



Public Document Pack

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Committee Manager Carley Lavender

19 June 2019

Special Audit & Governance Committee

A Special Meeting of the Audit & Governance will be held in Committee Room 1 (Pink Room) on the Tuesday 2 July 2019 **at 6.00 pm** and you are requested to attend.

Members: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bicknell, Brooks, Clayden, Dendle, Mrs Madeley, Ms Thurston and Tilbrook

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members and Officers are reminded to make any declarations of pecuniary, personal and/or prejudicial interests that they may have in relation to items on this agenda and are reminded that they should re-declare their interest before consideration of the item or as soon as the interest becomes apparent.

Members and officer should make their declaration by stating:

- a) the application they have the interest in
- b) whether it is a pecuniary, personal and/or prejudicial
- c) the nature of the interest
- d) if it is a prejudicial or pecuniary interest, whether they will be exercising their right to speak to the application

3. MINUTES

(Pages 1 - 16)

To approve as a correct record of the Minutes of the meeting of the Audit & Governance Committee held on 14 February 2019.

4. ITEMS ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCE

5. START TIMES
The Committee is requested to consider start times for meetings during 2019/20

6. THE INDEPENDENT REMUNERATION PANELS EIGHTH REVIEW OF THE MEMBER'S ALLOWANCES SCHEME (Pages 17 - 54)
To consider the revised report of the Independent Remuneration Panel on its eighth review of the Members' Allowances Scheme.

7. CHAIRMAN'S ANNUAL REPORT TO COUNCIL 2018/19 (Pages 55 - 68)
Report to be presented by Councillor Chapman as outgoing Chairman.

8. ANNUAL UPDATE ON THE USE OF RIPA POWERS
As required by the Council's Constitution, the Internal Audit Manager will ask the Committee to note that no activity was authorised / undertaken under the Regulation of Investigatory Powers Act (RIPA) 2010 (as amended) in 2018/19. The Committee will receive this update verbally.

9. FUTURE WORK PLAN 2019/20 (Pages 69 - 74)
The Internal Auditor will provide a verbal update to the Committee with the future plans for the coming year.

Note : *Indicates report is attached for all Members of the Council only and the press (excluding exempt items). Copies of reports can be obtained on request from the Committee Manager).

Note : Members are reminded that if they have any detailed questions would they please inform the Chairman and/or relevant Director in advance of the meeting.

AUDIT & GOVERNANCE

14 February 2019 at 6.00 pm

Present: Councillors Chapman (Chairman), Mrs Oakley (Vice-Chair), Ambler, Blampied, Brooks, Cates, Dendle, Mrs Porter and Wheel

396. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams, Kevin Suter (Audit Manager) from Ernst & Young and members of the Independent Remuneration Panel, John Thompson (Chairman), Alan Ladley, Celia Thomson-Hitchcock, Sarah Miles and Andrew Kelly to the meeting.

397. DECLARATIONS OF INTEREST

In view of the nature of the issues to be discussed in respect of Agenda Item 5 (The Independent Remuneration Panel's Eighth Review of the Members' Allowances Scheme) it was recognised that all Members of the Committee had a personal interest in accordance with the Members' Code of Conduct. This did not preclude them from considering the proposals.

398. MINUTES

The Minutes of the meeting held on 15 November 2018 were approved by the Committee as a correct record and signed by the Chairman.

399. THE INDEPENDENT REMUNERATION PANEL'S EIGHTH REVIEW OF THE MEMBERS' ALLOWANCES SCHEME

The Chairman welcomed the Independent Remuneration Panel to the meeting and invited the Chairman of the Panel, John Thompson, to present the Panel's Eighth Review of the Members' Allowances Scheme.

Mr Thompson highlighted the main points of change and the background and rationale behind the review undertaken. He explained that an erratum sheet had been distributed which drew Members' attention to the fact that calculations for the Basic Allowance and the change in SRA payment to the Licensing Committee Chairman had been incorrectly recorded.

Mr Thompson explained that as a new Panel it had had to work to very tight timescales to conclude this review in time for this meeting. Despite this, and the steep learning curve that the new members of the Panel had had to overcome, each member had brought energy, independence of mind and originality to the process.

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The Panel had undertaken interviews with a wide range of Members in addition to reviewing substantial data from the South East Employers and other Local Authorities.

Mr Thompson highlighted the key points to the Committee, these have been summarised below:

- The Basic Allowance – The most commonly expressed views were that some Members did a lot more than others. However, the only potential solution would be to introduce some form of allowance linked to attendance. The legislation that was introduced in 2003 made it clear that the Basic Allowance could not be linked to attendance in this way. The Panel had therefore worked to the requirements of the law and the report explained the justification for their recommendation on the Basic Allowance.
- Special Responsibility Allowances (SRAs) – The Panel took the approach, when making its recommendations, that SRAs were not about ‘people’ they specifically related to the role itself. The Committee was reminded that any Member could renounce all or part of an allowance at any time.
- The Leader of the Council’s SRA – The Panel had focused on the full extent of responsibilities and the hours that this role demanded. They considered it was important to adequately reward the Leader so as to attract strong candidates in the future to this high profile role.

The Chairman proposed to take each recommendation in turn to allow full debate. This approach was agreed by the Committee.

The Committee supported the recommendations put forward by the Panel in terms of Recommendations 1 to 7:

- **Basic Allowance for all Members – recommendation (1)**
- **Special Responsibility Allowances (SRAs) – recommendation (2)**
- **Leader of the Council’s SRA – recommendation (3)**
- **Deputy Leader Remuneration– recommendation (4)**
- **Cabinet Members Remuneration – recommendation (5)**
- **Chairman and Vice Chairman of the Council’s SRA – recommendation (6)**
- **Development Control Members SRA – recommendation (7)**

Concern was however expressed in relation to the following recommendations:

Licensing Committee Chairman and Vice-Chairman – Recommendation (8)

The proposal was for the SRA payable to the Chairman of the Licensing Committee to be decreased from £4,000 to £2,000 and for the Vice-Chairman from £1,200 to £600. There was concern at this proposal based on whether the Panel had taken account sufficiently of the workload and training requirements for this Committee, particularly from some recent meetings of the Licensing Sub-Committee that had been

complex and contentious. The Panel was therefore asked to review this aspect of the report so it could be reconsidered by the Committee.

Members of the Licensing Committee – Recommendation (9)

The proposal was that the SRA payable to a Member of the Licensing Committee should be abolished and replaced with an allowance of £60 per meeting exceeding half a day in duration also payable to named substitute Members. The Committee received advice from the Chief Executive that the legislation did not allow a meeting allowance for a regular additional responsibility such as Members of this Committee held, as this went against the principle of attendance allowances not being permissible. Further, it was felt that this recommendation did not take account of the mandatory training that Members and substitute Members were required to undertake in order to serve on the Committee. It was therefore proposed to the Panel that they revisit this recommendation and consider an alternative proposal in line with the principles that had been applied to Members of the Development Control Committee.

The Committee supported the Recommendations put forward by the Panel in terms of Recommendations 10 to 19:

- **Chairman and Vice Chairman of Overview Scrutiny Committee SRA – recommendation (10)**
- **The Co-opted persons allowance – recommendation (11)**
- **Chairman and Vice Chairman of Audit & Governance SRA – recommendation (12)**
- **Chairman and Vice Chairman of Standards Committee SRA – recommendation (13)**
- **Independent Persons meeting allowance – recommendation (14)**
- **Leader of the largest opposition group SRA – recommendation (15)**
- **Leader of the smaller minority groups SRA – recommendation (16)**
- **Allowance paid to minority groups – recommendation (17)**
- **IT Allowance – recommendation (18)**
- **Meeting allowance for Co-opted members and witnesses – recommendation (19)**

Concern was however expressed in relation to the following recommendation:

Carers' Allowance for Members - Recommendation Number 20.

The proposal was that the Carers Allowance of £10 per hour up to a maximum of 20 hours a month be replaced by a Child Care allowance of £10 an hour; the Dependent Adult allowance be linked to the Home Care rate paid by West Sussex County Council and no limit be placed on the number of hours it is claimed for either allowance.

Whilst the Committee commended the Panel on what it was trying to achieve with this recommendation in that it was paying particular reference to its Terms of Reference *'the need to attract and retain Members of appropriate calibre and representative of the demographic make-up of the district'*, it was felt that a complete re-

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think was needed. This was mainly due to the point that the rate per hour under this current recommendation equated to £18.49 and this had clear budget implications that had not been considered in the Panel's report. Also, the proposed removal of the 20 hour cap that could be claimed was a point for concern as it was felt that a limit was appropriate with a discretion that included that cases above that limit could be considered by a designated Officer. The Committee requested that the Panel reconsider this aspect of the report and report back with further proposals.

At this point, Councillor Wheal proposed that the Panel's review be deferred. In the absence of a seconder this proposal was not debated.

The Chairman summarised that the Committee had supported most of the recommendations within the Panel's report. However, in view of the referral back on three of the recommendations it was then suggested to refer the report back to the Panel asking it to undertake further work and to provide further context and evidence against the three recommendations highlighted.

The Chairman outlined that any scheme proposed for allowances must be appropriate for the Council and affordable in relation to Budget provision.

Based on this, Councillor Wheal proposed this course of action and this was seconded by Councillor Blampied. On this being put to the vote it was declared CARRIED.

The Group Head of Council Advice & Monitoring Officer clarified that deferring the Panel's report would mean that it would not be possible for it to be considered at the next meeting of Full Council on 13 March 2019.

In view of the work to be undertaken and to ensure that Access to Information Rules were abided by, it was proposed that the revised report be resubmitted to a Special Meeting of the Committee to be convened in June/July so that recommendations could be considered at Full Council on 17 July 2019. The Committee and the Panel was advised that this would not prevent the new regime of allowances still being able to be effective from 7 May 2019 as the 2003 Act allowed the Committee to agree that its scheme of allowances be backdated as long as this was within the current financial year.

The Committee then supported the recommendations put forward by the Panel in terms of Recommendations 21 to 33:

- **Regulations to be added to the Members Allowance Scheme – recommendation (21)**
- **List of specified duties to be added to the Members Allowance Scheme – recommendation (22)**
- **The availability of this allowance and the procedure for claiming be more visible – recommendation (23)**
- **Request maternity, paternity and adoption arrangements – recommendation (24)**

- **Town and Parish Council contribution to the Arun District Council Basic Allowance for their Members – recommendation (25)**
- **Special Responsibility payments to be increased – recommendation (26)**
- **Remunerations received by members, Co-opted Members, Independent persons to be linked to Officers' pay annually – recommendation (27)**
- **Travel and Subsistence arrangements and rates – recommendation (28)**
- **Multiple SRA payments – recommendation (29)**
- **Continuous absence of a Chairman or Vice Chairman for two months or more – recommendation (30)**
- **Suspension of allowances – recommendation (31)**
- **The next Review of the Arun District Council Members' Allowances Scheme – recommendation (32)**
- **The new allowances scheme is effective from 7 May 2019 – recommendation (33)**

The Chairman asked the Panel if it wished to present any closing remarks. Mr Thompson responded stating that it was disappointing that the report had not been accepted as this meant that there were only three recommendations requiring additional work. However, speaking on behalf of the Panel it was accepted that the Panel would need to review the recommendations identified and to provide further information to the Committee before any final recommendations could be made to Full Council.

The Chairman thanked the Panel again for its hard work in submitting its report in such a short amount of time.

The Committee then

RESOLVED

That the report of the Independent Remuneration Panel on its Eighth review of the Members Allowances Scheme be deferred to enable the Panel to undertake further work on Recommendations (8), (9) and (20) with a revised report being submitted to a Special Meeting of the Committee, to be convened in June/July 2019 so that recommendations could be reported to the Full Council meeting on 17 July 2019.

400. UPDATE ON PROGRESS AGAINST THE RECOMMENDATIONS FROM THE PARTNERSHIPS AUDIT

In the absence of the Group Head of Policy, the Chief Executive presented this report.

The key highlights were:

- Partnership working had been identified as increasingly important for the future, particularly given the predicted future financial situation for local government. This had been brought into sharp focus by the recent decision of West Sussex County Council to remove funding from voluntary/commissioning organisations involved in homelessness.

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- Past Audit Commission guidance emphasised the importance of local authorities understanding who their partners were, the nature of the collaboration, accountabilities and governance arrangements.
- Some work had been completed in 2017 on this Audit at the request of the Committee after the Council's Corporate Management Team (CMT) had agreed a working definition of the term 'partnerships' to facilitate the development of a Partnerships Register and ongoing process for reviewing this.
- Work needed to be completed in reference to the Constitution and what was listed at Part 3, Section 12.0 in terms of whether this was accurate. Work also needed to be undertaken to determine if the definition agreed in 2017 was still valid. Consideration also needed to be given as to where the list in the Constitution should be held and if the Constitution was the appropriate place, given the operational (and potentially changing) nature of the Council's relationships with its partners.
- The Group Head of Policy would clarify the definition with CMT and produce an up-to-date Register of Partners. It was emphasised that this work would be undertaken later in the year, due to the workload of the Group Head of Policy in her planning for the Council's Elections on 2 May 2019.
- It had previously been agreed that following clarity on the definition a number of key actions should be carried out. The Group Head of Policy had reviewed these and was proposing a set of questions to ask relevant Directors/Group Heads, once the agreed list of partners had been identified.

In reviewing the report, the Chairman stated that having met with the Group Head of Policy, ahead of this meeting; he felt that progress was now moving forward, however, he did have some reservations regarding the level of resources available to complete the work required. This comment was noted by the Chief Executive.

Having discussed some elements of Section 1.3 of the report, the Committee noted the report and the update provided.

401. ERNST & YOUNG - AUDIT PLAN & PROGRESS REPORT

The Committee received and noted the report from the Audit Manager at Ernst & Young.

Members were advised that this was the planning report for the 2019/2020 audit focusing on the risks and to ensure that Members were clear about the arrangements for Ernst & Young's audit work.

The key highlights were:

- An overview of the Audit Risks and areas of focus were outlined.
- The Council was required to complete a risk assessment in relation to the improper classification of revenue expenditure as capital expenditure.
- Pension liabilities and land and buildings valuation were highlighted as a standard focus of work that was continuing to be undertaken.

- Housing Revenue Account (HRA) depreciation was material in the financial statements and required a number of assumptions and judgements. In the previous year, errors had been identified above the Council's audit differences threshold. 2017/18 had been the first year where authorities were required to account for depreciation using proper accounting practices, so this was still a relatively new concept. Revised Calculations had been provided by Officers and would be reviewed.
- IFRS 15 Revenue from Contracts with Customers, A new reporting standard had been introduced this year and judgement on the financial statement was expected due to this. A full risk assessment was required to ensure that it has been appropriately implemented by the Council.

In reviewing the report, discussion took place regarding the HRA risk assessment and if it included the Stock Condition survey report findings. It was advised only in so far as they affected the financial statement. It would ultimately fall under the Health and Safety Regulator or Fire service.

The Committee thanked the Manger from Ernst & Young and then,

RESOLVED

That the outline Annual Internal Audit Plan for 2018/19 be approved.

402. ACCOUNTING POLICIES FOR 2018/19 ACCOUNTS

The Committee was asked to consider and agree the Accounting Policies that would be applied to the Statement of Accounts for 2018/19 which would be agreed by the Committee in July 2019

The Financial Services Manager presented her report to the Committee.

The key highlights were:

- As stated in the report the Accounting policies were the specific principles, bases and conventions, rules and practices applied by the Council in preparing and presenting the financial statements. They were based on the Code of Practice on Local Authority Accounting in the United Kingdom which defined proper accounting practice and the Code for International Financial Reporting Standards (IFRS). The objective of the Code was to specify the principles and practices of accounting required to give a 'true and fair view' of the financial position.
- The Committee's attention was drawn to Page 1 of the report (83 of the Agenda) Accruals of Expenditure and Income and advised that this section had been amended to reflect the IFRS 15 Revenue from contracts. The Council had also prepared a

working paper to show that the impact of the new standard would not be material to the accounts.

- Page 7 of the report (89 of the Agenda) this had been amended to correctly reflect IFRS 9 Financial Instruments.
- The Accounting Policy for (BIDS) the Business Improvement District scheme was required because of the new Bognor Regis BID.
- An amendment had been made to Page 14 of the report (96 of the Agenda) '*Depreciation is calculated on the following basis*' fourth bullet point removal of "37 years" was required because the useful life of components could change. Further down the page bullet point 6, the sentence needed to read '*The depreciation for HRA dwellings (*remaining useful life for both houses and flats) serves as a proxy for componentisation as the relevant useful lives are calculated by reference to the weighted average of the useful lives of the key components*'. *37 years removed.

In reviewing the report, the Chairman highlighted that this had been a useful update for the Committee to receive. Of most interest to Members had been the section reporting on the Housing Stock Condition Survey as this was felt this to be a very good way of ensuring that the authority could ensure its responsibilities in the future.

The Committee then

RESOLVED

That the Accounting Policies could be applied to the Statement of Accounts for 2018/2019.

403. CAPITAL STRATEGY

The Financial Services Manager reiterated that this was the first year that the Council had had to provide a Capital Strategy which would develop over time.

In presenting this report, the Financial Services Manager drew Members' attention to some key points:

- The aim of this Strategy was to balance capital expenditure needs and expectations with the limited resources available to the Council.
- It formed the framework for capital investment decisions over the next three years and was closely linked to the Treasury Management Strategy; the Investment Strategy and the Borrowing Strategy.
- Whole life costing for Capital Schemes was required when making capital expenditure decisions by the Council. This meant that any appraisal of a proposed capital project would need to consider not just the initial capital

cost but all costs and income streams associated with the project, that were likely to occur in future years, including possible replacement or disposal costs. This was vital to ensure that the Council was not committing itself to future liabilities that were unsustainable.

- Capital expenditure was funded from a variety of sources all of which were extremely limited.
- There were separate capital programmes for the GF and HRA as they were separate funds.
- Housing Revenue Account (HRA) capital programme for 2019/20 and 2021/22 was driven by the approved HRA Business Plan. One of the key priorities of this Plan was the acquisition of 250 new dwellings over the 10 year life of the Plan. This would be funded from '1 for 1' Right to Buy receipts (30%) and borrowing (70%). However a recently published Government consultation paper proposed a number of changes to the way that retained Right to Buy receipts could be used and so it was outlined that this could have significant implications for the planned programme.
- The Council had a core annual programme for the General Fund (GF) which included asset management (all non HRA assets), Information Technology and Disabled Facilities Grants (DFG's). DFG's paid for essential adaptations to help people with disabilities to stay in their own homes – this was entirely funded by Government Grant whereas the Asset Management and Information Technology programmes were funded by revenue contributions.
- As with other local authorities Arun was facing a challenging financial climate and so it was therefore essential that systems were in place to ensure that scarce resources were allocated in the most effective way. High priority would be given to the replacement of business critical IT systems and all new schemes would be subject to rigorous appraisal and would require a sound business case.

Possible sources of funding for capital schemes were:

- Grants
 - Section 106 contributions
 - Capital receipts
 - Direct Revenue contributions
 - Borrowing
- Looking at specific resource issues, Grants and Section 106 contributions were generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant or Section 106 contribution. There was little latitude in the way this funding could be applied. It was the Council's Policy to use capital receipts to support the General Fund capital programme. A specified proportion of these receipts would be earmarked for the Property investment Fund (PIF). With the exception of 1 for 1 Right to Buy Receipts which could only be used for new social housing. Revenue contributions were a flexible source of funding, but they could put an immediate strain on the General Fund balance and therefore should only be used to a limited extent. Borrowing would spread the cost over a number of years, however

loan servicing costs and the overall level of debt exposure needed to be considered and clearly flagged in a business case.

The Chairman referred Members to Section 1.2 of the report as this allowed authorities to delegate the detailed management of Treasury Management, including this Strategy, to a Sub-Committee. This responsibility had now been delegated to the Audit and Governance Committee facilitating more active discussion of this Strategy and its implementation, however pointing out that overall responsibility would at all times remain with Full Council.

In considering the report, there was some discussion on the Property Investment Fund and it was agreed by the Committee that as the Property Estates Manager was not present at this meeting that a detailed update should be submitted to a future meeting of the Committee.

The Committee then

RECOMMEND TO FULL COUNCIL

That the Capital Strategy 2019/20 to 2021/21 be approved.

404. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

The Committee received the Treasury Management Strategy Statement and Annual Investment Strategy 2019/2020 report from the Senior Accountant/Treasury & Investment Officer which it was required to consider prior to making recommendations to the next meeting of Full Council.

In presenting this report, the Senior Accountant (Treasury) drew Members' attention to the following key points:

- Treasury Management Reporting - the Council was currently required to receive and approve as a minimum, three main reports each year, which incorporated a variety of policies, estimates and actuals. These reports were required to be adequately scrutinised by the Audit and Governance Committee before being recommended to Full Council.
- The Council could invest in investments that were termed 'alternative investments'. These included, but were not limited to, things such as renewable energy bonds (Solar farms). These were asset backed bonds, offering good returns and would enable the Council to enter new markets, furthering diversification of the Council's investment portfolio with secured investments and enhancing yield. Any investments entered into this type would be subject to a full due diligence review prior to investment.
- As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority would 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. The Council was currently in discussions with auditors regarding feedback that had been requested on the work completed so far.

- Royal bank of Scotland (RBS) ring-fenced was no longer on the Council's lending list.
- The Money Market Funds (MMF) were 'triple A' rated, liquid, and most would now be Low Volatility Net Asset Value (LVNAV). This changed from the previous Constant Net Asset Value (CNAV) as a result of the MMF reform where typically for every pound of principal invested a pound was received back. It was not guaranteed, but offered better protection than using the Variable Net Asset Value (VNAV) MMF's.

In reviewing the report, the Committee asked questions with regard to whether it had any investments with EU banks. Members were referred to Appendix 3 of the report as this contained a detailed list of where all the Council's investments were located.

The Committee then

RECOMMEND TO FULL COUNCIL – That

- (1) the Treasury Management Strategy for 2019/20 be approved;
- (2) the Annual Investment Strategy for 2019/20 be approved; and
- (3) the Prudential Indicators for 2019/20, 2021/2022 and 2021/22 as contained in Appendix 1 and the body of the report be approved.

405. PROPERTY INVESTMENT FUND (PIF) UPDATE

A verbal update was provided to the Committee by the Chief Internal Auditor in the absence of the Property & Estates Manager.

The key points highlighted were:

- Full Council approved the setting up of a Property Investment Fund (PIF) at its September 2017 meeting as a means of generating income streams to replace the shortfalls in government funding being experienced by the Council. The PIF would not require any external borrowing with funds generated solely through disposal of existing general fund Council owned land and property (75% of these receipts would be passed to the PIF). The fund would be ring fenced and would sit within the Property & Estates budget and the Council would look to pursue the purchase of investment properties on the open market.

As at February 2019:-

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- The Council had progressed the sale of Cornfield Close (subject to the granting of planning permission) with an estimated £2.25m of the net receipts to be passed to the PIF.
- With the approval of Full Council, the Council purchased Bognor Regis Arcade for c.£1.9M. This site was generating revenue for the Council and the potential refurbishment and use of the upper floors was being investigated.
- Other General Fund assets were under review and any potential sales would be advised to Members as they progressed.

The Committee noted the updates provided but requested that a further update from the Property & Estates Manager be submitted to a future meeting of the Committee.

406. ANNUAL INTERNAL AUDIT PLAN

The Chief Internal Auditor presented the Annual Internal Audit Plan 2019/2020 and advised that each year Internal Audit was required to develop this plan for the following financial year, for agreement by the Audit & Governance Committee. The development of this plan provided the opportunity for the Chief Internal Auditor, in consultation with senior managers and Members of the Audit & Governance Committee, to determine where best the limited resources available to Internal Audit should be directed.

In presenting this report, the Chief Internal Auditor drew Members' attention to the following key points:

- The section continued to operate with 2 Full Time Equivalent (FTE) focussing on mandatory and high priority work. Now that the Council's revised structure/operations were largely finalised, consideration would be given to resourcing in the future.
- The start of 2019 saw that there were still a number of Council strategies to be progressed such as Customer Access and Digital, etc. There also remained considerable uncertainty regarding a number of areas:
 - The Councils ongoing financial position
 - The impact of Brexit arrangements
 - Potential changes to the political make-up of the Council, dependent upon the result of the 2 May 2019 Elections.

It was outlined that all of the above points might require further operational changes to meet new and changed requirements or legislation. This Plan was therefore for the agreement of the Committee and it was highlighted that there would need to be considerable flexibility through the year in terms of assigning resources to specific tasks. It was currently anticipated that work would be required at some stage in the year on:

- The Housing Service after the restructure had been completed.
- The Office 365 migration project was due to start in May 2019. It was explained that this would be the second phase of this project implementation and would be of higher risk to the Council due to data being moved to the Cloud, with security and data protection implications.
- The Council's Medium Term Financial Strategy, giving consideration to resilience and sustainability (linked to the issue of CIPFA's Financial Management Code) which was expected later in 2019.

The Committee then

RESOLVED

That the Annual Internal Audit Plan for 2019/2020 be approved.

407. REVISED STRATEGIC RISK REGISTER 2018/19

In presenting this report (as a continuation from the 15 November 2019 meeting), the Chief Internal Auditor drew Members' attention to items 9 and 13 of the risk register – as set out below:

- Risk Item 9 – Information Governance & Data Security – the updates were accepted by the Committee. The Chief Internal Auditor explained that the risk had been reduced, as considerable work had been undertaken by the Council prior to the introduction of the General Data Protection Regulations (GDPR) in May 2018.
- Risk Item 13 - Cybersecurity – it was explained that Government advice stated that it was not a case of 'IF' but a case of 'WHEN' Councils would suffer such attacks. The Council's ICT area was very aware of this and the Council had recently received £10k of funding as a result of the LGA Cybersecurity Stocktake which would allow the engagement of a consultant to assist in risk assessing this area. The Committee accepted the points raised.

In debating this report, a discussion took place on the issue of Cyber-attacks and in particular the attack on the NHS which was understood to have been caused by out-of-date servers and a lack of adequate security patches being applied. It was confirmed that the maintaining and patching of the Council's servers formed part of the recently approved ICT Strategy.

The Chairman concluded the update at this point advising that it would be the role of the Committee to continue to receive regular updates on the Strategic Risk Register so that it could assess progress and realigned risks.

The Committee then noted the update provided.

408. PROGRESS AGAINST THE AUDIT PLAN

The Committee received a report from the Chief Internal Auditor, which monitored the delivery of progress made against the agreed 2018/2019 Internal Audit Plan.

In presenting this report, the Chief Internal Auditor drew Members' attention to the following key points:

- An outline Audit Plan had been presented to and approved by the Committee at its February 2018 meeting. The aim of the Plan was to ensure that mandatory work had been completed and that there was appropriate involvement with the progress of the 2020 Vision initiative and to ensure that audit work focused on the priority / highest risk areas identified. The report identified the main areas of work undertaken by the Internal Audit section.

- Recent work has focussed on key controls testing of the main financial systems (linked to external audit requirements)

A considerable amount of work had been undertaken on the National Fraud Initiative. The annual Council Tax Single Person Discount (SPD) exercise reports had been received in December 2018 and were currently being worked on, prior to any queries being referred to the Revenues team for review. The main 2-yearly exercise (including Benefits, licensing, purchase ledger, Housing, etc.) information was also under way with reports reviewed as they were received from the Cabinet Office. It was outlined that an update on the Council's counter-fraud work would be submitted, as part of the annual report, to the meeting of the Committee in July 2019.

The Committee then noted the update provided.

409. INFORMATION / ADVISORY DOCUMENTS RECEIVED

The Committee received and noted Ernst & Young's Local Government Audit Committee Briefing.

410. FUTURE WORK PLAN FOR THE AUDIT & GOVERNANCE COMMITTEE

The Committee reviewed the rolling Work Plan for 2019/20.

It was agreed that further updates be added for the Committee's November meeting on the Property & Investment Fund and the progress of the findings of the Partnerships Audit, as discussed earlier on in the meeting.

It was also suggested by a Member of the Committee that they should meet more regularly in the new municipal year. The Chairman advised that the new administration would need to take this comment into consideration. In

addition to this the Committee Services Manager explained to the Committee that the Calendar of Meetings for 2019/20 had been approved by Full Council on 7 November 2018. She also highlighted that there was now the need to convene a Special Meeting of the Committee in June/July 2019 to reconsider the Independent Panel's Eighth Review of the Members' Allowances Scheme.

The Committee then noted the updates provided.

411. VOTE OF THANKS

As this was the last meeting of the Committee in this Municipal Year, the Chairman stated that he wished to take this opportunity to thank all Members of the Committee and in particular any Members that might not be standing for re-election at the District Elections on 2 May 2019.

He especially thanked the Committee's Vice-Chairman, Councillor Mrs Oakley, for her many years' service, including her past Chairmanship of the Committee.

(The meeting concluded at 20.03 pm)

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF THE SPECIAL AUDIT & GOVERNANCE COMMITTEE ON 2 JULY 2019

PART A : REPORT

SUBJECT: Eighth Review of the Members' Allowances Scheme – Report of the Independent Remuneration Panel

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DATE: 10 June 2019
EXTN: 01903 737611
PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY: To consider the revised report of the Independent Remuneration Panel on its eighth review of the Members' Allowances Scheme.

RECOMMENDATIONS:

The Committee is asked to:

- (1) Consider the revised report and recommendations of the Council's Independent Remuneration Panel, together with the financial appraisal set out in Paragraph 7.2 and make any recommendations for a new scheme to Full Council on 17 July 2019; and
- (2) Pay particular attention to the Recommendations in the Panel's report regarding the Carers Allowance and that if adopted, take up will need to be kept under review.

1. BACKGROUND AND PROPOSALS:

- 1.0 Councils are required to establish and maintain an Independent Remuneration Panel (IRP), the purpose of which is to make recommendations to the local authority about the allowances to be paid to its Councillors. The Regulations require the Council to have regard to the recommendations made to it by an IRP before it agrees or amends its Members' Allowances Scheme (Regulation 19.1).
- 2.0 The District Council's scheme has been in place for nearly six years and was based on a mid-range of allowances at comparable local authorities at the time. The last review was undertaken in 2015, post the District Elections, and following consultation with Group Leaders, the recommendations of the IRP were not presented to the Council. Instead, Group Leaders confirmed that the next review should be undertaken and concluded ahead of the 2 May 2019 District Elections.
- 3.0 The IRP presented its review of the Members' Allowances scheme to this Committee on 14 February 2019. The Committee supported Recommendations 1 to 7. Concern was expressed in relation to the following recommendations:

- Licensing Committee Chairman and Vice-Chairman (Recommendation 8)
- SRA for Members of the Licensing Committee (Recommendation 9)

4.0 Recommendations 10 to 19 were supported by the Committee. Concern however was expressed in relation to Recommendation 20:

- Carers Allowances – it was agreed that the full budget implications should be considered.

4.2 In view of the concerns expressed by the Committee, it was agreed that the report of the IRP on its eighth review of the Members Allowances Scheme be deferred to enable the Panel to undertake further work on Recommendations (8), (9) and (20) with a revised report being submitted to this meeting allowing recommendations to be considered by Full Council on 17 July 2019.

5.0 The revised report has now been received from the Panel and can be viewed at Appendix 1.

6.0 It is timely for a revised scheme to be considered by the Council as the allowances rates for Councillors have not been reviewed since 2013.

7.0 **Issues and Budget Summary**

7.1 There are budgetary issues to consider in relation to the following recommendations:

- The Basic Allowance – in setting the Budget for 2019/20, as BA is linked to Officer pay awards, the 2% increase added to the BA on 1 April 2019 had already been built into the Budget. If Members choose to agree the Panel's recommendation that the existing uplifts in BA continue to be increased in line with Officer pay, then the appropriate funding will need to be built into the Budget for 2020/21.
- The IRP recommends changes to the amounts of Special Responsibility Allowances (SRAs) in respect of:
 - Leader of the Council
 - Chairman – Development Control Committee
 - Vice-Chairman – Development Control Committee
 - Named Substitutes – Development Control Committee to now receive an SRA of £300 per year
 - Chairman – Licensing Committee
 - Vice-Chairman – Licensing
 - Named Substitute – Licensing Committee – that the SRA for being a Member of the Committee be abolished
 - Co-opted witnesses allowance be increased from £50 to £60 –
 - Chairman – Standards Committee
 - Independent Persons of the Standards Committee – each Independent Person [2 at the moment] to receive equal share of an allowance of £1,400

- Leader of Opposition and Minority Groups – An SRA of £100 per Member be paid to the Leader of any other Opposition Group with three or more Members
- Co-Opted Members and Witnesses to Committees and Panels – allowances to increase from £50 to £60.
- Carers Allowance – in view of the Panel’s proposal to introduce an annual limit of £4,000 for childcare and £6,000 for adultcare that any Member would be entitled to claim, this has potential budgetary implications. It is not known at this early stage in this new administration what the demand may be for claiming these allowances. There is concern with regard to the take-up of this allowance and that this could prove to be expensive and therefore require a supplementary estimate later in the year. This will be monitored closely over the next few months as it is not possible to identify a budget at this stage.
- Future Increases in Allowances – The 2003 Regulations include provision for schemes to be index-linked and this is a common approach across many Councils. The Panel recommends that all SRAs should from 1 April 2020 be linked to Officer pay. There will be a need to build this additional cost into the Budget for 2020/21 – assuming that the staff pay increase will be in the region of 2% this represents a cost in excess of £2,000.
- Travel and Subsistence – it needs to be said that with a new administration it cannot be assumed that the trending underspends will still apply. Any changes in claims will need to be kept closely monitored.

7.2 A table setting out the Members’ Allowances Budget and impact of the IRPs proposed recommendations can be found below:-

<u>Budget</u>	<u>No of Cllrs</u>	<u>Single [Now]</u>	<u>Budget 2019/20</u>	<u>Single [Prop]</u>	<u>Rec</u>	<u>Change</u>
Basic Allowance	54	£5,481	£295,974	£5,481	£295,974	0
<u>SRAs</u>						
Leader	1	£14,196	£14,196	£16,122	£16,122	£+1,926
Chairman Development Control	1	£6,000	£6,000	£7,500	£7,500	£+1,500
Vice-Chairman Development Control	1	£1,980	£1,908	£2,500	£2,500	£ +520
Substitutes – Development Control	5	0	0	£ 300	£1,500	£+1,500
Chairman –	1	£4,000	£4,000	£1,500	£1,500	£-2,500

Licensing							
Vice-Chairman Licensing	1	£1,200	£1,200	£ 600	£ 600	£ -600	
Member – Licensing	13	£ 250	£3,250	0	0	£-3,250	
Chairman – Standards	1	£1,500	£1,500	£1,000	£1,000	£-500	
Independent Persons	2			£720	£1,440	£+1,440	
Minority Groups	1	0	0	£700	£700	£ +700	

7.3 The Special Responsibility Allowance total for 2019/20 is £120,323. The Panel's recommendations, if accepted, represent an increase in budget of £736, totalling £121,059.

8.0 Overall cost of Allowances and Expenses

8.1 The Panel has stated in its report that it is mindful and conscious that any Scheme proposed for allowances and expenses must be appropriate for the Council and affordable in relation to budget provision.

8.2 It has set out the financial effect of its recommendations in a table at the end of its report but this does not truly represent the financial effect of its recommendations if Members choose to take up full entitlement in respect of the childcare and adultcare allowance.

8.3 The overall financial effect of the IRP's recommendations compared with the Budget for 2019/20 represents an increase of £736. Having consulted with the Council's Finance Team it is recommended that this increase is found from within the Committee Services budget.

2. PROPOSAL(S): The Committee is asked to:

- (1) Consider the revised report and recommendations of the Council's Independent Remuneration Panel, together with the financial appraisal set out in Paragraph 7.2 and make any recommendations for a new scheme to Full Council on 17 July 2019; and
- (2) Pay particular attention to the Recommendations in the Panel's report regarding the Carers Allowance and that if adopted, take up will need to be kept under review.

3. OPTIONS: The Committee may:

- (1) accept the IRP's recommendations as set out in its report at Appendix 1;
- (2) recommend alternatives to the IRP's recommendations, but should state its reasons for doing so; or
- (3) recommend to not continue with the review at this stage.

4. CONSULTATION: No formal consultation is required although the IRP consulted Members during the course of their work, as explained in their report.

Has consultation been undertaken with:	YES	NO
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Relevant Town/Parish Council – Notification of the review was given to each Town and Parish Council within the District. No specific matters were raised in response to the payment of Basic Allowance for Town and Parish Council Members.	x	
Relevant District Ward Councillors – all Members of the Council were given the opportunity to be interviewed by the Panel	x	
Other groups/persons (please specify) – Group Leaders were consulted prior to the meeting of the Audit & Governance Committee on 14 February 2019 and prior to this Special Meeting of the Committee.	x	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	x	
Legal		X
Human Rights/Equality Impact Assessment		X
Community Safety including Section 17 of Crime & Disorder Act		X
Sustainability		X
Asset Management/Property/Land		X
Technology	x	
Other (please explain)		
<p>6. IMPLICATIONS: The Council is obliged by statute to have regard to the recommendations of its Independent Remuneration Panel before it adopts a new Members' Allowances Scheme and this obligation is met by considering the recommendations set out in the Panel's report.</p> <p>The Council needs to take into account the impact on council taxpayers and staff.</p>		
<p>7. REASON FOR THE DECISION: To comply with the Local Authorities (Members' Allowances) (England) Regulations 2003.</p>		
<p>9. BACKGROUND PAPERS:</p> <p>(i) The report of the Independent Remuneration Panel (Appendix 1) and the documents referred to in that report.</p> <p>(ii) The report and minutes from the meeting of the Audit & Governance Committee held on 14 February 2019 – to access these papers, please click on this link – Audit & Governance Committee – 14 February 2019</p> <p>(ii) Local Authorities (Members' Allowances) (England) Regulations 2003 – to access these papers, please click on this link http://www.legislation.gov.uk/uksi/2003/1021/contents/made</p>		

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Independent Remuneration Panel:

A Review of Members'
Allowances for Arun District
Council

8th Report 2019

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Report Update March 2019

The Report was submitted to The Chief Executive on 5th of February 2019 and taken by the previous Audit and Governance Committee on 14th February. At the request of that Committee some changes and clarifications have been made, with additional clarifications made at the suggestion of Officers. The Audit and Governance Committee on 14th February accepted 27 of the 33 Recommendations contained in the original Report.

Executive Summary

The Independent Remuneration Panel was convened according to the Local Authorities (Members' Allowances) (England) Regulations 2003 to review and advise Arun District Council on their Members' Allowances Scheme. The Panel, working to a very tight time frame, were guided by their Terms of Reference and Guiding Principles.

An evidence-based review was conducted, examining changes in the Authority since the last review, Allowances' Schemes in other Authorities and Members' opinions and insights. In the light of this the Panel were able to draw meaningful conclusions as to:

- The workload and responsibility of the Members, both for their Basic Allowance and any roles of Special Responsibility
- The workload and responsibility of Independent Persons, when needed to assist the Council
- The Allowances or expenses that enabled Members to perform their roles, without being 'out of pocket'.

These conclusions informed a series of recommendations made by the Panel, a summary of which are presented below.

- It was decided that the rate of remuneration was, in many cases, fair so the Panel recommended no changes be made. However, it was clear that the rate of remuneration for the Leader and those in Development Control was unacceptably low, so the Panel advocated increases in the rates. Conversely, the roles and responsibilities exercised by the Licensing Committee had fallen in recent years, so the Panel recommended a reduction in those Allowances. The way that the leaders of the main opposition and minority parties are remunerated are recommended for change to allow additional minority parties with 3 or more members to claim a small allowance. Furthermore, the Panel concluded that Members who hold more than one role of Special Responsibility, may continue to claim all those allowances to which they are entitled. Additionally, the Panel recommended linking all allowances to Officers' pay.
- The Panel noted that there had been no change in the Allowances paid to Independent Persons for 10 years, so recommended an increase to better reflect the role profile.
- Several of the other Allowances remain unchanged, however, the Panel concluded, that with the introduction of a new Council-wide IT system, the IT Allowance was no longer required so recommended its withdrawal. Increases to the adult rate of Dependent Carer's Allowance

were recommended to better reflect the cost of care for dependent adults. Furthermore, the Panel recommended that Members be entitled to request maternity, paternity and adoption arrangements in line with Council Staff.

Members are of course able to renounce all or part of any Allowance to which they may be entitled. The Panel believes their Review has produced a set of recommendations that best reflect the current responsibilities and workloads of Members and works within existing budgetary constraints.

Introduction

The Local Authorities (Members' Allowances) (England) Regulations 2003 require local authorities to establish and maintain an Independent Remuneration Panel (IRP) to review and provide advice on Members' Allowances at least every four years. This ensures external scrutiny. Authorities must convene their Panel and seek its advice before making changes or amendments to their Members' Allowances scheme. They must take note of their Panel's recommendations before setting a new or amended Members' Allowances Scheme.

The Panel has completed a thorough and evidence based review of the remuneration for Members of Arun District Council (Arun DC) and presents its findings, conclusions and recommendations in this report. **Recommendations throughout are in bold type.**

The Panel

The Panel was established in accordance with The Local Authorities' (Members' Allowances) (England) Regulations 2003, with six Panel Members appointed to conduct this review, so providing diversity and breadth of expertise from the Business, Academic, Public and Voluntary sector. Members of the Panel are:

- John Thompson DMS FCMI (Chairman): Retired Company and Charity Director; Governor of Western Sussex Hospitals NHS Foundation Trust; Lay Member of WS Safeguarding Children Board; Arun DC Independent Person; Member of Independent Remuneration Panel at Chichester DC; Chairman of Governors, Davison (CofE) High School for Girls, Worthing.
- Alan Ladley: Retired Force Information Manager, Detective Superintendent, Sussex Police; Resident of Felpham for over 35 years; with his wife, owns a retail gift shop in Middleton on Sea.
- Celia Thomson-Hitchcock: Owner of Ahead To Toe Hair and Beauty Salon, Littlehampton (30 years); Co-Chair of Littlehampton Traders Partnership; Leader of Littlehampton Town Team (Mary Portas 'Save the High Street' campaign) and member of The Coastal Community Fund (Regeneration Project).

- Roger Hamson, Retired, Formally Royal Air Force Air Traffic Controller and Aircrew; Police Constable Bedfordshire and Luton Constabulary; Civilian Air Traffic Control, Airport Management. Staff representative for Management and Supervisory employees with particular responsibility for pension rights.
- Sarah Miles MBA: Business Consultant, PhD student, retired University Lecturer (Business School) and Knowledge Management Program Head; former company owner; charity co-ordinator and Management Committee member Arun Yacht Club,
- Andrew Kelly: Director/Owner of ASK HR Consulting Limited; HR career in Local Government, NHS and private sector; Chairman of Board of Trustees, Dove Lodge (Littlehampton), Volunteer driver for St Barnabas Day Hospice; former Chairman of West Worthing Tennis & Squash club and NHS Trust HR Director

Background

The Arun DC Audit and Governance Committee confirmed the Panel's Terms of Reference and Guiding Principles at their meeting on 22nd February 2019, see **Appendix 1**. These are the same as those approved by the Audit and Governance Committee in 2013. With four new Members and a very tight timetable, the Panel met more frequently than in the past, so allowing rapid progress on a steep learning curve. Thus the Review has been completed in good time for consideration by the Audit and Governance Committee and Members before it is considered in Full Council.

Our Methodology

To ensure our recommendations were rigorous and robust, we considered a wide variety of evidence, written, oral and observational.

We looked at the nature and type of role and responsibility exercised of Elected Members in Arun DC and the level of commitment and complexity involved. Furthermore, the numbers and length of Cabinet and Committee meetings were analysed and compared to those of previous years. Panel Members also attended public meetings of the Council to best understand the complexities of the roles in action. Relevant Officers briefed us on the Council, Governance structures and changes in roles and working practices since the last Panel Review

A full list of documents considered by the Panel is in **Appendix 2**. We also examined past IRP reports together with the current scheme and compared this with schemes operating elsewhere in authorities similar to Arun.

For this the Panel used the

- 2018 report from South Eastern Employers (SEE) to benchmark Arun scheme of allowances against all 75 authorities in the SE of England.
- The most recent reports from Independent Remuneration Panels (IRP) in 13 authorities, designated as being of a similar demographic makeup¹ to Arun DC. These are known as the ‘family group’. In-depth analysis of the reports enabled the Panel to assess the process others used to arrive at Members’ rates and to understand the differences and similarities between Authorities. To complete the picture, we looked at the seven Districts and Boroughs that comprise West Sussex.
- Additionally, we looked at the level of remuneration paid for other types of public duties and made comparisons with local earnings.

The details of the Basic and Special Responsibility Allowances referred to for benchmarking purposes are in **Appendix 3**. Although benchmarking alone cannot deliver a perfect scheme, the data plays a useful role in decision making, and informs Arun DC where their scheme stands in relation to others and helps to reassure public opinion. Benchmarking identifies where different approaches in comparable local authorities may yield lessons and reveals anomalies.

An important part of the Review was to listen to Members’ views. A variety of methods were used, including:

- A questionnaire sent to all Members to complete anonymously. The response was 48% (24 out of 54 Members responded to the questionnaire), almost a threefold increase on 3 years ago. The Panel agreed this response, together with the responses to interviews was sufficient to enable us to draw meaningful conclusions from.
- The Panel met (individually and in small groups) with a wide cross section of Members from all parties, including those who were serving their first term and those with many years’ experience. The Panel also met the Leader and Deputy Leader, Cabinet Members, other holders of SRAs including Committee Chairmen and Vice Chairmen. A total of 18 were interviewed, 15 face to face and three by telephone. Interview questions followed up the points of interest from the questionnaires, enabling more in-depth discussion and understanding of the issues; focusing on individuals’ specific roles and drawing on their experience.

¹ Using the Local Government ‘Display and Comparison Groups’ of councils selected for comparison because of their overall socio economic and population similarity.

Basic Allowance

The Basic Allowance (BA) is paid to all Members irrespective of any other allowance they are entitled to. The Allowance based (rather than Attendance based) scheme was introduced in England in 2003 to better compensate Members for the time they devote to public service and to encourage wider participation in local democracy.

Currently Arun DC's BA is £5,481 a year. Since 2010 increases in BA have been linked to increases in Officers' pay. This includes a 2% increase paid from 1 April 2019.

Asked whether the workload on Members had changed: many interviewed referred to the increase in the volume and complexity of correspondence from constituents – emails and texts -and the need to keep up with constituents concerns on Social Media and the increased complexity of some aspects of Council business. Looking forward, with the loosening of central controls in areas such as housing, the work load was likely to increase. Of respondents to the questionnaire half felt BA was at the right level and half too low. Interview responses were varied, with the general consensus that the BA is about right taking into account ward and Council work and bearing in mind budgetary constraints in the public sector. Feedback from the Members interviewed indicated that financial reward was not a significant factor in their decision to stand for election.

Many interviewees drew attention to real or perceived differences in the amount of time spent by Members on their Councillor duties. The amount of ward work varies quite markedly between wards – there is more work in wards of higher social deprivation or where a planning application has been submitted. Some Members see their role very much as representing and supporting their wards. Others regard their Council duties as being of equal or greater importance. Members' attendance records show a high level of attendance at Arun DC meetings by a significant majority of Members. Where a Member is failing to perform their duties, it is for political Group Leaders to take action.

When the system of Members' Allowances was introduced, it included the concept that part of a Member's work should be unremunerated, something that many Members the Panel spoke to were unaware of. This is the Public Service Element (PSE). Currently in Arun DC the PSE is 30%. Only 18 of the 74 Local Authority schemes included in the SEE report refer to a PSE – for those the percentage varies from 30% to 50%. Respondents to the Questionnaire were split evenly as to whether there should be a PSE included in BA. Interviewees were more in favour – 30% was deemed acceptable to most.

The Arun DC BA is 39th highest in the SEE data set of 75, and 2nd highest among the 7 West Sussex Districts and Boroughs and 4th highest out of the 13 family Authorities.

Past Panels have attempted to link the amount of work done by Members (less the PSE) to the Living Wage as a test of the fairness of the level at which BA is set. However, attempts to get estimates of time spent by Members on their Council work have proved difficult. Various rates and methodologies are available: none are perfect. Taking a simple calculation based on the National Living Wage, £8.21 an hour outside London, means that Arun DC Members are compensated a little over 13 ½ hours a week ($£5849 \div £8.21 \div 52$). Comparisons with other Public Sector roles is of limited value but, broadly, BA equates to junior posts in the Civil Service and Local Government or a newly qualified nurse or teacher. In recent years BA has risen in line with increases in Officers' Pay – a further 2% increase will be added to BA in April 2019 in line with the National Staff pay award taking it to £5,849.

As Arun DC's BA is slightly above the average paid by other Authorities, and roughly in line with national wages, the Panel believes that the current rate is fair.

Recommendations:

- **That the Basic Allowance remain *unchanged* at £5,481 per year after the April 2019 increase**
- **That the Basic Allowance continues to be *increased* in line with Officers' pay increases.**

Special Responsibility Allowances (SRAs)

An SRA is additionally paid to those Members who hold a position of special responsibility to recognise the extra time, responsibilities and complexities involved. Mindful of the fact that the position needs to carry significant additional responsibility to justify an SRA, we looked at the differences in responsibility and time commitment of Leading Members and any changes in these since the last review. Additionally, the SRA should be set at a level sufficient to encourage Members to assume roles of extra responsibility.

Leader of the Council

The Leader's responsibilities within Arun DC include Economic Policy & Research, Town Centre Management, Business Development, Economic Partnerships, Tourism, Corporate Policy, Corporate Performance, Communications/web management/marketing, National Partnerships, Local Partner Liaison Committees. Given the extent of the responsibilities of the Leader of the Council it is clear that the SRA should reflect this.

The role of Leader has changed in recent years. Under the provisions of the Local Government and Public Involvement in Health Act 2007 the Council now has a "strong leader" executive model – as do all Councils that have an Executive Leader. This places more responsibility in the hands of the

Leader, e.g., the Leader now decides the number and content of Portfolios, and determines delegations, previously Council functions.

The Panel learnt that role of Leader is a demanding one with the number of hours worked equivalent at least to a full-time job. Many interviewees were of the opinion that Arun DC's rate for the Leader seemed low.

To set a fair rate for the role that would reflect the Leader's time and responsibilities as well as the high levels of skills and knowledge required, we looked at a number of different factors.

1. Linking it to the Basic allowance received by all Members seems logical and also ensures that any anomalies in the Leader's SRA do not impact on the rates set for all the other SRAs.
2. We looked at the hours the role demanded, (at least 40 hours per week, so precluding other employment), over and above that of a back-bench Councillor (approx. 13.5 hours per week). Taking the role as being around full time and applying the National Living Wage, (as used to test BA) the Leader's SRA should be over £16,000 a year As this is an increase of around 14%, we applied further tests to see how fair the rate for the role was.
3. Looking at SEE data for 2018, we saw that although Arun DC's Basic rate was around the average paid (40th out of 75) the Leader's SRA was 49th out of 73. Indeed based on the 2015 data set the Leader SRA was 24th out of 75 Authorities, so the rate for the Leader of Arun DC has not kept pace with other Authorities, which is concerning. Were the Leader's SRA to be in line with the Basic it would rise to £17,000.
4. Finally, when we compared rates for the Leaders of 'family' councils, we found that the average for the Leader's role was £17,780. Although, the Arun DC's BA was 3rd out of 13, the Arun DC's Leader rate was much lower in comparison with other leaders- 9th out of 13, a significant difference. Were the Leader's SRA to be in line with the Basic paid within similar authorities, it would rise to £19,036?

It is important to adequately reward the Leader so that strong candidates are attracted to what is a high profile and demanding job. We do believe that the Leader's SRA should reflect not only the increased time but also the increased responsibilities of the role. Therefore, we feel that a rate of £17,000 to £18,000 best reflects the actual responsibilities, skills and knowledge and puts Arun DC on an average Leaders' SRA. We are mindful of the need for Members not to be discouraged from taking on significant roles, such as the Leader's, within Arun DC because of personal financial circumstances and we do feel that allowances should be broadly in line with those paid by similar Authorities.

However, we are sensitive of the need to keep Members' Allowances within budget, particularly at this time. Therefore, we have erred on the low side to reach our recommended figure, with the wish to see this rise in the future to better reflect the responsibilities of the role.

The level of SRA recommended allows for adjusts to the SRAs of the Deputy Leader and Cabinet Members if not now, then in the future.

Recommendation:

- **To *increase* the Leader's rate to £16,122**

Deputy Leader

The key roles and responsibilities of the Deputy Leader of the Council are to deputise for the Leader in their absence and undertake their duties, so far as it is permitted under the Constitution. The Deputy Leader also provides corporate support for Arun DC, which includes Information Management and support including FOI, Data Protection, Customers of Concern & official complaints, Legal advice to the Council, Finance, Procurement and Human Resources. We found that the Deputy Leader rarely deputises for the Leader at, for example, full Council meetings, and the Panel does not see a marked difference in the workload or responsibility of the Deputy Leader, when compared to other Cabinet Members. Furthermore, we note that 20% of Councils in SEE do not pay any increased allowance for the Deputy Leader. Arun DC's Deputy Leader's remuneration is currently 28th out of 74 in SEE, a markedly higher position than the Leader's. The Panel, therefore does not see any justification for a rise in the Deputy Leaders' allowance.

Recommendation:

- **The Deputy Leader's remuneration *remains the same* at £10,400**

Cabinet Members

The Cabinet comprises seven Councillors, all representing the majority party of the Council. In addition to the Leader and Deputy Leader, there are five further Cabinet Members - each with a specific portfolio of responsibilities. The responsibilities of a Cabinet Member's role are many, and include the considering and implementing the major plans, strategies and policies of the Council, as well as recommending budgetary frameworks and processes, reviewing key areas of the Council's performance through the Corporate Plan and Service Delivery Plan and so on.

The Panel could find no evidence that the work load and responsibility has changed markedly since the last review. There continues to be a lot of preparation required for meetings, as well as consulting with Officers and external bodies in order to fulfil their role. When compared to other

Authorities in the SEE, Arun DC Cabinet Members are 30th out of 75 and they are placed 8th out of 16 in the ‘family group’ which supports the view we heard from Councillors, who felt that the remuneration for Cabinet Members was ‘about right’

Recommendation:

- **Cabinet Members’ remuneration *remains the same* at £8,320**

Chairman and Vice Chairman of the Council

It is recognised that there are civic responsibilities and duties within this role and that the Chairman of the Council when called on to represent the Council at major events in the District can incur out of pocket expenses on such occasions. All allowances carry a presumption that Members may incur additional out of pocket expenses and part of the Allowance covers this.

Although busy, there has been no significant change in the role of the Chairman of the Council. There continues to be an amount of work in preparing for and chairing Full Council meetings where there are ever more contentious debates. The Panel remains of the view that the position of Chairman could be compared to having a similar responsibility to that of a Cabinet Member. The current SRA payable to the Chairman is ranked 6th highest of 46 Districts and Boroughs in the South East Employer’s group and second highest of Districts and Boroughs in West Sussex.

There has been no significant change in the role of the Vice-Chairman of the Council. The Panel noted that the Vice-Chairman is the Chairman elect, and that there is the possibility they may have to stand in for the Chairman of the Council at Full Council Meetings and major functions, where they may incur out of pocket expenses on occasions. The current SRA being paid to the Vice-Chairman is ranked 4th highest out of 46 Districts and Boroughs in the South East Employer’s group and is ranked highest amongst the Districts and Boroughs within West Sussex.

Therefore, we see no reason to change the remuneration for either role.

Recommendations:

- **The Chairman’s SRA to *remain unchanged* at £8,320**
- **The Vice Chairman’s SRA to *remain unchanged* at £2,745**

Development Control

The agreement of the Arun District Local Plan in 2018 has had, and will continue to have, a considerable impact in the complexity and volume of work of the Development Control Committee. The Plan provides for at least 20,000 homes by 2031: the highest of all West Sussex Authorities. This has already resulted in very large building projects being submitted for approval. These large projects are highly complex, involve Members of the Committee in considerable preparation and are

almost always highly controversial – generating significantly high public interest, some of which is hostile.

The Committee enjoys considerable support from Officers; however, the Panel notes that there are currently several unfilled Officer Posts in this Department which may impact on the work load of the Committee. In recent years increasingly more routine planning applications are determined by Officers under delegated powers. There have also been significant changes in planning legislation. These changes have made planning decision making more tightly defined. What is permissible development is regulated to such an extent that the reasons for planning authorities to turn down or amend planning applications are quite limited and to some extent depend on the opinions of service providers – Highways, Water and Drainage, Environment etc. This is something that the public do not always appreciate.

The Chairman of the Development Control Committee has a very responsible, demanding and high profile job. The Committee has quasi-judicial powers and all decisions can be referred to or called in by the Secretary of State Housing, Communities and Local Government. Before Members can serve on the Committee they have to undertake induction training and have regular updates, attendance at which is mandatory. Where a Member of the Committee is unable to attend, they nominate a substitute – the Substitute Members must have completed all the mandatory training: currently they do not receive an allowance.

Many respondents to our questionnaire and interviews drew attention to the complexity and workload falling to Development Control. We have received representations that the Chairman's SRA should be closer to that of a Cabinet Member.

The Committee meets in public every four weeks and meetings can last over four hours. In 2017-19 the Development Control Committee met a total of 24 times. Each meeting had on average over 180 pages of agenda and lasted on average 2 hours and 40 minutes

The public meetings are well attended and the atmosphere is tense as many of those attending are directly affected by and often opposed to the developments under consideration. Now the proceedings are webcast live. In addition, the Chairman and Vice Chairman attend briefing meetings with Officers and most Members of the Committee undertake site inspections.

Currently the Chairman of Development Control receives an SRA of £6,000; the Vice Chairman £1,980 and Members £750. These have been in place since 2013. In 2015 data set the Chairman's SRA was in 6th position in the SEE list of SRAs paid to Chairmen of Development Control Committees, but by 2018 the allowance had fallen to 25th position out of 58 Local Authorities paying the SRA. In 2018 the Vice Chairman and Members were 11th (out of 40 Authorities paying an SRA) and Members

were 6th out of 10). In West Sussex the Chairman's SRA is 4th out of the 7 Districts and Boroughs, the Vice 2nd out of the 4 Districts and Boroughs. Members of the Arun DC Development Control Committee are the only ones in West Sussex receiving an allowance. In the Panel's comparator Authorities, the Chairman is 9th out of 14, the Vice Chairman 6th. Members of the Arun DC Development Control Committee have the highest SRA when compared to 'family' authorities. Therefore, we felt it difficult to justify an increase for Members of the Committee, particularly when we took into account that the real responsibility lies with the Chairman of the Committee. However, examining the Committee's activity, we concluded that the five Named Substitute Members of the Committee (who must have up to date training and often attend at short notice) should receive an SRA.

Recommendations:

- **The SRA of the Chairman of the Development Control Committee should be *increased* by £1,500 from £6,000 to £7,500**
- **The SRA of the Vice-Chairman of the Development Control Committee should be *increased* by £520 from £1,980 to £2,500**
- **The SRAs of the Members of the Development Control Committee should *remain* at £750**
- **In addition, Named Substitutes should be *paid* an SRA of £300 year**

Licensing

The full Committee has a policy and advisory role and performs a quasi-judicial function. It performs two roles through sub-Committees comprising three (full) Committee Members who

- Consider licencing applications from Clubs, Taxi drivers, etc.
- Determine enforcement applications where licence holders are in breach of their licence conditions.

Members do have to attend some mandatory training before joining the Committee.

The activity of the Committee and Sub-Committees over the last two years, show generally routine work. The only exception are some cases where a breach of licence conditions is defended and then the papers and meeting are more complex. The level of activity is much reduced from six years ago when the SRAs were set. With the exception of challenged enforcements, in 2018 meetings last less than an hour and agendas are rarely more than 20 pages (in 2017 it was 70 minutes and 42 pages per agenda). Some meetings last barely 30 minutes.

Currently the Chairman has an SRA of £4,000, the Vice Chairman and SRA of £1,200 and Members £250 each. In SEE data set the Chairman 12th, the Vice Chairman 6th and only four Authorities pay their Licencing Committee Members an allowance. In West Sussex the Chairman's allowance is the

highest: Arun DC's Licensing Vice Chairman and Members are the only recipients of allowances. In the Panel's comparator Authorities, the Chairman is 5th out of 14, the Vice Chairman 5th. Members of the Arun DC Licencing and Enforcement Committee are one of only two Authorities in receipt of an allowance – no one in West Sussex. Taking mandatory training, workload and that very few Authorities pay an SRA To Members of their Licencing and Enforcement Committees the Panel concludes that their no reason to Members of Licencing and Enforcement an SRA.

Therefore, in order to ensure Arun is more in line with other Authorities and to reflect the lesser workload, we make the following recommendations.

Recommendations:

- **The Chairman's SRA be *reduced* by £2,500 to £1,500**
- **The Vice Chairman's SRA be *reduced* by £600 to £600**
- **The Members' SRA be *abolished*.**

Overview Select Committee

The Overview Select Committee has wide ranging responsibilities for holding the Cabinet to account in respect of policy/performance and budget, which the Panel agrees is an important part of the democratic process. The Committee normally meets six times a year but may have special meetings for urgent issues. The meetings are open to the public unless sensitive issues need to be discussed in closed session. The Committee prepares a work programme that is approved by Full Council, which includes scrutiny of key council documents and strategies, performance management and the provision of services in the council; it also deals with "call-in" matters and any petitions from the public. As such, it should be the forum to provide a real check and balance to the Executive, with a key role to identify problems and make recommendations. The Panel notes however, that in reviewing the meeting agendas and work programme often some key areas of work² have no items for discussion. Being Member-driven and with a minimal workload, this Committee should be relatively free to determine their focus. However, in interviews and questionnaire responses some Members suggested that the Committee should concentrate more on key issues and important decisions that really do require scrutiny in order make a valuable contribution.

The Overview Select Committee Chairman's SRA is ranked 14th out of the 46 District and Boroughs in the SEE and is ranked the 4th highest in West Sussex. We noted the Chairman is therefore receiving a competitive allowance in relation to counterparts elsewhere and that the role of Vice-Chairman and Co-Opted persons to the Committee in many District and Boroughs receive no allowance. The Panel found no evidence that the workload is likely to markedly change.

² e.g. performance reviews and contract/partner performance reviews

Recommendations:

- **The SRAs for the Chairman and Vice Chairman remain *unchanged* at £4870 and £1607 respectively.**
- **The allowance for Co-Opted Witnesses, etc. be *increased* from £50 to £ 60 per meeting (up to half a day's duration) they are required to attend**

Audit and Governance Committee

The work of the Audit and Governance Committee carries much responsibility, particularly in relation to the Authorities' financial and accounting functions. With the increase in statutory and regulatory responsibilities the Committee is responsible for protecting the reputation of the Council by providing assurance on the adequacy of the risk management framework and associated control environment. The Committee meets three times a year and makes an annual report on its work to Full Council.

We recognise that the Chairman's work has increased significantly between meetings, with time spent, for instance, with auditors and professional bodies. Work is becoming more complex with the rules from the EU and procurement tightening and with the need for District Councils to generate more income by way of initiatives, such as setting up their own trading companies and managing their own property investment funds.

Although this may result in some greater complexity the Panel notes that the current SRA for the Chairman of the Committee is towards the top of allowances for this role (11th) within the 46 Districts and Boroughs in the South East Employers group and is the second highest in West Sussex.

Recommendations:

- **The Chairman's SRA to remain *unchanged* at £3,750**
- **The Vice Chairman's SRA to remain *unchanged* at £1,238**

Standards Committee

Currently only the Chairman of the Standards Committee receives an SRA- of £1,500 a year. Over the last few years there have been several changes affecting the work of the Committee. Localism legislation has changed the way in which the Committee operates and the scope of its work.

Since the last IRP Review, the Committee has changed. Originally chaired by one of the Independent Persons, the Committee had a wide range of sanctions (including suspension) against Members who were found in breach of the Code of Conduct. The Monitoring Officer was the Council's Solicitor. The Committee is now chaired by a Member. The process for assessing complaints is simpler and the

Monitoring Officer is a senior Officer of the Council. The sanctions available to the Committee are much reduced. The Committee continues to handle complaints against Town and Parish Members as well as those against District Members.

Complaints arising from alleged breaches of the Council's Code of Conduct, adopted by almost all Arun's Town and Parish Councils, are reviewed by the Monitoring Officer and one of the Independent Persons (see below). If there is a case to answer an Assessment Panel³ will meet. Their options are to reach a decision immediately on the breach of the Code, or they may invite the complaint(s) and subject member(s) of the alleged breach to state their case before the Panel. The Panel's Decision is final, subject only to judicial review. The number of complaints and the complexity of some of them has increased and with the Local Plan now approved leading to larger, more complex and higher profile planning applications more complaints can be expected. The Committee do under take some mandatory training and must have a good practical knowledge of the Code of Conduct and Council procedures.

Compared to other Authorities, Arun DC is only one of very few that gives an SRA to the Chairman of the Standards Committee (we note that SEE do not collect data in respect SRAs paid to the Standards Committee Members). The Committee is scheduled to meet four times a year. However, one or two meeting each year are cancelled. Most meetings that do take place last little more than an hour. The Panel notes the reduced level of Committee activity and the removal of much responsibility (for deciding whether Complaints should go to Assessment)

Recommendations:

- **The Standards Committee Chairman's SRA should be *reduced* by £500 from £1,500 to £1,000.**
- **The allowance for Members sitting on Assessment Panels be *increased* from £50 to £ 60 per meeting (up to half a day's duration) they are required to attend.**

Independent Persons on the Standards Committee are appointed by the Authority after public advertisement and interview. They now perform four roles:

- Attending meetings of the Arun DC Standards Committee in a non-voting capacity
- Deciding, together with Monitoring Officer, where a complaint is made if there has been a prima facie breach of the Code of Conduct
- Preparing for and attending Assessment Panels hearings
- Providing advice to complainants and/or the Member who is the subject of the complaint, when asked to do so by Arun DC.

³ Comprising Standards Committee members and one Independent Person

Although technically not an SRA, Authorities ask their Independent Remuneration Panels to look at the remuneration of Independent Persons on Standards committees. Currently they are paid £50 per meeting as Co-opted Members. Many Councils now pay their Independent Persons an annual allowance. The amounts paid vary widely: several pay in excess of £1,000. At 1st February 2019 there were two Independent Persons appointed by Arun DC who attended meetings; pre-assessments or assessments about once a month each. To best reflect the workload and to bring Arun DC in line with common practice we recommend an annual allowance is shared equally between all the Independent Persons.

Recommendation:

- **The Meeting allowance paid to Independent Persons on the Standards Committee be replaced by an allowance of £1,440 a year shared equally between each Independent Person.**

Leader of Opposition and Minority Groups

The Panel believes that the democratic process is best served by having a strong and effective opposition – the extent of this is determined by the electorate – but as identified in the 2003 Regulations, a reasonable level of funding for the Opposition should support the democratic process. Most authorities pay their opposition parties some form of allowance – the amount and arrangements vary widely.

This part of our report presented quite a challenge as at the time the report was being prepared back in January/February 2019, the composition of the Council was that there was one minority party with five Members and the remaining opposition comprising five Members of differing groups (including Independents). The Leader of the largest opposition party is paid an SRA of £3,917. Since the 2 May 2019 District Election, the political control of the Council has changed the result being that there is now an increased Independent Group comprising seven Members meaning that the Leader of that Group can claim an allowance of £700.

Informed by our research across other authorities, the Panel proposes a scheme that is fair and will accommodate most future combinations of opposition groups. The Opposition Leader should be fully prepared, especially for Full Council Meetings, to provide an effective challenge to the Majority Group, therefore the Leader of the largest opposition group should receive an allowance similar to that which is paid now. However, where any minority group has three or more Members, the Leader of that group should also get a small allowance as they are expected to contribute to the opposition process. On this basis the Panel recommends that the Leader of the largest Opposition's group continues to be paid an SRA of £3,917 a year and that the leader of any other group with three or

more Members is paid an SRA of £100 per member of that Group. These allowances would be reviewed in consultation with the minority groups at each change of composition of the Council.

Recommendations:

- **The SRA paid to the Leader of the (largest) Opposition Group remains at £3,917**
- **An SRA of £100 per Member be *paid* to the Leader(s) of any (other) Opposition Group with three or more Members**
- **These allowances to Minority Groups to be reviewed at each change of composition of the Council**

Other Allowances

Information Technology Allowance

IT is a necessary enabler of the Councillor's role. Currently Arun DC operates two systems to provide IT support to Members. The first option is as a supplement to the Basic Allowance of £340 per year, the second involves the issue of iPads to Councillors. In interviews and questionnaire responses we found that Members engaged in many ways with IT, using it for a variety of tasks across different hardware.

The Panel have been advised that Arun DC will be introducing the ModernGov Committee Management System at the end of May 2019. This initiative has a number of advantages for Members, including the security of documents, a common platform, and an ability to link to neighbouring councils and sophisticated search and mark up facilities for documents. Apple is the most effective platform to facilitate ModernGov. Therefore, Arun DC have decided to issue Members with 4G, an iPad, printer and 3 sets of paper & ink per year. Hard copy agendas and notes of meetings will still be available from the Council Offices.

With standard equipment, training in the ModernGov system and ongoing maintenance of the hard and soft ware the IT support for Members is increased. The new system of working, once embedded, will, the Panel believe, enable Members to become even more effective in their role(s) with Arun DC.

In their consideration of the IT allowance the Panel were mindful of the risks associated with the issue of valuable iPads, particularly around security and the loss/damage of Arun DC property and HMRC rules about personal use. We also listened to the concerns expressed by Members, used to their own hardware. While the cost of the equipment package is considerably more than the IT allowance the Panel noted the considerable benefits that ModernGov and standardisation of IT equipment offered. The decision to adopt ModernGov was made at Full Council on the 18th July 2018.

Now that Members will receive all the items that the IT allowance was originally intended to cover, we are of the view that there is no reason for Arun DC to carry on paying an IT Allowance. Therefore, the current system of paying an allowance to Members to cover the costs of using their own IT equipment is redundant and we recommend its removal.

Recommendation

- **The IT Allowance be *withdrawn* from the date when ModernGov is fully available to all Members**

Co-opted Members and Witnesses Allowance

Currently an allowance is payable to Members co-opted to committees or Panels and other persons appointed as Independent Persons, witnesses and the IRP (This Panel) who act as a useful check and balance to Council work. Review of the 'family group' IRP reports and the SEE analysis do not show any consistency amongst authorities with some paying an hourly rate and others a day or annual allowance. From the interviews undertaken there was little appetite for major change to the way the allowance is calculated by the Authority, that being a per-meeting rate. The Panel believes that an hourly rate would be too complex to manage whilst an annual allowance applied across the board cannot truly reflect the differing demands of the roles that attract the Co-Opted Members Allowance.

Arun DC's allowance has been set at £50 per meeting attended and has remained unchanged since 2009. The Panel feels this no longer reflects the value of the work and we are mindful of the need to attract experienced people to sit on Panels and act as witnesses.

Recommendation:

- **The Co-opted persons allowance be *increased* from £50 to £60 per meeting.**

Carers' Allowance

The 2003 Regulations allows for reimbursement of costs for the care of Members' children or dependants when performing council duties laid out in the regulations. The Panel recognises the crucial need for such an allowance, indeed it is specifically mentioned in the Guiding Principles, set by Arun DC, for this review. Demographic changes mean that more and more adults have caring responsibilities, not only for children, but for dependent adults. Our interviews showed universal acceptance for the necessity of such an allowance so as not to discourage Members from playing a full a part as possible in the work of the Authority.

Since 2006 Arun DC has set a single carers allowance of £10 per hour, subject to a maximum of 20 hours per month, there has therefore been no increase for 13 years.

Reviewing other Authorities, it is clear that whilst the rates vary, the majority allow more for the care of dependant relatives than for children. Our research shows that this reflects actual care costs, with the rate for adult care being more than Arun DC currently pays. The current rate paid by Arun DC is believed to be appropriate for child care. However, adult dependent care is costlier. Following research across the local private sector and allowances paid by other authorities, the Panel felt an allowance up to the maximum paid by West Sussex County Council for home care was fair and that this rate be used to set the adult dependant carers rate by Arun DC. By mirroring the WSCC rate it allows for period increases in line with rises in the costs of such care.

The duties that attract a Dependants' Carers' Allowance are the same as the Travelling and Subsistence Allowance. Therefore, the Panel believes that the number of hours per month where claims can be made will be self-limiting according to the roles held by Members who need to claim. Therefore we propose that the limit of 20 hours per month be removed from the scheme and be replaced by financial limits of £4,000 and £6,000 respectively, with the Head of Paid Service having discretion to exceed these limits. We suggest the duties covered be included in the Scheme of Allowances published in the Arun DC Constitution.

In line with most other authorities, claims should be based on actual cost up to the limits proscribed, with evidence of the costs required. The allowance should not be paid to parents, spouses, partners, siblings or members of the same household as the Councillor.

Our in-depth review of the Allowance scheme revealed that the Dependent Carer's allowance was very rarely claimed. Both in interviews and questionnaire responses we noted that a significant proportion of Members were unaware of its existence. The Panel was concerned to find that in more than one instance Members were in a position where they could have claimed this allowance but did not because they were not aware of it. The Panel notes that this allowance is not mentioned on Arun DC's web page 'Councillor Allowances' nor is it shown on the expenses form, as used by Members to claim their allowances and expenses. This makes claiming the Carer's Allowance far from straight forward and complicated for Officers to implement. It seems therefore this scheme must be publicised in the same way as other allowances and working procedures changed to make claiming the allowance straight forward.

The Panel believes that this the recommendations below should ensure that those with caring responsibilities can play a full role in local democracy.

Recommendations:

- **The rate for child care *remains* at £10 per hour.**

- The rate for adult dependent care be *increased* to a maximum of the home care rate set by WSCC.
- The 20 hours per month limit be *removed* and replaced by annual limits of £4,000 pa [for Child Care] and £6,000 pa [for Adult Care] respectively with the Head of Paid Service having discretion to exceed these limits
- The list of duties specified in the Regulations be *added* to the Members Allowance Scheme at part 9 of the Constitution.
- Consideration is given as to whether any other duties should be *approved for receipt* of the Dependent Carer's allowance.
- The availability of this Allowance and the procedure for claiming it be more visible.

Maternity/Paternity/Adoption Leave

The Panel was mindful of its remit, which included 'the need to attract and retain Members representative of the demographic make-up of the District' and that 'Membership of the Council should be as inclusive as possible so as to allow all types of people to become a Councillor'. There are currently excellent flexible arrangements in place regarding Members absent for more than six months. However, we noted that there was currently no specific system in place for Maternity, Paternity or Adoption Leave, which we feel could hinder some the ability of some people to participate fully in local democracy. Since the last IRP Review, the Local Government Commission's and Fawcett Society's report 2017, asks local authorities to adopt comprehensive maternity, paternity, adoption and parental leave policy for Councillors, in line with leave available to employees, and in particular, to ensure that SRAs continue to receive their allowances.

Recommendation:

- **Councillors will be *entitled to request* maternity, paternity and adoption arrangements.**

Town and Parish Council

Town and Parish Councils may pay up to 10% of the Districts Council's Basic Allowance as allowance to their Members. As part of the Review the Panel sought the views of Town and Parish Councils on the arrangements and any changes they might wish to make. Almost half the Town and Parish Councils replied. Responses showed the overwhelming view is to leave the arrangements as they are. It should be noted that the cost of these allowances (where paid) are the responsibility of the Town or Parish Council, being met from their precept not by Arun DC. The Panel therefore recommends no change to the existing arrangements including those for claiming Travel and Subsistence in line with Arun DC arrangements.

Recommendation:

- **No change to the arrangements that allow Town and Parish Councils to pay up to 10% of the Arun DC Basic Allowance to their Members and Travel and Subsistence in line with Arun DC's arrangements.**

Special Responsibility One-Off Payments

Payments of £50 a meeting are made to Members for work on Panels, etc. for which no SRA is paid, and where there is higher level of responsibility, complexity or intense workload than is provided for in the Basic Allowance. In line with other meeting based allowances this should be increased to £60 a meeting. The decision whether payment is made should continue to be taken by the Head of Paid Service on the advice of Group Head of Council Advice and Monitoring Officer

Recommendation:

- **These payments be increased from £50 to £60 a meeting**
- **The Head of Paid Service on the advice of the Group Head of Council Advice and Monitoring Officer *continue* to be authorised to make these payments.**

Travel & Subsistence

In reviewing the travel and subsistence allowances available to Members the Panel have taken into account the specific review undertaken in 2011 into these allowances as well as the last approved IRP review in 2013.

The current rate for travel is in line with the HMRC's Approved Mileage Allowance Payments⁴ The reports from the other IRP's reviewed and the SEE report all show that the rates for Arun DC are consistent with the vast majority of other authorities. Any increase in these rates would have tax and National Insurance implication for Members. Consultation with Members showed a general satisfaction with these rates, whilst accepting it does not cover the true running costs of a vehicle.

Subsistence allowances are aligned to those for Officers of Arun DC, with a maximum rate set and within these rates, actual costs only can be claimed against receipts. Again, we found a general satisfaction with the rates, indeed, May did not claim them even if entitled and some did not seem aware of all the subsistence allowances that could be claimed.

The 2003 Regulations defines approved duties when travel and subsistence allowances may be claimed. The Panel has reviewed the list of approved duties from the 2011 Arun DC IRP report and

⁴ Motor Vehicles 45p per mile Motor cycles 24p per mile Bicycles 20p per mile

finds it still very relevant. However, the Panel suggests that for clarity and information, the rates and lists of approved duties are published.

Recommendation:

- **No change in the Travel and Subsistence rates payable to Members or to the criteria for their payment.**
- **Publish the rates and lists of approved duties in Part 9 of the Arun DC Constitution.**

Future Increases in Allowances

Since 2010 increases in the Basic Allowance have been linked to increases in Officers' pay. The Panel believe that this is an entirely reasonable way to ensure fairness and transparency and should be continued for the BA. Given that it is fair for BA, the Panel recommend that the arrangement should be extended to all SRAs from 1 April 2020. Any inconsistencies or changes to the roles and responsibilities of SRAs would be corrected by the next Review.

Recommendation:

- **All remunerations received by Members, Co-Opted Members , Independent Persons and so on to be *linked* to Officers' pay increases to take effect from 1 April 2020**

Multiple Allowances and Renunciation

There is little consistency among Authorities with regard to applying more than one SRA payment. The Panel asked Members, both in the questionnaire and in interview, whether the number of SRAs paid to an individual member should be limited to one (the most valuable). The result from the questionnaire was (marginally) that only one SRA should be paid. However, in deeper discussion in interviews the view was different, perhaps because many of the interviewees were holders of SRA posts. The Panel takes the view that if a Member is doing the work and effectively exercising the responsibility in more than one role that attracts an SRA then the SRA should be paid, as is the current arrangement. Any Councillor may relinquish part or all of their allowance should they so wish.

Recommendation:

- **Members should *continue* to be remunerated for all SRAs that they hold.**

Periods of Absence

The Panel has been made aware that on occasions a Vice Chairman of the Council or a Committee has taken the role of Chairman for two months or more without being recompensed for the additional responsibility: setting agendas, briefings with Officers and chairing meetings. We found

the practice in many Authorities is for the Vice Chairman to take over and after two meetings to be paid the Chairman's SRA until the Chairman returns or is replaced, which seems to us, not only cost neutral, but eminently fair.

Recommendation:

- **Where a Chairman of the Council or a Committee is absent for two months or more, then their allowance may *be paid* to the Vice Chairman until the Chairman returns.**

Suspension of Allowances

The Panel is aware that the Local Government Member's Allowances (England) Regulations 2003 provide for allowances to be withheld if a Member is suspended or partially suspended. At present this is omitted from the Arun DC's Scheme of Allowances. This does not seem to be just or fair.

Recommendation:

- **This (and any other provisions of these) regulation are duly *incorporated* into the Arun DC Scheme of Allowances.**

Timing of Next Review

During the course of the Review the Panel were aware of the imminence of the municipal election. Members who planned to stand for election were aware of the potentially negative impact of any increases in allowances on the electorate. Furthermore, Members who were retiring were not greatly interested in the Review. We believe that greater engagement in the Review process might be achieved by conducting the Review shortly after municipal elections or a reasonable time after any change in governance arrangements.

Recommendation:

- **Move the next review to after the municipal elections in 2023 or sooner if there is a change in municipal governance arrangements**

Financial implications on Budget

The Panel is very minded of the need to ensure that the Allowances scheme is fair, straight-forward, economic to operate, justified in terms of affordability (in the public's perception) and works within existing budgetary constraints. In reaching our conclusions, we have sought to ensure that the true exercise of responsibility, complexity and workload were taken fully into account while having regard for what is happening elsewhere.

The financial effect of our recommendations are set out in the table below. Increases in some payments are broadly offset by decreases in others, and we feel the new rates best reflect the current responsibilities and work loads of Members.

Costed Changes to Allowances

Members' Allowances Recommendations 2019 (May 2019)

	Current			Proposed			Change
	5481	54	295974	5481	54	295974	
Basic Allowance							0
SRAs							
Leader	14196	1	14196	16122	1	16122	1926
Deputy Leader	10400	1	10400	10400	1	10400	0
Cabinet	8320	5	41600	8320	5	41600	0
Chairman	8320	1	8320	8320	1	8320	0
Vice Chairman	2745	1	2745	2745	1	2745	0
Chair - DC	6000	1	6000	7500	1	7500	1500
Vice Chair - DC	1980	1	1980	2500	1	2500	520
Members DC	750	13	9750	750	13	9750	0
Substitutes DC	0	0	0	300	5	1500	1500
Chair - L&E	4000	1	4000	1500	1	1500	-2500
V Chair L&E	1200	1	1200	600	1	600	-600
Members - L&E	250	13	3250	0	12	0	-3250
Chair - Overview	4870	1	4870	4870	1	4870	0
Vice Chair - Overview	1607	1	1607	1607	1	1607	0
Chair - A&G	3750	1	3750	3750	1	3750	0
Vice Chair - A&G	1238	1	1238	1238	1	1238	0
Chair - Standards	1500	1	1500	1000	1	1000	-500
Independent Persons	0	0	0	720	2	1440	1440
Minority Groups	3917	1	3917	4617	1	4617	700
Basic Allowance & SRAs			416297			417033	736
IT Allowance	340	53	18020	0	53	0	

Effective Date

The Panel recommends that accepted Recommendations come into effect on 7th May 2019. This means in practical terms they will affect Members from their election (or re-election) as Members at District Council elections on 2nd May 2019.

Recommendations

The Panel Makes the Following recommendations:

1. The Basic Allowance remain unchanged at £5,481 per year taking into account the April 2019 increase
2. The Basic Allowance continues to be increased in line with Officers' pay increases
3. The Special Responsibility Allowance payable to the Leader of the Council be increased by £1,804 from £14,196 to £16,122 and there is no change in the Special Responsibility Allowance paid to the Deputy Leader of the Council at £10,400
4. The Special Responsibility Allowance payable to Cabinet Members (Portfolio Holders) remain unchanged at £8,320.
5. The Special Responsibility Allowance payable to the Chairman of the Council and the Vice Chairman of the Council remain unchanged at £8,320 and £2,745 respectively
6. The Special Responsibility Allowance payable to the Chairman of the Development Control Committee be increased by £1,500 from £6,000 to £7,500; that of the Vice-Chairman be increased by £520 from £1,980 to £2,500 and there be no change to the Special Responsibility Allowance £750 payable to the Members of the Development Control.
7. A Special Responsibility Allowance of £300 a year be payable to Members who are Named Substitutes for Members of the Development Control Committee.
8. The Special Responsibility Allowance payable to the Chairman and Vice Chairman of the Licensing and Enforcement Committee be decreased by £2,500 from £4,000 to £1,500 and by £600 from £1,200 to £600 respectively.
9. The Special Responsibility Allowance payable to Members of the Licensing and Enforcement Committee be abolished.
10. The Special Responsibility Allowance payable to the Chairman and Vice Chairman of the Overview Scrutiny Committee remain unchanged at £4,870 and £1,607 respectively.
11. The allowance for Co-Opted Witnesses, etc. be increased from £50 to £ 60 per meeting (up to half a day's duration) they are required to attend
12. The Special Responsibility Allowance payable to the Chairman and Vice Chairman of the Audit and Governance Committee remain unchanged at £3,750 and £1,238.

13. The Special Responsibility Allowance payable to the Chairman and Vice Chairman of Standards Committee be reduced by £500 from £1,500 to £1,000. Payments to Members sitting on Assessment Panels be increased from £50 to £60 a half day meeting
14. The meeting allowance paid to Independent Persons on the Standards Committee be replaced with a payment of £1,440 a year shared equally between the Independent Persons
15. The Special Responsibility Allowance payable to the Leader of the largest Opposition group be remain unchanged at £3,917
16. The leaders of smaller Minority Groups of three or more Members receive an SRA of £100 per Member.
17. The Allowance paid to minority groups be reviewed after each change in composition in the Council
18. The IT Allowance be discontinued when ModernGov and the IT strategy for Members is fully available to all Members
19. The meeting allowance paid to Co-opted Members and Witnesses to Committee and Panels should increase from £50 to £60
20. The Carers Allowance of £10 per hour up to a maximum of 20 hours a month be replaced by
 - a) a Child Care allowance of £10 an hour, limited to £4,000 a year;
 - b) a Dependent Adult allowance up to a maximum of the Home Care rate paid by West Sussex County Council, limited to a maximum of £6,000. And that the Head of Paid Service has the discretion to exceed these limits.
21. The list of duties specified in the Regulations be added to the Members Allowance Scheme at Part 9 of the Constitution.
22. Consideration is given as to whether any other duties should be approved for receipt of the Dependent Carer's allowance.
23. The availability of this Allowance and the procedure for claiming it be more visible.
24. Councillors will be *entitled to request* maternity, paternity and adoption arrangements.
25. No change in the arrangements that allow Town and Parish Councils to pay up to 10% of the Arun DC Basic Allowance to their Members.
26. Special Responsibility One-off payments be increased from £50 to £60 a half day for one-off activities, for example, intensive projects subject to the approval of the Head of Paid Service on the advice of the Group Leader of Advice and Monitoring Officers.
27. All remunerations received by Members, Co-Opted Members, Independent Persons and so on to be linked annually to Officers' pay and allowances with effect from 1 April 2020.
28. The arrangements for Travel and Subsistence remain unchanged and the rates and list of approved duties be published in Section 9 of the Arun DC Constitution

29. The arrangements for the payment of more than one SRA remain unchanged
30. If the Chairman of the Council is absent for a continuous period of two months or more their SRA can be paid instead to the Vice-Chairman if they take on the responsibilities during that period of absence.
31. Include in Arun DC's Members' Allowance Scheme provision for the Suspension of Allowances of the Local Authority Members' Allowances (England) Regulations 2003, in that allowances be withheld if a Member is suspended or partially suspended.
32. Move the next review to after the municipal elections in 2023 or sooner if there is a change in municipal governance arrangements
33. The new Allowances Scheme is effective from 7th May 2019.

Thanks

The Panel wish to place on record their thanks to all those Members who provided evidence to the Panel; Officers who provided information and answered our many and varied questions. Finally, special thanks must go to Mrs Jane Fulton, Committee Services Manager who provided unstinting support to the Panel with great integrity, patience and energy.

Appendixes

Appendix 1 – Panels’ Terms of Reference and Guidance

Panel’s Terms of Reference are to consider and review:

- the nature and type of role and responsibility of Elected Members and the level of commitment involved
- the difference in responsibility and time commitment of Leading Members; Cabinet Members and back-bench Members and the Chairman and Vice-Chairman of the Council and other Members with specific responsibilities
- schemes operating elsewhere in authorities similar to Arun DC
- the level of remuneration paid for other types of public duties
- whether allowances should be payable to meet Members out of pocket expenses
- the need to attract and retain Members of appropriate calibre and representative of the demographic make-up of the District
- the need to ensure that the scheme is straight-forward and economic to operate and justified in terms of affordability (in the public’s perception) and working within existing budgetary constraints
- a scheme that aims to compensate for the time put into the roles and responsibilities undertaken – bearing in mind that there should be an element of public service a scheme that encourages Councillors to work flexibly and to develop themselves and their role in the community.

The following general principles should be applied:

- Membership of the Council should be as inclusive as possible so as to allow all types of people to become a Councillor
- the need to encourage people to stand as Councillors – not to see a lack of remuneration/loss of earnings as a deterrent
- Members should be able to renounce all or part of their allowances account should be taken of hidden costs of Council Membership
- account should be taken of any additional and/or onerous responsibilities undertaken by Members
- there should be an unremunerated element to service as a Member
- some recompense should be available to Councillors with care responsibilities
- the desirability of clearer public accountability for the work of Members
- allowances should be broadly in line with those paid by adjacent Authorities and those of a similar size, and
- the scheme of allowances should be equitable, transparent and simple to understand and administer while being affordable and justifiable in the perception of the public.

Appendix 2 – Documents Accessed by the Panel

The Local Authorities (Members' Allowances) (England) Regulations 2003

The Arun DC Constitution

Arun DC List of Councillors

Arun DC List of Committee Membership 2018-19

The reports of previous Arun DC Independent Remuneration Panels

The Agendas and Minutes of the Arun DC Full Council, Cabinet and Select Committees.

Attendance Figures for Full Council and Select Committee

Schedule of Payments to Councillors 2017-18

The South East Employers 2018 survey of Members' Allowances

Independent Remuneration Panels' Reports and Schemes of Allowances of other Authorities

name of DC	£ Basic	£ Leader	£ cabinet members (av if 2 tier)	£ Governance chair	£ Governance VC	£ Dev control	£ Dev Control VC	£ Dev control member	£ Licensing Chair	£ Licensing VC	£ Licensing member	£ IT	£ Carers	£ Co-opted meet up to 1/2 day	Y/N travel/subs as officers?	Y/N limited to one SRA?	Y/N linked to local wages?	Hours worked	Y/N Opp SRA linked
Lewes	3502	13937	4879	2787	0	4181	697	502	50/meeti	0	0	N/K	10.15	28.3	Y	Y	Y	9	Y
East Devon	4360	14421	4600	2010	0	6184	3098	0	3098	836	0	N/K	6.31	50	?	?	?	N/K	N/K
Canterbury	5476	19036	2608	522	0	5737	522	0	5737	0	0	0	t Min Wa	?	Y	Y	?	??	Y
New forest	5760	19595	9994	2019	0	6858	0	250	2019	0	0	415	45 or 10.3	55.36	Y	Y	Y	14	Y
Huntingdon	4500	16000	8394	2779	695	6,311	2,104	620	6,311	2,104	0	107	7.33	N/K	Y	N/K	N	?	Y
Rother	4517	12609	2742	1989	0	2719	0	0	1989	0	0	200	10	?	Y	?	N	?	Y
Tendering	5122	18438	8669	4300	0	6268	2029	500	650x4	0	0	?	8.25	?	?	?	?	?	Y
Scarborough	4041	16165	8820	6708	0	7274	0	0	6708	0	0	?	?	25	?	?	?	?	?
ARUN	5374	14196	8320	3750	1238	6000	1980	750	4000	1200	250	340	10	50	Y	No	No	?	N
Chichester	4725	14500	7000	4800	0	6000	0	0	4800	0	300	0	N/MW	50	Y	Y	n	?	Y
Worthing	4833	14499	6041	2416	1208	4833	1208	0	3624	1208	0	0	10.25 or 15	?	Y	n	n	?	n/k
Adur	4422	13268	6634	2211	1105	4422	1105	0	3317	1105	0	0	10.25 or 15	?	Y	n	n	?	N/K
Horsham	4970	13515	6950	2415	0	3810x2	1275x2	0	0	0	0	N/A	7.85	?	Y	n	n	?	n
Teignbridge	5355	48743	9371	3213	1338	7497	2677	0	4016	2142	0	?	At cost	50	Broadly	?	N	N	Not paid

Appendix 3- Other 'Family' Authorities Spreadsheet

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 2 JULY 2019

PART A : REPORT

SUBJECT: Chairman's Annual Report To Full Council 2018/19

REPORT AUTHOR: Stephen Pearse, Internal Audit Manager

DATE: July 2019

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

To present the draft Chairman's Annual Report To Full Council for agreement by the Committee

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to endorse the content of the report and to recommend its presentation to Full Council by the (outgoing) committee Chairman

1. BACKGROUND:

The Chartered Institute of Public Finance & Accountancy (CIPFA) recommends that an annual self-assessment is performed covering the effectiveness of the Audit Committee. The updated self-assessment will be presented to the Committee as part of another item at this meeting.

One of the assessment criteria included is:-

"Does the committee publish an annual report to account for its performance and explain its work?"

The first such report was prepared and presented to Full Council in 2012.

In collaboration with the outgoing Chairman of the Audit & Governance Committee, the attached annual report has been drafted for consideration and covers the activities of the Audit & Governance Committee through the 2018/19 Municipal Year.

2. PROPOSAL(S):

It is proposed that the Committee endorses the content of the report and recommends that the Chairman's Annual Report for 2018/19 be presented for approval by Full Council.

In view of the change of Chairman and significant change in membership for the 2019/20 Municipal Year it is proposed that the approved report be presented by the outgoing Chairman from 2018/19.		
3. OPTIONS: To endorse the content of the report and to recommend its presentation for approval by Full Council, or not		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION: The Committee endorses the content of the report and recommends that the Chairman's Annual Report for 2018/19 be presented for approval by Full Council

8. BACKGROUND PAPERS: N/A



Audit & Governance Committee

Chairman's Annual Report To Full Council 2018/19

Introduction

Both Central Government and the Chartered Institute of Public Finance & Accountancy (CIPFA) promote the view that certain governance related functions would be best delivered by an audit committee – which is separate from the ‘executive’ and ‘scrutiny’ functions of a local authority.

This is the annual report to Full Council of the Audit & Governance Committee. The Council’s Audit Committee was constituted by the Council in May 2006 and became the Audit & Governance Committee in June 2011, following the disbanding of the old standalone ‘Governance’ Committee in March 2011. The Committee complies with the best practice guidance, as set out in the ‘CIPFA Role of Audit Committees in Local Government’, and operates to Terms of Reference agreed by Full Council and included in the Council’s published Constitution. (As part of the ongoing review of the Constitution, revised terms of reference were approved in January 2018).

The Audit & Governance Committee provides independent assurance and challenge on the effectiveness of the Council’s overall corporate governance and internal control environments. This includes the associated approach to risk management and independent scrutiny of the Council’s financial and non-financial performance, to the extent that it affects the authority’s exposure to risk and weaknesses in the control environment, as well as to oversee the financial reporting process and approve the Annual Statement of Accounts.

The role of the Audit & Governance Committee is distinctly different from the role of the scrutiny function. Its role, in short, is to provide assurance to Members and to the public that there are controls in place to mitigate key risks and that the Authority, including the scrutiny function, is operating effectively in terms of overall governance.

The Committee carries out its function by monitoring, challenging and providing assurance on a number of matters relating to internal and external audit, financial reporting, risk management, corporate governance and compliance issues. It is important that the Committee is able to demonstrate the impact of its work to Members and to the public.

Membership of the Committee is decided annually by Full Council and follows the requirements for political balance. However, it is emphasised that the role of the Committee should be both objective and apolitical. While continuity of membership is important, as much of the work of the Committee operates to an annual cycle, it is also beneficial for there to be some change in order to generate different challenges and opinions. Where membership changes have taken place in each Municipal Year, Member training and updates have been provided by Internal Audit and the Group Head of Corporate Support.

In 2010, the role of the Committee was expanded to include oversight of the Council’s Treasury Management processes and, since June 2011, the Committee also has responsibility to receive, consider and make recommendations to Full Council on the submissions of the Independent Members’ Remuneration Panel.

As part of the changes to the terms of reference for the Committee in 2017, an additional function was added in respect of the review and scrutiny of any Council owned companies and Cabinet's role in overseeing this activity.

The Committee strives to be proactive in seeking assurance on a range of issues, rather than just accepting assurance where it is given. Committee Members have demonstrated commitment to the process, contributing to a level of continuity of approach and building up expertise of Members, in often complex areas. The Committee takes the position of encouraging all Members and Officers (particularly Managers) to take responsibility for contributing to effective corporate governance, with the aim of embedding governance as a concept in the organisation.

Meetings of the Committee traditionally started at 9.30am and this prevented some councillors from being nominated for the Committee and, in some cases, members appointed to the Committee from attending meetings due to other commitments. In order to address this, the Chairman agreed with the Leader that from 2018 meetings would start at 6.00pm, allowing a significantly wider range of Councillors to be available for nomination and thus to maximise Member contribution to meetings.

Representatives of the Council's external auditors (Ernst & Young LLP) are also invited to attend and to present their key documents. This provides the opportunity to present matters to the Committee, aiding consistency of message and wider awareness of respective views and challenge.

The Committee agrees its ongoing work plan and has scheduled meetings through the year (but these may be supplemented by 'special' meetings of the Committee and meetings held by 'task and finish' working groups, set up for specific purposes). Until 2017/18, meetings were held on a quarterly basis but from 2018 the reporting timescales for the Council's annual Accounts have been shortened and three scheduled meetings will now be held each year to coincide with the key decision / document approval dates. The standing invitation to the appointed external auditor to attend meetings of the Committee, allows observation of the level of challenge and assurance that the Committee provides on governance, financial reporting and audit issues.

All matters brought before the Committee have been subject to robust challenge, but the Committee has also had an input into the progress of issues, through active discussion and by making practical suggestions for improvement. The Committee has adopted a practice of accepting assurance only when fully satisfied. Detailed below is a breakdown of areas that the Committee has considered during the 2018/19 municipal year (in Appendix 1).

Internal Processes

Governance

The Committee received regular updates throughout the year on the overall approach adopted to secure effective arrangements for the Council and, in particular, progress on areas identified for action from external inspections. This has provided the Committee with the opportunity to challenge, and have an input into:-

- review of the Council's updated local Code of Corporate Governance;
- the corporate governance framework;
- the assurance framework;
- updates to governance-related Council policies.

The Committee considered and provided challenge to the Annual Governance Statement, prior to its approval in July 2018 and also to the Council's revised Code of Corporate Governance. These were prepared under the revised Delivering Good Governance in Local Government Framework received from CIPFA in 2017.

Counter Fraud and Corruption

The Audit & Governance Committee, as part of its terms of reference, is required to consider the counter-fraud and corruption arrangements of the Council and their effectiveness.

At its meeting of 26 July 2018, the Committee was presented with the annual formal Counter-Fraud progress report, covering the year 2017/18. This included details of work performed on Council Tax Single Person Discount entitlement, housing tenancy fraud and the Cabinet Office National Fraud Initiative.

Risk Management

The Council's updated Strategic Risk Register was presented to the Committee in November 2018, with some further discussion of risks in February 2019. Consideration of the relevant issues confirms a top-level commitment to the risk management agenda and allows the Audit & Governance Committee to make assessments and provide assurance on the Council's risk management arrangements.

Financial Reporting

The Council's Group Head of Corporate Support and other members of the Finance department attended meetings and presented reports relating to the Statement of Accounts and the Treasury Management function throughout the year. The Committee was able to challenge these reports and was assured that due process was being followed and best practice had been applied. Officers were able to provide further clarification on a number of issues raised by Members to aid the Committee in reaching its conclusions and decisions

In particular, the Council has delegated to this Committee the task of formally approving the Accounts by the statutory deadline each year. (From 2018, changes to regulatory requirements mean this is now 31st July).

The 2017/18 Annual Accounts were approved by the Committee, having received an unqualified opinion from Ernst & Young LLP, and signed by the Chairman.

In 2009/10, the Committee was required to consider significant changes to the Treasury Management arrangements of the Council. These primarily focused on the change in accountability and reporting on decisions of overall Treasury Management policy and the setting of the annual Treasury Management Strategies, which have been taken out of the control of the executive (i.e. the Cabinet) and must now be

determined by Full Council. All prudential matters relating to borrowing, investments and debt repayment are now determined by Full Council, with the responsibility for scrutiny of performance in this area being delegated explicitly to the Audit & Governance Committee.

Recent changes to the Prudential Code for Capital Finance in Local Authorities mean that the Council is now required to have an approved Capital Strategy on an annual basis. The Capital Strategy for 2019/20 was presented to the Committee at its February 2019 meeting and recommended for approval by Full Council.

In 2012, the Council arranged the borrowing of £70.9M to be paid as a one-off debt settlement to the DCLG in March 2012, in respect of Government changes to make the Housing Revenue Account self-financing in Local Authorities. The first tranches of this loan have been repaid by the Council (outstanding debt now stands at £53.18M), with the next tranche due for repayment in 2020.

The Committee continues to monitor the situation with regard to Council borrowing. (There may be a future borrowing requirement to allow e.g. the progress of the Housing Revenue Account Business Plan 2017-2027 and / or to facilitate the progress of the Bognor Regis regeneration proposals, as approved by the Council). A briefing on the current and predicted national financial situation was presented to the Committee by Link Asset Services (the Council's treasury management advisors) at its November 2018 meeting.

Independent Assurances / Audit

External Audit and Inspection

Ernst & Young LLP are the Council's current appointed external auditors and the external audit work covers the full range of audit and inspection, including providing an opinion on the financial statements and forming an assessment of the corporate arrangements for 'value for money' covering:-

- securing financial resilience
- securing economy efficiency and effectiveness.

Reports to the Committee ('those charged with governance') arising from external review include the Audit Plan, Audit Results Report and Annual Audit Letter. These are subject to discussion and challenge by the Committee with the representatives of the external auditors in attendance at Committee meetings.

The Council had previously opted-in to the sector-led approach set up by central government for the appointment of its external auditors at the end of the transition period (following the abolition of the Audit Commission). The Government-appointed body (PSAA Ltd.) undertook a national procurement exercise and the contracts for the next 5 years have now been let with a reduction in fees being charged. As a result of this, Ernst & Young LLP has been appointed to continue as the Council's external auditors from 2018/19.

It should however be noted that this appointment only covers the work being performed on the Council's annual Accounts. Further discussions have been held by relevant officers in order to progress an appropriate arrangement involving the Council, the DWP and an appointed reporting accountant for the annual certification of the Council's Housing Benefit Subsidy Claim and, subject to signing an engagement letter, the Revenues & Benefits Manager has agreed that E&Y will continue to provide this additional service.

Internal Audit

Under the Accounts and Audit Regulations 2015, the Council is required to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

Assessment is undertaken against criteria published by CIPFA and presented to the Committee for consideration. The Committee was able to support the judgement on the effectiveness of the system of Internal Audit and also confirmed that Internal Audit has continued to provide a quality service to the Council, with the assessment being certified by the Chairman of the Committee and the Council's Group Head of Corporate Support.

From 1st April 2013, CIPFA replaced its Code of Practice for Internal Audit with the Public Sector Internal Audit Standards (which are based on the mandatory elements of the Institute of Internal Auditors, International Professional Practices Framework). This has been reflected in the Internal Audit Charter, with the changes approved by the Committee in past years.

Internal Audit also performs an assessment of the effectiveness of the Audit & Governance Committee and any changes / improvements that could be made, based upon CIPFA criteria. This report was presented for consideration and certified by the Chairman of the Committee.

Throughout the year, Internal Audit provides a number of key documents for the Committee to consider and Approve or Note. These include:-

- the Annual Internal Audit Plan (February)
- the Internal Audit Annual Report & Opinion (July)
- periodic reports of progress against the Audit Plan
- periodic reports summarising findings from Internal Audit reports issued.

As reflected in the Internal Audit Charter and Annual Plan, the Internal Audit service needs to be flexible, with the ability to respond to changes and new challenges to the Council, as and when required.

The Committee received the annual performance reports for Internal Audit for the year and were provided with assurance that appropriate action plans had been put in place to improve the Council's control environment and confirmed that this assurance was reflected within the Council's published Annual Governance Statement.

Members' Allowances

In March 2011, the Council's Governance Committee was disbanded and the responsibility to receive, consider and make recommendations to Full Council on the submissions of the Independent Members' Remuneration Panel passed to the Audit & Governance Committee from June 2011.

The Eight Review of Members' Allowances by the Panel was delayed pending the outcome of the Council's 2020 Vision work, including the management and operational restructures that have taken place, and also by the need to recruit new independent panel members in 2018. The Committee received updates on the recruitment process (with the Chairman and Vice-Chairman involved as part of the interview panel) and the revised timetable for the conduct of the review aiming for completion and adoption of recommendations prior to the 2019 District Elections.

At its February 2019 meeting, the Committee received a presentation from the Panel members on their report and considered the recommendations made in detail. Although the Committee supported most of the recommendations made, several queries were raised by the Committee which could not be fully addressed at the meeting. With the advice of the Group Head of Council Advice & Monitoring Officer, the Committee took the decision to defer consideration of the Panel's report to allow further work by the Panel on the recommendations which could not be agreed. A Special Meeting of the Audit & Governance Committee is now planned for 2 July 2019, with (subject to agreement of the revised Panel report) recommendations to be made to Full Council at its meeting of 17 July 2019.

Council Owned Companies

In 2017, the Council gave consideration to the establishment of a local property company. With the assistance of external advice, a private limited company (Trisanto Development Corporation Ltd.) was registered at Companies House. Following a number of meetings involving Members, including a Special Meeting of the Audit & Governance Committee in August 2017, the Council decided not to progress with operation of the company at this time and it currently remains 'dormant'.

Property Investment Strategy

In September 2017, Full Council approved the recommendation of Cabinet for the adoption of the Property Investment Strategy, as per a report from the Property & Estates Manager.

As part of the Strategy, a Property Investment Fund would be set up as a means of generating income streams to replace the shortfalls in government funding being experienced by the Council. The Fund would not require any external borrowing and all funds generated would be raised solely through disposal of existing general fund Council owned land and property. The fund would be ring fenced and sit within the

Property & Estates budget and, once funds were in place, the Council would then look to pursue the purchase of investment properties on the open market. The report advised that monitoring and scrutiny of the arrangement would be by the Audit & Governance Committee.

At its meeting of February 2019, the Committee received an update on the progress of the Property Investment Fund to date.

Chairman's Summary

Based upon the work of the Audit & Governance Committee during 2018/19, I am satisfied that it has again provided effective challenge across a range of governance related issues upon which it can provide assurance to the Council and to the Cabinet. The Committee has demonstrated leadership on governance, financial reporting and audit issues. The Committee also is effective in providing an additional source of assurance to the Group Head of Corporate Support (s151 Officer of the Council) that systems of internal control are working effectively and that Internal Audit is operating in accordance with the Public Sector Internal Audit Standards.

I have reviewed the CIPFA requirements relating to Internal Audit and the work of the Committee and consider that the arrangements in place remain appropriate. The level of challenge provided by the Committee contributes to Members and Officers giving due significance to governance and control matters. An additional role of the Committee continues to be to provide suggestions for continual improvement on a number of matters and to be supportive of Council staff, showing appreciation where merited.

Following the May 2019 District Elections and the Annual Council meeting, Cllr. Mrs. Erskine has been appointed as Chairman for the 2019/20 Municipal Year and I offer her my congratulations. The elections have resulted in a significantly different political make-up to the Council and its committees and I hope that members will continue to support the Chairman with the significant challenges ahead for the new Committee as it performs its duties, as delegated by the Council and mandated through governance requirements and best practice.

As outgoing Chairman, I offer my thanks and appreciation to all members of the Committee (a number of whom either did not stand or were not re-elected in 2019) for their proactive contributions which have continued to facilitate constructive, apolitical challenge. This input has enabled the Committee again this year to be effective and confident in providing assurances to the Council. Also, on behalf of the Committee, I would like to thank all Members and officers who have helped us to carry out our role, the Committee Manager for the preparation, advice and minuting of meetings and the representatives of Ernst & Young LLP for their constructive engagement, contributions and responses.

**Councillor Terence Chapman,
Outgoing Chairman of the Audit & Governance Committee**

Audit & Governance Committee – Activities Performed in Year 2018/19

Meeting Date:	Item:	Action:	Notes:
Governance Framework			
26 July 2018	Local Code of Corporate Governance for 2018/19	Noted	Published on Council website
26 July 2018	Annual Governance Statement 2017/18	Approved	Published on Council website to accompany the Annual Accounts
26 July 2018	Counter-Fraud Report 2017/18	Noted and work endorsed	
26 July 2018	Council’s Use of the Regulation of Investigatory Powers Act 2000 (RIPA)	Endorsed	Nil for 2017/18 Municipal Year
15 November 2018 14 February 2019	Revised Strategic Risk Register 2018/19	Risks 1-6a approved Noted	Part deferred to February 2019 meeting Further review of deferred item
Internal Audit Activity			
26 July 2018	Internal Audit Annual Report & Opinion 2017/18	Noted and work endorsed	
26 July 2018 15 November 2018 14 February 2019	Progress Against the Internal Audit Plan	Noted	
26 July 2018 15 November 2018	Summary of Findings From Reports Issued	Noted	
15 November 2018	Financial Management System: Post-Implementation Review	Noted the key findings and endorsed the improvements agreed	
14 February 2019	Annual Internal Audit Plan 2019/20	Approved	

External Audit and Inspection			
26 July 2018	Response to Ernst & Young on Annual Assurance Letter Regarding Arrangements	Noted	
26 July 2018	Annual Fee Letter 2018/19	Approved	
26 July 2018	Audit Results Report	Noted and draft Letter of Representation signed	
15 November 2018	Annual Audit Letter	Noted	
15 November 2018	Annual Certification Report 2017/18	Noted	
14 February 2019	Ernst & Young – Audit Plan & Progress Report	Approved	
Statement of Accounts			
26 July 2018	Statement of Accounts 2017/18	Approved and signed	Presented by the Financial Services Manager
14 February 2019	Accounting Policies For 2018/19 Accounts	To be applied to Statement of Accounts for 2018/19	Presented by the Financial Services Manager
14 February 2019	Capital Strategy	Recommended for approval by Full Council	Presented by the Financial Services Manager Approved by Full Council 13 March 2019
Treasury Management			
26 July 2018	Treasury Management Annual Report 2017/18	Recommend to Full Council that the report be Noted, that the actual prudential and treasury indicators be approved	

15 November 2018	Treasury Management – Mid-Year Review Report 2018/19	Recommend to Full Council that the report be Noted, that the actual prudential and treasury indicators be approved	
14 February 2019	Treasury Management Strategy Statement and Annual Investment Strategy 2019/20	Recommend approval to Full Council	Approved by Full Council 13 March 2019
Committee Working Arrangements			
26 July 2018	Chairman’s Annual Report to Council 2017/18	Recommended for approval by Full Council	Presented to Full Council 12 September 2018
26 July 2018 14 November 2018 14 February 2019	Audit & Governance Committee Annual Workplan	Approved	‘Living’ document – progress noted through the year
Other			
14 February 2019	Update on Progress Against the Recommendations From the Partnerships Audit	Noted and further update requested for November 2019	Presented by the Chief Executive in the absence of the Group Head of Policy
14 February 2019	Property Investment Fund (PIF) update	Noted and further update requested for November 2019	Presented by the Chief Internal Auditor in the absence of the Property & Estates Manager
Independent Members’ Remuneration Panel			
26 July 2018	Recruitment of New Members	Noted and agreed that Chairman / Vice-Chairman should sit on interview panel	
15 November 2018	Recruitment Update	Noted	

14 February 2019	A Review of Members' Allowances for Arun District Council	Report deferred to allow the Panel to undertake further work and report back to a Special Meeting of the Committee	Recommendations due to be reported to Full Council 17 July 2019
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**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2019/2020**

Date of Meeting: 2 July 2019 (Special Meeting)			
Other Items			
1	The Independent Remuneration Panel's Eighth Review Of The Members' Allowances Scheme – update on the Review which was deferred at the request of the Committee at its 14 Feb 2019 meeting	Independent Panel / Committees Manager	Recommendations for Full Council (17/7/19)

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2019/2020**

Date of Meeting: 30 July 2019			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
1	Final Statement of Accounts 2018/19	Financial Services Manager	Draft version will be provided to external audit and posted on the Council's website at 31 May 2019
2	Annual Governance Statement	Chief Internal Auditor	Draft version will be considered by Chairman / Vice Chairman in May, provided to external audit and posted on the Council's website at 31 May 2019
External Audit			
3	Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chairman	Letter will be agreed with (2019/20) Chairman and sent to external audit in April
4	Audit Results Report – ISA 260	Ernst & Young	
5	Annual Audit Fee Letter	Ernst & Young	
Governance Framework			
6	Local Code of Corporate Governance	Chief Internal Auditor	
Treasury Management			
7	Treasury Management Annual Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (11/9/19)
Internal Audit			
8	Annual Internal Audit Report & Opinion	Chief Internal Auditor	
9	Update on the work of Internal Audit	Chief Internal Auditor	
Other Items			
10	Annual Counter-Fraud Report	Chief Internal Auditor	Any urgent updates can be provided at other meetings
11	Chairman's Annual Report To Council	Chairman	To be presented to Full Council
12	Annual update on use of RIPA powers in the previous Municipal Year	Chief Internal Auditor	
Work Programme			
13	To agree the rolling work programme for 2019/2020	Chief Internal Auditor	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2019/2020**

Date of Meeting: 21 November 2019			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
	There are no items currently planned for this meeting		
External Audit			
1	Annual Audit Letter	Ernst & Young	
2	Annual Certification Report 2018/19 (TBC)	Ernst & Young	Certification of the Housing Benefit Subsidy Claim
Governance Framework			
3	Updated Strategic Risk Register	Chief Internal Auditor	
Treasury Management			
4	Treasury Management Mid-Year Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (8/1/20)
Internal Audit			
5	Update on the work of Internal Audit	Chief Internal Auditor	
Other Items			
6	Update on the progress of the Council's Property Investment Fund (PIF)	Property & Estates Manager	Requested by Committee at 2/19 meeting
7	Update on the progress against recommendations from the Partnerships audit (as included in the Annual Governance Statement 2017/18)	Group Head of Policy	Requested by Committee at 2/19 meeting
Work Programme			
8	To agree the rolling work programme for 2019/2020	Chief Internal Auditor	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2019/2020**

Date of Meeting: 13 February 2020			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
1	Accounting Policies for 2019/20 Accounts	Financial Services Manager	If CIPFA advise of any changed requirements, then an update will be provided at the July meeting
External Audit			
2	Audit Plan (and Progress Report)	Ernst & Young	Covering the audit of the 2019/20 Accounts
Governance Framework			
3	Capital Strategy	Financial Services Manager	For approval by Full Council (18/3/20)
Treasury Management			
4	Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (18/3/20)
Internal Audit			
5	Annual Internal Audit Plan	Chief Internal Auditor	
6	Update on the work of Internal Audit	Chief Internal Auditor	
Other Items			
7	Update on the progress of Council-owned companies	TBC	
Work Programme			
8	To agree the rolling work programme for 2019/2020	Chief Internal Auditor	

February meeting has to be timed so that Treasury Management Strategy can be approved by Full Council before 31/3/20

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2019/2020**

Other items to be considered in Work Programme:-

Independent Members' Remuneration Panel

- Recruitment / appointments
- Proposals for / progress of review
- Report on review / proposals for change to be passed by A&GC to Full Council

Property Investment Fund

- Progress reports (Property & Estates Manager)

Local Property Company

- Progress reports, should it start operating (S151 Officer / Cabinet)

Governance & Risk Group updates

Relevant policy reviews, updates, etc.

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