leadership:** Holders of public office should promote and support these principles by leadership and example.
- 4.2 A Member must treat others with respect and not engage in conduct which amounts to harassment, intimidation or bullying.
- 4.3 A Member must not conduct themselves in a manner which is contrary to the Council's duty to promote and maintain high standards of conduct of Members.
- 4.4 A Member must ensure that they are aware of and comply with the requirements that the Bribery Act 2010 places on a Member and on the Council as a whole.
- 4.5 A Member must not disclose the information given to them in confidence by anyone, or information acquired by them which they believe, or ought reasonably to be aware, is of a confidential nature, except where:
- 4.5.1 they have the consent of a person authorised to give it; or
  - 4.5.2 they are required by law to do so; or
  - 4.5.3 the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
  - 4.5.4 the disclosure is:
    - (a) reasonable and in the public interest; and
    - (b) made in good faith and in compliance with the reasonable requirements of the Council; and
    - (c) the Member consulted the Monitoring Officer prior to its release.
- 4.6 A Member must not prevent another person from gaining access to information to which that person is entitled by law.
- 4.7 A Member must not conduct themselves in a manner which is contrary to the Council's duty under the equalities legislation.
- 4.8 When using, or authorising the use by others, of the resources of Adur District Council or Worthing Borough Council, a Member must:
- 4.8.1 act in accordance with the Council's reasonable requirements, procedures, policy and Constitution, including the requirements of the Council's Internet and Email Policy; and
  - 4.8.2 make sure that such resources are not used improperly for political purposes (including party political purposes); and

- 4.8.3 have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986, and the Protocol on the Pre-Election period.
- 4.9 A Member must comply with the provisions of the adopted Adur District Council and Worthing Borough Council Protocol for Relationships within the Council.
- 4.10 A Member must comply with the provisions of the formally adopted Constitution of the Council of which they are a Member.
- 4.11 A Member must comply with the provisions of the Adur District Council and Worthing Borough Council Social Media Policy.

## **5.0 OBLIGATIONS AS TO INTERESTS**

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5.1.1 a Member; or

5.1.2 the partner of a Member, which includes:

- spouse or civil partner; or
- a person with whom they are living as husband or wife; or
- a person with whom they are living as if they are civil partners; or

5.1.3 a person who is a relevant person to a Member, which includes:

- a member of the Member's immediate family (child, parent, grandparent, sibling); or
- any person with whom the Member has a close association; or
- any person or body who employs or has appointed the Member, a member of their immediate family or any person with whom they have a close association; or
- any Firm in which the Member, a member of their immediate family or any person with whom they have a close association are a Partner, or any Company of which they are Directors; or
- any person or body in whom the Member, a member of their immediate family or any person with whom they have a close association, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.

5.1.4 Obligations relating to interests of those other than the Member themselves, for example family or relevant persons, only apply where the Member is aware or ought reasonably to be aware of the existence of the interest.

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(a) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council; or

(b) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management that exercises functions of a public nature, is directed to charitable purposes or one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union).

(c) Where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.

## **5.4 Prejudicial Interests**

5.4.1 Where a Member has a personal interest in any business of the Council, they also have a prejudicial interest in that business where the interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:

(a) affects the Member's financial position or the financial position of a member of their immediate family or any person with whom they have a close association; or

- (b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or a member of their immediate family or any person with whom they have a close association.

## **5.5 Notification**

- 5.5.1 Within 28 days of their election or appointment to office (whichever is the later), each Member must notify the Monitoring Officer, in writing, of any disclosable pecuniary interests, personal interests or prejudicial interests they may have, for inclusion in the Register of Interests.
- 5.5.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer, in writing, of the details of that new interest or change.

## **5.6 Register of Interests**

- 5.6.1 Any interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection during normal office hours and will be published on the Council's website.

## **5.7 Sensitive Interests**

- 5.7.1 Where a Member considers that disclosure of the details of a disclosable pecuniary, personal or prejudicial interest, on a copy of the Register made available for inspection and published, could lead to them, or a person connected with them, being subjected to violence or intimidation, they should make application in writing to the Monitoring Officer for the interest to be determined as being a sensitive interest.
- 5.7.2 Where a Member has an interest which has been determined as being sensitive, copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has an interest, the details of which are withheld.
- 5.7.3 Where the interest is a disclosable pecuniary interest the details will be withheld under Section 32(2) of the Localism Act 2011, and where a personal or prejudicial interest the details will be withheld at the Monitoring Officer's discretion.

## **5.8 Disclosure**

- 5.8.1 Subject to paragraph 5.8.2 below, if a Member is present at a meeting and has a disclosable pecuniary interest, a personal interest or a prejudicial interest, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence and nature of that interest at the commencement of the meeting, or immediately the interest becomes apparent (whichever is the sooner).

5.8.2 Where a Member is present at a meeting and has a disclosable pecuniary, personal or prejudicial interest which has been determined as being sensitive in accordance with paragraph 5.7 above, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence of the interest must not the nature of it.

## **5.9 Participation**

5.9.1 Subject to paragraphs 5.9.2 and 5.9.3 below, if a Member is present at a Meeting and has a disclosable pecuniary interest or a prejudicial interest in any matter to be considered or being considered at the meeting:

(a) the Member may not participate in any discussion of the matter at the meeting; and

(b) the Member may not participate in any vote taken on the matter at the meeting.

(c) the Member is required to leave the room where the meeting is held while any discussion or voting takes place.

5.9.2 Where a Member has a disclosable pecuniary interest or a prejudicial interest in any business of the Councils, they may attend that meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise, and the Member leaves the room where the meeting is held immediately after making representations, answering questions or giving evidence, prior to any debate, discussion or vote on the matter.

5.9.3 Paragraph 5.9.1 above does not apply where a Member is present at a meeting and has a prejudicial interest in the business being considered at that meeting, where the business relates to the functions of the Council in respect of:

(a) Housing, where they are a tenant of your Council, provided that those functions do not relate particularly to their tenancy or lease;

(b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;

(c) An allowance, payment or indemnity given to Members;

(d) Any ceremonial honour given to Members; and

(e) Setting Council Tax or a precept under the Local Government Finance Act 1992.

5.9.4 Where an Individual Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest or prejudicial interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter, nor seek to improperly influence any decision about the matter. Where a Member has a personal interest in any business of the Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.

## **5.10 Dispensations**

The Monitoring Officer may grant a Member a dispensation, but only in limited circumstances, to enable them to participate and vote on a matter in which they have a disclosable pecuniary interest. Applications for dispensations should be made to the Monitoring Officer in writing at least 10 working days before any anticipated involvement in a decision in connection with which the Member has an interest.

## **5.11 Offences**

5.11.1 It is a criminal offence, in accordance with the Localism Act 2011 to:

- (a) Fail to notify the Monitoring Officer of any disclosable pecuniary interests within 28 days of a Member's election;
- (b) Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the Register;
- (c) Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the Register that they have disclosed to a meeting;
- (d) Participate in any discussion or vote on a matter in which a Member has a disclosable pecuniary interest;
- (e) As an Executive Member discharging a function acting alone, and having a disclosable pecuniary interest in such a matter, failing to notify the Monitoring Officer within 28 days of the interest; and
- (f) Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

5.11.2 The criminal penalties available to a Court are to impose a fine and disqualification from being a Councillor for up to 5 years.

## **6.0 INTERESTS ARISING IN RELATION TO OVERVIEW AND SCRUTINY COMMITTEES**

In any business before an Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee (or of a Sub-Committee or Panel of such a Committee), where:

- (a) that business relates to a decision made (whether implemented or not) or action taken by the Executive or another of the Council's Committees, Sub-Committees or Joint Committees; and
- (b) at the time the decision was made or action was taken, a Member was a Member of the Executive, Committee, Sub-Committee or Joint Committee mentioned in paragraph (a) and was present when that decision was made or action was taken,

that Member may only attend a meeting of the Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee for the purpose of answering questions or giving evidence relating to the business, and must leave the room where the meeting is held immediately after making representations, answering questions or giving evidence.

## **7.0 PREDETERMINATION OR BIAS**

- 7.1 Where a Member has been involved in campaigning in their political role on an issue which does not impact on their personal and/or professional life, they should not be prohibited from participating in a decision in their political role as a Member. However, they must not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- 7.2 When making a decision, a Member must consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.
- 7.3 If a Member is not able to comply with paragraph 7.2 above, for example, because they have predetermined the decision or they are biased, they may not take part in the decision; they must leave the meeting room where the decision is being considered, not take part in the debate or vote, and not seek to improperly influence the decision in any way at all.

## **8.0 COMPLIANCE WITH CONSTITUTION, RULES, STANDARDS AND GUIDANCE**

Failure to comply with the requirements of the Council's Constitution or any rule, protocol, corporate standards or guidance issued pursuant to this Constitution shall be deemed to be a breach of this Code.

## **9.0 REGISTRATION OF GIFTS AND HOSPITALITY**

- 9.1 To preserve public confidence, Members are strongly encouraged not to accept any gifts from customers or contractors. It may constitute a serious criminal offence for a Member to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything, or showing favour or disfavour to any person, in their official capacity.
- 9.2 If a Member does accept any gift, hospitality or other benefit, by virtue of being a Member, with a value in excess of £50, or totalling £100 in any municipal year from a single source, they must comply with the Council's requirements to register and declare it, within 28 days of receipt. Such declaration and registration should be made to the Director for Communities for inclusion in the register held by Democratic Services Officers.
- 9.3 It is good practice for a Member to declare any offers of gifts, hospitality or other benefit, received, even if not accepted.

## **10. PUBLICATION, TRAINING AND REVIEW**

- 10.1 This Code of Conduct is formally adopted by both Adur District Council and Worthing Borough Council; it forms part of each Council's Constitution and is made available to the public via the Councils' website.
- 10.2 The Code of Conduct for Members will be reviewed on an annual basis by the Council's Monitoring Officer, when minor and consequential changes may be made under delegated authority. Any significant proposed changes will be considered by the Council's Joint Governance Committee, who have standards and ethics within their terms of reference.
- 10.3 Annual training on the Code of Conduct for Members is provided and all Members must attend within their first 12 months of appointment and at least every 3 years thereafter.



## Disclosable Pecuniary Interests under the Localism Act 2011

Interests	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant Council) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a Member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant Council: <ul style="list-style-type: none"> <li>(a) Under which goods or services are to be provided or works are to be executed; and</li> <li>(b) Which has not been fully discharged.</li> </ul>
Land	Any beneficial interest in land which is within the area of the relevant Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant Council for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): <ul style="list-style-type: none"> <li>(a) The landlord is the relevant Council; and</li> <li>(b) The tenant is a body in which the relevant person has a beneficial interest.</li> </ul>
Securities	Any beneficial interest in securities of a body where: <ul style="list-style-type: none"> <li>(a) That body (to M's knowledge) has a place of business or land in the area of the relevant Council; and</li> <li>(b) Either: <ul style="list-style-type: none"> <li>(i) The total nominal value of the securities exceeds £25,000 or 100<sup>th</sup> of the total issued share capital of that body; or</li> <li>(ii) If the share capital of that body is of more</li> </ul> </li> </ul>

	<p>than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds 100<sup>th</sup> of the total issue share capital of that class.</p>
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These descriptions on interests are subject to the following definitions:

- (a) 'Body in which the relevant person has a beneficial interest': means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- (b) 'Director': includes a member of the committee of management of an industrial and provident society;
- (c) 'Land': includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- (d) 'M': means the Member;
- (e) 'Member': includes a Co-opted Member;
- (f) 'Relevant Council': means the Council of which M is a Member;
- (g) 'Relevant Period': means the period of 12 months ending with the day on which M gives a notification for the purposes of Section 30(1) of the Localism Act 2011;
- (h) 'Relevant Person': means M or any other person referred to in Section 30(3)(b) of the Localism Act 2011; and
- (i) 'Securities': means shares, debentures, debenture stock, loans, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a Building Society.

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## THE CODE OF CONDUCT FOR MEMBERS

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### 1.0 INTRODUCTION

- ~~1.1 This Code applies to every Member of Adur District Council and every Member of Worthing Borough Council, when that Member acts in their role as a Member. It is each Member's responsibility to comply with the provisions of this Code.~~
- 1.12 Each Member is a representative of Adur District Council or Worthing Borough Council and the public will view that Member as such, and therefore, a Member's actions impact upon the Council as a whole and its reputation; a Member's actions can have both positive and negative impacts on the Councils.
- 1.23 This Code of Conduct is based upon the 'Nolan Principles:— The Seven Principles of Public Life', ~~which are set out at paragraph 2.0,~~ and also encompasses the legislative framework of the Localism Act 2011, ~~where provision is made by the Secretary of State for criminal sanctions to apply in certain circumstances.~~

### ~~2.0 THE NOLAN PRINCIPLES: SEVEN PRINCIPLES OF PUBLIC LIFE~~

- ~~2.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.~~
- ~~2.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.~~
- ~~2.3 **Objectivity:**— In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.~~
- ~~2.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.~~
- ~~2.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.~~

~~2.6 — **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.~~

~~2.7 — **Leadership:** Holders of public office should promote and support these principles by leadership and example.~~

## **32.0 INTERPRETATION**

In this Code -

**32.1** 'Meeting' means any meeting of:

- The Full Council;
- The Executive of the Council;
- Any Committee, Sub-Committee, Joint Committee of the Council; and
- Any other meeting involving Members and/or Officers and/or the public,

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of Members.

**32.2** 'Member' includes:

- ~~a Co-opted Member (voting and non-voting);~~
- ~~an Elected Member; and~~
- ~~an appointed Member; and~~
- an Independent Person.

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## **43.0 SCOPE AND GENERAL OBLIGATIONS OF THE CODE OF CONDUCT**

### **4.1 — Scope**

**3.1** ~~4.1.1~~ This Code applies to all Members of Adur District Council and all Members of Worthing Borough Council.

**3.2** ~~4.1.2~~ It is each individual Member's responsibility to comply with the provisions of this Code.

**3.3** ~~4.1.3~~ The Code applies whenever a Member:

- Conducts the business of Adur District Council or Worthing Borough Council; or
- Acts, claims to act, or gives the impression they are acting, as a representative of Adur District Council or Worthing Borough Council; or

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- Acts, claims to act or gives the impression they are acting in their official capacity as a Member of Adur District Council or Worthing Borough Council.

~~3.4 4.1.4~~ Where a Member acts as a representative of Adur District Council or Worthing Borough Council:

- on any other body, they must, when acting for that other body, comply with Adur District Council or Worthing Borough Council's Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

#### ~~4.02~~ **General Obligations** GENERAL OBLIGATIONS AS TO CONDUCT

~~4.2.1~~ ~~When acting as a Member of Adur District Council or Worthing Borough Council a Member must:~~

~~4.1~~ All Members must act in accordance with the Nolan Principles: the Seven Principles of Public Life:

4.1.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

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4.1.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

4.1.3 **Objectivity:** In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4.1.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

4.1.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

4.1.6 **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

4.1.7 **Leadership:** Holders of public office should promote and support these principles by leadership and example.

~~4.2 (a) — A Member must Treat others with respect and not engage in conduct which amounts to harassment, intimidation or bullying;~~

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~~4.3 (b) — A Member must Not conduct themselves in a manner which is contrary to the Council's duty to promote and maintain high standards of conduct of Members;~~

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~~4.4 (c) — A Member must Ensure that they are aware of and comply with the requirements that the Bribery Act 2010 places on a Member and on the Council as a whole;~~

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~~4.5 (d) — A Member must Not disclose the information given to them in confidence by anyone, or information acquired by them which they believe, or ought reasonably to be aware, is of a confidential nature, except where:~~

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~~4.5.1(i) — they have the consent of a person authorised to give it;~~

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~~4.5.2(ii) — they are required by law to do so;~~

~~4.5.3(iii) — the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or~~

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~~4.5.4(iv) — the disclosure is:~~

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~~(a) reasonable and in the public interest; and~~

~~(b) made in good faith and in compliance with the reasonable requirements of the Council; and~~

~~(c) they have consulted the Monitoring Officer prior to its release.~~

~~4.6 (e) — A Member must Not prevent another person from gaining access to information to which that person is entitled by law;~~

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~~4.7 (f) — A Member must Not conduct themselves in a manner which is contrary to the Council's duty under the equalities legislation.~~

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~~4.8 4.2.2 When using, or authorising the use by others, of the resources of Adur District Council or Worthing Borough Council, a Member must:~~

~~4.8.1(a) — Act in accordance with the Council's reasonable requirements, procedures, policy and Constitution, including the requirements of the Council's Internet and Email Policy; and~~

~~4.8.2(b) — Make sure that such resources are not used improperly for political purposes (including party political purposes); and~~

~~4.8.3(c) — Have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986, and the Protocol on the Pre-Election period.~~

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4.9 A Member must comply with the provisions of the adopted Adur District Council and Worthing Borough Council Protocol for Relationships within the Council.

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4.10 A Member must comply with the provisions of the formally adopted Constitution of the Council of which they are a Member.

4.11 A Member must comply with the provisions of the Adur District Council and Worthing Borough Council Social Media Policy.

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## **5.0 ~~DISCLOSABLE PECUNIARY INTERESTS UNDER THE LOCALISM ACT 2011~~ OBLIGATIONS AS TO INTERESTS**

All Members must comply with their obligations in respect of any interests in accordance with this Code; failure to do so will amount to a breach of the Code.

### **5.1 Scope**

All interests, including those set out at 5.2, 5.3 & 5.4 below, relate to the interests of:

5.1.1 a Member; or

5.1.2 the partner of a Member, which includes:

- o spouse or civil partner; or
- o a person with whom they are living as husband or wife; or
- o a person with whom they are living as if they are civil partners; or

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5.1.3 a person who is a relevant person to a Member, which includes:

- o a member of the Member's immediate family (child, parent, grandparent, sibling); or
- o any person with whom the Member has a close association; or
- o any person or body who employs or has appointed the Member, a member of their immediate family or any person with whom they have a close association; or
- o any Firm in which the Member, a member of their immediate family or any person with whom they have a close association are a Partner, or any Company of which they are Directors; or
- o any person or body in whom the Member, a member of their immediate family or any person with whom they have a close association, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.

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5.1.4 Obligations relating to interests of those other than the Member themselves, for example family or relevant persons, only apply where

the Member is aware or ought reasonably to be aware of the existence of the interest.

5.1.5 Members obligations in respect of interests apply to those that arise in either the Borough of Worthing or the District of Adur regardless of whether the Member is a Member of Adur District Council or Worthing Borough Council.

## **5.2 Disclosable Pecuniary Interests**

Disclosable Pecuniary Interests (DPI's) and their application are governed by the Localism Act 2011. Interests which fall within these provisions are reproduced at Appendix 1 to this Code.

### **5.1 Notification of Disclosable Pecuniary Interests**

~~5.1.1 Within 28 days of becoming a Member, each Member must notify the Monitoring Officer of any disclosable pecuniary interests they may have.~~

~~5.1.2 A 'disclosable pecuniary interest' is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife or a person with whom they are living as if they are civil partners) within the description at Appendix 1 of this Code of Conduct.~~

### **5.3 Personal Interests**

5.3.1 A Member has a personal interest in any business of the Council:

(a) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council; or

(b) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management that exercises functions of a public nature, is directed to charitable purposes or one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union).

(c) Where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.

### **5.4 Prejudicial Interests**

5.4.1 Where a Member has a personal interest in any business of the Council, they also have a prejudicial interest in that business where the interest is one which



a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:

(a) affects the Member's financial position or the financial position of a member of their immediate family or any person with whom they have a close association; or

(b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or a member of their immediate family or any person with whom they have a close association.

## **5.5 Notification**

5.5.1 Within 28 days of their election or appointment to office (whichever is the later), each Member must notify the Monitoring Officer, in writing, of any disclosable pecuniary interests, personal interests or prejudicial interests they may have, for inclusion in the Register of Interests.

5.5.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer, in writing, of the details of that new interest or change.

## **5.65.2 Register of Interests**

5.6.15.2.4 Any interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection and will be published on the Councils' website.

## **5.75.3 Sensitive Interests**

5.7.15.3.4 Where a Member considers that disclosure of the details of a disclosable pecuniary, personal or prejudicial interest, on a copy of the Register made available for inspection and published, could lead to them, or a person connected with them, being subjected to violence or intimidation, they should make application in writing to the Monitoring Officer for the interest to be determined as being a sensitive interest.

5.7.2 ~~Where a Member has an interest which has been determined as being sensitive, then~~ copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has an disclosable pecuniary interest, the details of which are withheld ~~under Section 32(2) of the Localism Act 2011.~~

5.7.3 ~~Where the interest is a disclosable pecuniary interest the details will be withheld under Section 32(2) of the Localism Act 2011, and where a personal or prejudicial interest the details will be withheld at the Monitoring Officer's discretion.~~

## 5.8 Disclosure

5.8.1 Subject to paragraph 5.8.2 below, if a Member is present at a meeting and has a disclosable pecuniary interest, a personal interest or a prejudicial interest, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence and nature of that interest at the commencement of the meeting, or immediately the interest becomes apparent (whichever is the sooner).

5.8.2 Where a Member is present at a meeting and has a disclosable pecuniary, personal or prejudicial interest which has been determined as being sensitive in accordance with paragraph 5.7 above, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence of the interest must not the nature of it

## ~~5.4 Non-Participation in Case of Disclosable Pecuniary Interest~~

~~5.4.4~~

## 5.9 Participation

5.9.1 Subject to paragraphs 5.9.2 and 5.9.3 below, if a Member is present at a meeting of Adur District Council or Worthing Borough Council or any Committee, Sub-Committee or Joint Committee of the Council and has a disclosable pecuniary interest or a prejudicial interest in any matter to be considered or being considered at the meeting:

- (a) ~~That~~the Member may not participate in any discussion of the matter at the meeting; and
- (b) ~~That~~the Member may not participate in any vote taken on the matter at the meeting; and
- (c) the Member is required to leave the room where the meeting is held while any discussion or voting takes place.

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- ~~(c) If the interest is not registered, the Member must disclose the interest in the meeting; and~~
- ~~(d) If the interest is not registered and is not the subject of a pending notification, the Member must notify the Monitoring Officer of the interest within 28 days of the meeting.~~

~~5.4.2 In addition, the Member is required to leave the room where the meeting is held while any discussion or voting takes place.~~

~~5.4.3 Where an Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must:~~

- ~~(a) Notify the Monitoring Officer of the interest; and~~
- ~~(b) Not take any steps or further steps in the matter.~~

~~5.9.2~~ 5.4.4—Where a Member has a disclosable pecuniary interest or a prejudicial interest in any business of the Councils, they may attend that meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise, and the Member leaves the room where the meeting is held immediately after making representations, answering questions or giving evidence, prior to any debate, discussion or vote on the matter.

~~5.9.3 Paragraph 5.9.1 above does not apply where a Member is present at a meeting and has a prejudicial interest in the business being considered at that meeting, where the business relates to the functions of the Council in respect of:~~

- ~~(a) Housing, where they are a tenant of your Council, provided that those functions do not relate particularly to their tenancy or lease;~~
- ~~(b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;~~
- ~~(c) An allowance, payment or indemnity given to Members;~~
- ~~(d) Any ceremonial honour given to Members; and~~
- ~~(e) Setting Council Tax or a precept under the Local Government Finance Act 1992.~~

~~5.9.4 Where an Individual Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest or prejudicial interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter, nor seek to improperly influence any decision about the matter. Where a Member has a personal interest in any business of the Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.~~

## 5.105-5      **Dispensations**

~~5.5.1~~—The Monitoring Officer may grant a Member a dispensation, but only in limited circumstances, to enable them to participate and vote on a matter in which they have a disclosable pecuniary interest. Applications for dispensations should be made to the Monitoring Officer in writing at least 10 working days before any anticipated involvement in a decision in connection with which the Member has an interest.

## **5.115.6 Offences**

~~5.11.15.6.1~~ It is a criminal offence, in accordance with the Localism Act 2011 to:

- (a) Fail to notify the Monitoring Officer of any disclosable pecuniary interests within 28 days of a Member's election;
- (b) Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- (c) Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the Register that they have disclosed to a meeting;
- (d) Participate in any discussion or vote on a matter in which a Member has a disclosable pecuniary interest;
- (e) As an Executive Member discharging a function acting alone, and having a disclosable pecuniary interest in such a matter, failing to notify the Monitoring Officer within 28 days of the interest; and
- (f) Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

~~5.11.25.6.2~~ The criminal penalties available to a €Court are to impose a fine ~~not exceeding level 5 on the standard scale (£5,000)~~ and disqualification from being a Councillor for up to 5 years.

## **6.0 INTERESTS ARISING IN RELATION TO OVERVIEW AND SCRUTINY COMMITTEES** **~~OTHER INTERESTS: PERSONAL AND PECUNIARY~~**

### **~~6.1~~—Notification of Other Interests**

~~6.1.1~~—In addition to the disclosable pecuniary interests notifiable under the Localism Act 2011 as set out in Paragraph 5 above, a Member must, within 28 days of:

- ~~(a)~~—this Code being adopted by or applied to your Council; or
- ~~(b)~~—that Member's election or appointment to office (where that is later),

~~notify the Monitoring Officer in writing of the details of their other personal and pecuniary interests where they fall within the following descriptions, for inclusion in the Register of Interests.~~

~~6.1.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer of the details of that new interest or change.~~

## ~~6.2 — Personal Interests~~

~~6.2.1 A Member has a personal interest in any business of the Council where that business:~~

~~(a) relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council;~~

~~(b) relates to, or is likely to affect, any body:~~

~~(i) exercising functions of a public nature;~~

~~(ii) directed to charitable purposes; or~~

~~(iii) one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union) of which they are a member or in a position of general control or management.~~

~~6.2.2 A Member also has a personal interest in any business of the Council where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.~~

~~6.2.3 A relevant person is:~~

~~(a) A member of their family or any person with whom they have a close association; or~~

~~(b) Any person or body who employs or has appointed such persons defined in paragraph 6.2.3(a) above, any firm in which such persons are a partner, or any company of which they are directors;~~

~~(c) Any person or body in whom such persons defined in paragraph 6.2.3(a) above, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.~~

## ~~6.3 — Pecuniary Interests~~

~~6.3.1 Where a Member has a personal interest in any business of your Council, they also have a pecuniary interest in that business where the interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:~~

~~(a) affects the Member's financial position or the financial position of a person or body described in paragraph 6.2.2 above; or~~

~~(b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or any person or body described in paragraph 6.2.2 above.~~

#### ~~6.4 Disclosure and Non-Participation~~

~~6.4.1 Where a Member has a personal interest described in paragraph 6.2 above, which relates to themselves, in any business of the Council and where they are aware or ought reasonably to be aware of the existence of the personal interest and they attend a meeting of the Council at which the business is considered, they must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.~~

~~6.4.2 Where a Member has a personal interest in any business of their Authority which relates to or is likely to affect a relevant person as described in paragraph 6.2.2, they need only disclose to the meeting the existence and nature of that interest when they address the meeting on that business.~~

~~6.4.3 Where a Member has a personal interest, but by virtue of paragraph 6.6, sensitive information relating to it is not registered in their Council's Register of Members' Interests, they must indicate to the meeting that they have a personal interest, but need not disclose the sensitive information to the meeting.~~

~~6.4.4 Where a Member has a personal interest in any business of their Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.~~

~~6.4.5 Subject to paragraphs 6.4.7 and 6.4.8 below, where a Member has a pecuniary interest in any business of the Council:~~

~~(a) they may not participate in any discussion of the matter at the meeting;~~

~~(b) they may not participate in any vote taken on the matter at the meeting;~~

~~(c) if the interest is not registered, they must disclose the interest at the meeting; and~~

~~(d) if the interest is not registered and is not the subject of a pending notification, they must notify the Monitoring Officer of the interest within 28 days.~~

~~6.4.6 In addition, they are to leave the room where the meeting is held while any discussion or voting takes place.~~

~~6.4.7 Where a Member has a pecuniary interest in any business of the Authority, they may attend a meeting, but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under statutory right or otherwise, and they leave the room where the meeting is held immediately after making representations, answering questions and/or giving evidence.~~

~~6.4.8 Subject to a Member disclosing the interests at the meeting, they may attend a meeting and vote on a matter where they have a pecuniary interest that relates to the functions of the Council in respect of:~~

~~(a) Housing, where they are a tenant of your Council, provided that these functions do not relate particularly to their tenancy or lease;~~

~~(b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;~~

~~(c) An allowance, payment or indemnity given to Members;~~

~~(d) Any ceremonial honour given to Members; and~~

~~(e) Setting Council Tax or a precept under the Local Government Finance Act 1972.~~

~~6.4.9 Where an Executive Member may discharge a function alone and they become aware of a pecuniary interest in a matter being dealt with, or to be dealt with, by them, they must notify the Monitoring Officer of the interest and they must not take any steps or further steps in the matter, or seek improperly to influence a decision about the matter.~~

## **6.5 Register of Interests**

~~6.5.1 Any other interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection and will be published on the Council's website.~~

## **6.6 Sensitive Interests**

~~6.6.1 Where a Member considers that disclosure of the details of a personal or disclosable pecuniary interest on a copy of the Register made available for inspection and published, could lead to them, or a person connected with~~

~~them, being subject to violence or intimidation, then copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has a personal or disclosable pecuniary interest, the details of which are withheld under Section 32(2) of the Localism Act 2011.~~

## **~~6.7 — Interest arising in relation to Overview and Scrutiny Committees~~**

~~6.7.1~~ In any business before an Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee (or of a Sub-Committee or Panel of such a Committee), where:

- (a) that business relates to a decision made (whether implemented or not) or action taken by the Executive or another of the Council's Committees, Sub-Committees or Joint Committees; and
- (b) at the time the decision was made or action was taken, a Member was a Member of the Executive, Committee, Sub-Committee or Joint Committee mentioned in paragraph (a) and was present when that decision was made or action was taken,

that Member may only attend a meeting of the Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee for the purpose of answering questions or giving evidence relating to the business, and must leave the room where the meeting is held immediately after making representations, answering questions or giving evidence.

## **~~6.8 — Pre-determination or Bias~~**

### **7.0 PREDETERMINATION OR BIAS**

~~7.16-8.1~~ Where a Member has been involved in campaigning in their political role on an issue which does not impact on their personal and/or professional life, they should not be prohibited from participating in a decision in their political role as a Member. However, they must not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

~~7.26-8.2~~ When making a decision, a Member should consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.

~~7.3~~ If a Member is not able to comply with paragraph 7.2 above, for example, because they have predetermined the decision or they are biased, they may not take part in the decision; they must leave the meeting room where the decision is being considered, not take part in the debate or vote, and not seek to improperly influence the decision in any way at all.



## **8.06.9 COMPLIANCE WITH CONSTITUTION, RULES, STANDARDS AND GUIDANCE**

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**6.9.4** Failure to comply with the requirements of the Council's Constitution or any rule, protocol, corporate standards or guidance issued pursuant to this Constitution shall be deemed to be a breach of this Code.

## **9.07.0 REGISTRATION OF GIFTS AND HOSPITALITY**

**9.17.4** To preserve public confidence, Members are strongly encouraged not to accept any gifts from customers or contractors. It may constitute a serious criminal offence for a Member to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything, or showing favour or disfavour to any person, in their official capacity.

**9.27.2** If a Member does accept any gift, ~~of any value, they must comply with the Council's requirements to register or declare interests. If a Member does accept any~~ hospitality, or other benefit, by virtue of being a Member, with a value in excess of £50, or totalling £100 in any municipal year from a single source, they must comply with the Council's requirements to register and declare it, such hospitality, regardless of value. Any such gift or hospitality received must be registered within 28 days of receipt. Such declaration and registration should be made to the Director for Communities for inclusion in the register held by Democratic Services Officers.

**9.37.3** It is good practice for a Member to declare any offers of gifts, hospitality or other benefit, received, even if not accepted.

## **10. PUBLICATION, TRAINING AND REVIEW**

**10.1** This Code of Conduct is formally adopted by both Adur District Council and Worthing Borough Council; it forms part of each Council's Constitution and is made available to the public via the Councils' website.

**10.2** The Code of Conduct for Members will be reviewed on an annual basis by the Council's Monitoring Officer, when minor and consequential changes may be made under delegated authority. Any significant proposed changes will be considered by the Council's Joint Governance Committee, who have standards and ethics within their terms of reference.

**10.3** Annual training on the Code of Conduct for Members is provided and all Members must attend within their first 12 months of appointment and at least every 3 years thereafter.

## Disclosable Pecuniary Interests under the Localism Act 2011

Interests	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant Council) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a Member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant Council: <ul style="list-style-type: none"> <li>(a) Under which goods or services are to be provided or works are to be executed; and</li> <li>(b) Which has not been fully discharged.</li> </ul>
Land	Any beneficial interest in land which is within the area of the relevant Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant Council for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): <ul style="list-style-type: none"> <li>(a) The landlord is the relevant Council; and</li> <li>(b) The tenant is a body in which the relevant person has a beneficial interest.</li> </ul>
Securities	Any beneficial interest in securities of a body where: <ul style="list-style-type: none"> <li>(a) That body (to M's knowledge) has a place of business or land in the area of the relevant Council; and</li> <li>(b) Either: <ul style="list-style-type: none"> <li>(i) The total nominal value of the securities exceeds £25,000 or 100<sup>th</sup> of the total issued share capital of that body; or</li> <li>(ii) If the share capital of that body is of more</li> </ul> </li> </ul>

	than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds 100 <sup>th</sup> of the total issue share capital of that class.
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These descriptions on interests are subject to the following definitions:

- (a) 'Body in which the relevant person has a beneficial interest': means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- (b) 'Director': includes a member of the committee of management of an industrial and provident society;
- (c) 'Land': includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- (d) 'M': means the Member;
- (e) 'Member': includes a Co-opted Member;
- (f) 'Relevant Council': means the Council of which M is a Member;
- (g) 'Relevant Period': means the period of 12 months ending with the day on which M gives a notification for the purposes of Section 30(1) of the Localism Act 2011;
- (h) 'Relevant Person': means M or any other person referred to in Section 30(3)(b) of the Localism Act 2011; and
- (i) 'Securities': means shares, debentures, debenture stock, loans, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a Building Society.



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## THE CODE OF CONDUCT FOR MEMBERS

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### 1.0 INTRODUCTION

- ~~1.1 This Code applies to every Member of Adur District Council and every Member of Worthing Borough Council, when that Member acts in their role as a Member. It is each Member's responsibility to comply with the provisions of this Code.~~
- 1.12 Each Member is a representative of Adur District Council or Worthing Borough Council and the public will view that Member as such, and therefore, a Member's actions impact upon the Council as a whole and its reputation; a Member's actions can have both positive and negative impacts on the Councils.
- 1.23 This Code of Conduct is based upon the 'Nolan Principles:— The Seven Principles of Public Life', ~~which are set out at paragraph 2.0,~~ and also encompasses the legislative framework of the Localism Act 2011, ~~where provision is made by the Secretary of State for criminal sanctions to apply in certain circumstances.~~

### ~~2.0 THE NOLAN PRINCIPLES: SEVEN PRINCIPLES OF PUBLIC LIFE~~

- ~~2.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.~~
- ~~2.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.~~
- ~~2.3 **Objectivity:**— In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.~~
- ~~2.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.~~
- ~~2.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.~~

~~2.6 — **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.~~

~~2.7 — **Leadership:** Holders of public office should promote and support these principles by leadership and example.~~

## **32.0 INTERPRETATION**

In this Code -

**32.1** 'Meeting' means any meeting of:

- The Full Council;
- The Executive of the Council;
- Any Committee, Sub-Committee, Joint Committee of the Council; and
- Any other meeting involving Members and/or Officers and/or the public,

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of Members.

**32.2** 'Member' includes:

- ~~a Co-opted Member (voting and non-voting);~~
- ~~an Elected Member; and~~
- ~~an appointed Member; and~~
- ~~an Independent Person.~~

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## **43.0 SCOPE AND GENERAL OBLIGATIONS OF THE CODE OF CONDUCT**

### **4.1 — Scope**

**3.1** ~~4.1.1~~ This Code applies to all Members of Adur District Council and all Members of Worthing Borough Council.

**3.2** ~~4.1.2~~ It is each individual Member's responsibility to comply with the provisions of this Code.

**3.3** ~~4.1.3~~ The Code applies whenever a Member:

- Conducts the business of Adur District Council or Worthing Borough Council; or
- ~~Acts, claims to act, or gives the impression they are acting, as a representative of Adur District Council or Worthing Borough Council;~~ or

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- Acts, claims to act or gives the impression they are acting in their official capacity as a Member of Adur District Council or Worthing Borough Council.

~~3.4~~ ~~4.1.4~~ Where a Member acts as a representative of Adur District Council or Worthing Borough Council:

- on any other body, they must, when acting for that other body, comply with Adur District Council or Worthing Borough Council's Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

#### ~~4.02~~ ~~General Obligations~~ **GENERAL OBLIGATIONS AS TO CONDUCT**

~~4.2.1~~ ~~When acting as a Member of Adur District Council or Worthing Borough Council a Member must:~~

~~4.1~~ All Members must act in accordance with the Nolan Principles: the Seven Principles of Public Life:

4.1.1 **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

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4.1.2 **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

4.1.3 **Objectivity:** In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4.1.4 **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

4.1.5 **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

4.1.6 **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

4.1.7 **Leadership:** Holders of public office should promote and support these principles by leadership and example.

~~4.2 (a) — A Member must Treat others with respect and not engage in conduct which amounts to harassment, intimidation or bullying;~~

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~~4.3 (b) — A Member must Not conduct themselves in a manner which is contrary to the Council's duty to promote and maintain high standards of conduct of Members;~~

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~~4.4 (c) — A Member must Ensure that they are aware of and comply with the requirements that the Bribery Act 2010 places on a Member and on the Council as a whole;~~

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~~4.5 (d) — A Member must Not disclose the information given to them in confidence by anyone, or information acquired by them which they believe, or ought reasonably to be aware, is of a confidential nature, except where:~~

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~~4.5.1(i) — they have the consent of a person authorised to give it;~~

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~~4.5.2(ii) — they are required by law to do so;~~

~~4.5.3(iii) — the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or~~

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~~4.5.4(iv) — the disclosure is:~~

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~~(a) reasonable and in the public interest; and~~

~~(b) made in good faith and in compliance with the reasonable requirements of the Council; and~~

~~(c) they have consulted the Monitoring Officer prior to its release.~~

~~4.6 (e) — A Member must Not prevent another person from gaining access to information to which that person is entitled by law;~~

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~~4.7 (f) — A Member must Not conduct themselves in a manner which is contrary to the Council's duty under the equalities legislation.~~

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~~4.8 4.2.2 When using, or authorising the use by others, of the resources of Adur District Council or Worthing Borough Council, a Member must:~~

~~4.8.1(a) — Act in accordance with the Council's reasonable requirements, procedures, policy and Constitution, including the requirements of the Council's Internet and Email Policy; and~~

~~4.8.2(b) — Make sure that such resources are not used improperly for political purposes (including party political purposes); and~~

~~4.8.3(c) — Have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986, and the Protocol on the Pre-Election period.~~

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4.9 A Member must comply with the provisions of the adopted Adur District Council and Worthing Borough Council Protocol for Relationships within the Council.

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4.10 A Member must comply with the provisions of the formally adopted Constitution of the Council of which they are a Member.

4.11 A Member must comply with the provisions of the Adur District Council and Worthing Borough Council Social Media Policy.

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## **5.0 DISCLOSABLE PECUNIARY INTERESTS UNDER THE LOCALISM ACT 2011 OBLIGATIONS AS TO INTERESTS**

All Members must comply with their obligations in respect of any interests in accordance with this Code; failure to do so will amount to a breach of the Code.

### **5.1 Scope**

All interests, including those set out at 5.2, 5.3 & 5.4 below, relate to the interests of:

5.1.1 a Member; or

5.1.2 the partner of a Member, which includes:

- o spouse or civil partner; or
- o a person with whom they are living as husband or wife; or
- o a person with whom they are living as if they are civil partners; or

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5.1.3 a person who is a relevant person to a Member, which includes:

- o a member of the Member's immediate family (child, parent, grandparent, sibling); or
- o any person with whom the Member has a close association; or
- o any person or body who employs or has appointed the Member, a member of their immediate family or any person with whom they have a close association; or
- o any Firm in which the Member, a member of their immediate family or any person with whom they have a close association are a Partner, or any Company of which they are Directors; or
- o any person or body in whom the Member, a member of their immediate family or any person with whom they have a close association, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.

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5.1.4 Obligations relating to interests of those other than the Member themselves, for example family or relevant persons, only apply where

the Member is aware or ought reasonably to be aware of the existence of the interest.

5.1.5 Members obligations in respect of interests apply to those that arise in either the Borough of Worthing or the District of Adur regardless of whether the Member is a Member of Adur District Council or Worthing Borough Council.

## **5.2 Disclosable Pecuniary Interests**

Disclosable Pecuniary Interests (DPI's) and their application are governed by the Localism Act 2011. Interests which fall within these provisions are reproduced at Appendix 1 to this Code.

### **5.1 Notification of Disclosable Pecuniary Interests**

~~5.1.1 Within 28 days of becoming a Member, each Member must notify the Monitoring Officer of any disclosable pecuniary interests they may have.~~

~~5.1.2 A 'disclosable pecuniary interest' is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife or a person with whom they are living as if they are civil partners) within the description at Appendix 1 of this Code of Conduct.~~

### **5.3 Personal Interests**

5.3.1 A Member has a personal interest in any business of the Council:

(a) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council; or

(b) Where that business relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management that exercises functions of a public nature, is directed to charitable purposes or one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union).

(c) Where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.

### **5.4 Prejudicial Interests**

5.4.1 Where a Member has a personal interest in any business of the Council, they also have a prejudicial interest in that business where the interest is one which

a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:

(a) affects the Member's financial position or the financial position of a member of their immediate family or any person with whom they have a close association; or

(b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or a member of their immediate family or any person with whom they have a close association.

## **5.5 Notification**

5.5.1 Within 28 days of their election or appointment to office (whichever is the later), each Member must notify the Monitoring Officer, in writing, of any disclosable pecuniary interests, personal interests or prejudicial interests they may have, for inclusion in the Register of Interests.

5.5.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer, in writing, of the details of that new interest or change.

## **5.65.2 Register of Interests**

5.6.15.2.4 Any interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection and will be published on the Councils' website.

## **5.75.3 Sensitive Interests**

5.7.15.3.4 Where a Member considers that disclosure of the details of a disclosable pecuniary, personal or prejudicial interest, on a copy of the Register made available for inspection and published, could lead to them, or a person connected with them, being subjected to violence or intimidation, they should make application in writing to the Monitoring Officer for the interest to be determined as being a sensitive interest.

5.7.2 ~~Where a Member has an interest which has been determined as being sensitive, then~~ copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has an disclosable pecuniary interest, the details of which are withheld ~~under Section 32(2) of the Localism Act 2011.~~

5.7.3 ~~Where the interest is a disclosable pecuniary interest the details will be withheld under Section 32(2) of the Localism Act 2011, and where a personal or prejudicial interest the details will be withheld at the Monitoring Officer's discretion.~~

## 5.8 Disclosure

5.8.1 Subject to paragraph 5.8.2 below, if a Member is present at a meeting and has a disclosable pecuniary interest, a personal interest or a prejudicial interest, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence and nature of that interest at the commencement of the meeting, or immediately the interest becomes apparent (whichever is the sooner).

5.8.2 Where a Member is present at a meeting and has a disclosable pecuniary, personal or prejudicial interest which has been determined as being sensitive in accordance with paragraph 5.7 above, in any matter to be considered at that meeting, the Member must disclose to the meeting the existence of the interest must not the nature of it

## ~~5.4 Non-Participation in Case of Disclosable Pecuniary Interest~~

~~5.4.4~~

## 5.9 Participation

5.9.1 Subject to paragraphs 5.9.2 and 5.9.3 below, if a Member is present at a meeting of Adur District Council or Worthing Borough Council or any Committee, Sub-Committee or Joint Committee of the Council and has a disclosable pecuniary interest or a prejudicial interest in any matter to be considered or being considered at the meeting:

- (a) ~~That~~the Member may not participate in any discussion of the matter at the meeting; and
- (b) ~~That~~the Member may not participate in any vote taken on the matter at the meeting; and
- (c) the Member is required to leave the room where the meeting is held while any discussion or voting takes place.

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- ~~(c) If the interest is not registered, the Member must disclose the interest in the meeting; and~~
- ~~(d) If the interest is not registered and is not the subject of a pending notification, the Member must notify the Monitoring Officer of the interest within 28 days of the meeting.~~

~~5.4.2 In addition, the Member is required to leave the room where the meeting is held while any discussion or voting takes place.~~

~~5.4.3 Where an Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must:~~

- ~~(a) Notify the Monitoring Officer of the interest; and~~
- ~~(b) Not take any steps or further steps in the matter.~~

~~5.9.2~~ 5.4.4—Where a Member has a disclosable pecuniary interest or a prejudicial interest in any business of the Councils, they may attend that meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise, and the Member leaves the room where the meeting is held immediately after making representations, answering questions or giving evidence, prior to any debate, discussion or vote on the matter.

5.9.3 Paragraph 5.9.1 above does not apply where a Member is present at a meeting and has a prejudicial interest in the business being considered at that meeting, where the business relates to the functions of the Council in respect of:

- (a) Housing, where they are a tenant of your Council, provided that those functions do not relate particularly to their tenancy or lease;
- (b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;
- (c) An allowance, payment or indemnity given to Members;
- (d) Any ceremonial honour given to Members; and
- (e) Setting Council Tax or a precept under the Local Government Finance Act 1992.

5.9.4 Where an Individual Executive Member may discharge a function alone and becomes aware of a disclosable pecuniary interest or prejudicial interest in a matter being dealt with or to be dealt with by him/her, the Executive Member must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter, nor seek to improperly influence any decision about the matter. Where a Member has a personal interest in any business of the Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.

## **5.105.5      Dispensations**

~~5.5.1~~—The Monitoring Officer may grant a Member a dispensation, but only in limited circumstances, to enable them to participate and vote on a matter in which they have a disclosable pecuniary interest. Applications for dispensations should be made to the Monitoring Officer in writing at least 10 working days before any anticipated involvement in a decision in connection with which the Member has an interest.

## **5.115.6 Offences**

~~5.11.15.6.1~~ It is a criminal offence, in accordance with the Localism Act 2011 to:

- (a) Fail to notify the Monitoring Officer of any disclosable pecuniary interests within 28 days of a Member's election;
- (b) Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- (c) Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the Register that they have disclosed to a meeting;
- (d) Participate in any discussion or vote on a matter in which a Member has a disclosable pecuniary interest;
- (e) As an Executive Member discharging a function acting alone, and having a disclosable pecuniary interest in such a matter, failing to notify the Monitoring Officer within 28 days of the interest; and
- (f) Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

~~5.11.25.6.2~~ The criminal penalties available to a ~~€~~Court are to impose a fine ~~not exceeding level 5 on the standard scale (£5,000)~~ and disqualification from being a Councillor for up to 5 years.

## **6.0 INTERESTS ARISING IN RELATION TO OVERVIEW AND SCRUTINY COMMITTEES** **~~OTHER INTERESTS: PERSONAL AND PECUNIARY~~**

### **~~6.1~~—Notification of Other Interests**

~~6.1.1~~—In addition to the disclosable pecuniary interests notifiable under the Localism Act 2011 as set out in Paragraph 5 above, a Member must, within 28 days of:

- ~~(a)~~—this Code being adopted by or applied to your Council; or
- ~~(b)~~—that Member's election or appointment to office (where that is later),

~~notify the Monitoring Officer in writing of the details of their other personal and pecuniary interests where they fall within the following descriptions, for inclusion in the Register of Interests.~~

~~6.1.2 A Member must, within 28 days of becoming aware of any new interest or change of any interest, notify the Monitoring Officer of the details of that new interest or change.~~

## ~~6.2 — Personal Interests~~

~~6.2.1 A Member has a personal interest in any business of the Council where that business:~~

~~(a) relates to, or is likely to affect, any body of which they are a Member or in a position of general control or management and to which they are appointed or nominated by the Council;~~

~~(b) relates to, or is likely to affect, any body:~~

~~(i) exercising functions of a public nature;~~

~~(ii) directed to charitable purposes; or~~

~~(iii) one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union) of which they are a member or in a position of general control or management.~~

~~6.2.2 A Member also has a personal interest in any business of the Council where a decision in relation to that business might reasonably be regarded as affecting their wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, rate payers or inhabitants of the Ward affected by the decision.~~

~~6.2.3 A relevant person is:~~

~~(a) A member of their family or any person with whom they have a close association; or~~

~~(b) Any person or body who employs or has appointed such persons defined in paragraph 6.2.3(a) above, any firm in which such persons are a partner, or any company of which they are directors;~~

~~(c) Any person or body in whom such persons defined in paragraph 6.2.3(a) above, have a beneficial interest in a class of securities exceeding the nominal value of £25,000 or 1% of the total of that class of securities.~~

## ~~6.3 — Pecuniary Interests~~

~~6.3.1 Where a Member has a personal interest in any business of your Council, they also have a pecuniary interest in that business where the interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and where that business:~~

~~(a) affects the Member's financial position or the financial position of a person or body described in paragraph 6.2.2 above; or~~

~~(b) relates to the determining of any approval, consent, licence, permission or registration in relation to them or any person or body described in paragraph 6.2.2 above.~~

#### ~~6.4 Disclosure and Non-Participation~~

~~6.4.1 Where a Member has a personal interest described in paragraph 6.2 above, which relates to themselves, in any business of the Council and where they are aware or ought reasonably to be aware of the existence of the personal interest and they attend a meeting of the Council at which the business is considered, they must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.~~

~~6.4.2 Where a Member has a personal interest in any business of their Authority which relates to or is likely to affect a relevant person as described in paragraph 6.2.2, they need only disclose to the meeting the existence and nature of that interest when they address the meeting on that business.~~

~~6.4.3 Where a Member has a personal interest, but by virtue of paragraph 6.6, sensitive information relating to it is not registered in their Council's Register of Members' Interests, they must indicate to the meeting that they have a personal interest, but need not disclose the sensitive information to the meeting.~~

~~6.4.4 Where a Member has a personal interest in any business of their Council and they have made an Executive Decision in relation to that business, they must ensure that any written statement of that decision records the existence and nature of that interest.~~

~~6.4.5 Subject to paragraphs 6.4.7 and 6.4.8 below, where a Member has a pecuniary interest in any business of the Council:~~

~~(a) they may not participate in any discussion of the matter at the meeting;~~

~~(b) they may not participate in any vote taken on the matter at the meeting;~~

~~(c) if the interest is not registered, they must disclose the interest at the meeting; and~~



~~(d) if the interest is not registered and is not the subject of a pending notification, they must notify the Monitoring Officer of the interest within 28 days.~~

~~6.4.6 In addition, they are to leave the room where the meeting is held while any discussion or voting takes place.~~

~~6.4.7 Where a Member has a pecuniary interest in any business of the Authority, they may attend a meeting, but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under statutory right or otherwise, and they leave the room where the meeting is held immediately after making representations, answering questions and/or giving evidence.~~

~~6.4.8 Subject to a Member disclosing the interests at the meeting, they may attend a meeting and vote on a matter where they have a pecuniary interest that relates to the functions of the Council in respect of:~~

~~(a) Housing, where they are a tenant of your Council, provided that these functions do not relate particularly to their tenancy or lease;~~

~~(b) Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to, the receipt of such pay;~~

~~(c) An allowance, payment or indemnity given to Members;~~

~~(d) Any ceremonial honour given to Members; and~~

~~(e) Setting Council Tax or a precept under the Local Government Finance Act 1972.~~

~~6.4.9 Where an Executive Member may discharge a function alone and they become aware of a pecuniary interest in a matter being dealt with, or to be dealt with, by them, they must notify the Monitoring Officer of the interest and they must not take any steps or further steps in the matter, or seek improperly to influence a decision about the matter.~~

## **6.5 Register of Interests**

~~6.5.1 Any other interests notified to the Monitoring Officer will be included in the Register of Interests. A copy of the Register will be available for public inspection and will be published on the Council's website.~~

## **6.6 Sensitive Interests**

~~6.6.1 Where a Member considers that disclosure of the details of a personal or disclosable pecuniary interest on a copy of the Register made available for inspection and published, could lead to them, or a person connected with~~

~~them, being subject to violence or intimidation, then copies of the Register that are available for inspection and any published version of the Register will exclude details of the interest, but state that the Member has a personal or disclosable pecuniary interest, the details of which are withheld under Section 32(2) of the Localism Act 2011.~~

## ~~6.7 — Interest arising in relation to Overview and Scrutiny Committees~~

~~6.7.1~~ In any business before an Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee (or of a Sub-Committee or Panel of such a Committee), where:

- (a) that business relates to a decision made (whether implemented or not) or action taken by the Executive or another of the Council's Committees, Sub-Committees or Joint Committees; and
- (b) at the time the decision was made or action was taken, a Member was a Member of the Executive, Committee, Sub-Committee or Joint Committee mentioned in paragraph (a) and was present when that decision was made or action was taken,

that Member may only attend a meeting of the Overview and Scrutiny Committee or Joint Overview and Scrutiny Committee for the purpose of answering questions or giving evidence relating to the business, and must leave the room where the meeting is held immediately after making representations, answering questions or giving evidence.

## ~~6.8 — Pre-determination or Bias~~

### 7.0 PREDETERMINATION OR BIAS

~~7.16-8.1~~ Where a Member has been involved in campaigning in their political role on an issue which does not impact on their personal and/or professional life, they should not be prohibited from participating in a decision in their political role as a Member. However, they must not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

~~7.26-8.2~~ When making a decision, a Member should consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.

~~7.3~~ If a Member is not able to comply with paragraph 7.2 above, for example, because they have predetermined the decision or they are biased, they may not take part in the decision; they must leave the meeting room where the decision is being considered, not take part in the debate or vote, and not seek to improperly influence the decision in any way at all.

## **8.06.9 COMPLIANCE WITH CONSTITUTION, RULES, STANDARDS AND GUIDANCE**

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**6.9.4** Failure to comply with the requirements of the Council's Constitution or any rule, protocol, corporate standards or guidance issued pursuant to this Constitution shall be deemed to be a breach of this Code.

## **9.07.0 REGISTRATION OF GIFTS AND HOSPITALITY**

**9.17.4** To preserve public confidence, Members are strongly encouraged not to accept any gifts from customers or contractors. It may constitute a serious criminal offence for a Member to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything, or showing favour or disfavour to any person, in their official capacity.

**9.27.2** If a Member does accept any gift, ~~of any value, they must comply with the Council's requirements to register or declare interests. If a Member does accept any~~ hospitality, or other benefit, by virtue of being a Member, with a value in excess of £50, or totalling £100 in any municipal year from a single source, they must comply with the Council's requirements to register and declare it, such hospitality, regardless of value. Any such gift or hospitality received must be registered within 28 days of receipt. Such declaration and registration should be made to the Director for Communities for inclusion in the register held by Democratic Services Officers.

**9.37.3** It is good practice for a Member to declare any offers of gifts, hospitality or other benefit, received, even if not accepted.

## **10. PUBLICATION, TRAINING AND REVIEW**

**10.1** This Code of Conduct is formally adopted by both Adur District Council and Worthing Borough Council; it forms part of each Council's Constitution and is made available to the public via the Councils' website.

**10.2** The Code of Conduct for Members will be reviewed on an annual basis by the Council's Monitoring Officer, when minor and consequential changes may be made under delegated authority. Any significant proposed changes will be considered by the Council's Joint Governance Committee, who have standards and ethics within their terms of reference.

**10.3** Annual training on the Code of Conduct for Members is provided and all Members must attend within their first 12 months of appointment and at least every 3 years thereafter.

## Disclosable Pecuniary Interests under the Localism Act 2011

Interests	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant Council) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a Member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant Council: <ul style="list-style-type: none"> <li>(a) Under which goods or services are to be provided or works are to be executed; and</li> <li>(b) Which has not been fully discharged.</li> </ul>
Land	Any beneficial interest in land which is within the area of the relevant Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant Council for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): <ul style="list-style-type: none"> <li>(a) The landlord is the relevant Council; and</li> <li>(b) The tenant is a body in which the relevant person has a beneficial interest.</li> </ul>
Securities	Any beneficial interest in securities of a body where: <ul style="list-style-type: none"> <li>(a) That body (to M's knowledge) has a place of business or land in the area of the relevant Council; and</li> <li>(b) Either: <ul style="list-style-type: none"> <li>(i) The total nominal value of the securities exceeds £25,000 or 100<sup>th</sup> of the total issued share capital of that body; or</li> <li>(ii) If the share capital of that body is of more</li> </ul> </li> </ul>

	than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds 100 <sup>th</sup> of the total issue share capital of that class.
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These descriptions on interests are subject to the following definitions:

- (a) 'Body in which the relevant person has a beneficial interest': means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- (b) 'Director': includes a member of the committee of management of an industrial and provident society;
- (c) 'Land': includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- (d) 'M': means the Member;
- (e) 'Member': includes a Co-opted Member;
- (f) 'Relevant Council': means the Council of which M is a Member;
- (g) 'Relevant Period': means the period of 12 months ending with the day on which M gives a notification for the purposes of Section 30(1) of the Localism Act 2011;
- (h) 'Relevant Person': means M or any other person referred to in Section 30(3)(b) of the Localism Act 2011; and
- (i) 'Securities': means shares, debentures, debenture stock, loans, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a Building Society.

