Public Document Pack

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A meeting of the **Corporate Governance & Audit Committee** will be held in Committee Room 2 - East Pallant House on **Thursday 23 January 2020** at **9.30 am**

MEMBERS: Dr K O'Kelly (Chairman), Mr T Johnson (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr F Hobbs, Mr D Palmer and Mr P Wilding

AGENDA

1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.

2 **Approval of Minutes**
The committee is requested to approve the minutes of its ordinary meeting on 24 October 2020 *(copy to follow)*.

3 **Urgent items**
The chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item.

4 **Declarations of Interest**
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.

5 **Public Question Time**
The procedure for submitting public questions in writing by no later than noon 2 working days before the meeting is available here or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).

6 **Draft Treasury Management, Investment and Capital Strategies 2020-21** (Pages 1 - 59)

1.1. That the Committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2020-21.

1.2. That the Committee considers the Council's Capital Strategy for 2020-21 - 2024-25.

1.3. That the documents in 2.1 and 2.2 are recommended to Cabinet and Council for approval

7 **Internal Audit - Audit Plan Progress** (Pages 61 - 83)
The committee is requested to consider and note the audit plan progress report.

8 **Corporate Debt Recovery Policy** (Pages 85 - 117)

1.1. That the Committee considers the new Corporate Debt Recovery Policy and recommends it to Cabinet for approval.

1.2. That the Committee notes the Council's response to the recommendations from the Money Advice Service.

9 **Motions Procedure** (Pages 119 - 125)

1.1. That the Constitution be amended to replace the current Motions guidance with the revised Motions Procedure as set out in the Appendix to this report.

1.2. That the time permitted at Full Council for "Questions to the Executive" be reduced from 45 to 30 minutes.

10 **Budget Review Task and Finish Group Feedback**

A member of the Task and Finish Group and Mrs Belenger will provide an oral report on the outcomes from this review.

11 **Exclusion of the Press and Public**

There are no restricted items for consideration.

12 **Late items**

The committee will consider any late items as follows:

a) Items added to the agenda papers and made available for public inspection

b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

NOTES

1. The press and public may be excluded from the meeting during any item of business where it is likely that there would be disclosure of "exempt information" as defined in section 100A of and Schedule 12A to the Local Government Act 1972.

2. Restrictions have been introduced on the distribution of paper copies of supplementary information circulated separately from the agenda as follows:
   a) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers receive paper copies of the supplements (including appendices).
   b) The press and public may view this information on the council's website here here unless they contain exempt information.

3. The open proceedings of this meeting will be audio recorded and the recording will be retained in accordance with the council's information and data policies. If a member of the public enters the committee room or makes a representation to the meeting, they will be deemed to have consented to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please liaise with the contact for this meeting at the front of this agenda.

4. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intention before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object

should be avoided.

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 January 2020

Draft Treasury Management, Investment and Capital Strategies 2020-21

1. **Contacts**

Report Author:
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2. **Recommendation**

2.1. **That the Committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2020-21.**

2.2. **That the Committee considers the Council's Capital Strategy for 2020-21 - 2024-25.**

2.3. **That the documents in 2.1 and 2.2 are recommended to Cabinet and Council for approval**

3. **Background**

3.1. Local authorities' treasury management activities are prescribed by the Local Government Act 2003 and Regulations issued under this Act. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice (the Code) derives its legal status from these statutory Regulations.

3.2. The draft Treasury and Investment Strategy presented at an appendix 2 to this report are designed to comply with this regulatory framework.

3.3. The Council is also required by the Code to produce a Capital Strategy which should:

- provide a high-level overview of how capital and treasury intentions contribute to the provision of local services; and,

- describe how risks to future financial sustainability are managed.

3.4. A draft capital Strategy is included in this report at appendix 3.

3.5. Although every attempt has been made to reduce the technical content of this report, by its very nature the report is specialised in parts and the glossary of terms in Appendix 5 aims to aid members understanding of some terms used.

4. Outcomes to be achieved

4.1. The Treasury Management and Investment Strategies for 2020-21 and the Council's Capital Strategy for 2020-21 to 2024-25 are approved in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice and the MHCLG's investment Regulations.

5. Alternatives that have been considered

5.1. The Treasury Strategy contains details of alternatives that have been considered. There is no 'do nothing' option in the table below as the Council is required to approve a Treasury and Investment Policy for 2020-21 as well as its Capital Strategy before 31 March 2020.

5.2. The remaining alternatives that have been considered are, briefly;

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Introduce Ethical, Social and Governance (ESG) factors into investment decisions	Unknown and would depend on investments made	Increased risk that we would be unable to find sufficiently secure counterparties to spread risk, leading to increased risk of loss. This would contravene investment Regulations issued by the MHCLG requiring security to be given highest priority.

6. Resource and legal implications

6.1. The Council may be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the Investment Guidance. Acceptance of the recommendations in this report would not only help avoid this risk, but would demonstrate that the Council's financial matters continue to be managed prudently

6.2. The Treasury Management Strategy and the Prudential Indicators reflect various assumptions of future interest rate movements and Government support for capital expenditure. These assumptions have been taken into account in the 5 year model under pinning the Council's Financial Strategy and resources statement.

6.3. Appendix 1 to the Treasury Strategy contains details of the interest rate assumptions that have been used in developing this strategy.

7. Consultation

7.1. The forthcoming financial year's Treasury Management Strategy, Investment Strategy and Capital Strategy will also be considered by Cabinet before being presented to Full Council for approval.

8. Community impact and corporate risks

8.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve.

8.2. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 4.

9. Other Implications

	Yes	No
Crime & Disorder		✓
Climate Change 1. Ethical, Social and Governance (ESG) factors are increasingly being recognised as a factor in the wider Treasury sector. The Council acknowledges this and will continue to assess when and if it is appropriate to embed ESG principles in Treasury Strategies for future periods whilst operating within the Regulatory framework applicable to the sector.	✓	
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓
Other (Please specify): 1. **Compliance with the Local Government Act 2003** 2. Non- compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

10. Appendices

10.1. Appendix 1 – Summary of amendments between 2019-20 and 2020-21

10.2. Appendix 2- Treasury Management Policy Statement, Treasury Management Strategy Statement, Treasury Prudential Indicators and Annual Investment Strategy for 2020-21.

10.3. Appendix 3 – Capital Strategy 2020-21 to 2024-25

10.4. Appendix 4 - Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management.

10.5. Appendix 5 - Glossary

11. Background Papers

11.1. None.

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Appendix 1 – Summary of the main amendments between 2019-20 and 2020-21

Minor text and table updates are not reported.

Item	Page	Comment
Treasury Management and Investment Strategy 2020-21		
- Treasury Investments	5	Figures in table 2 (page 6) now include forecast CIL balances.
- Proportionality	7	New indicator and section prepared and included in 20-21 strategy
Treasury Investments and Borrowing		
- UK exit from the EU	8	Updated title from BREXIT to 'UK exit from the European Union' and refreshed text
- Counterparty limits	9	Increased limit on non LAPF pooled funds from £25m to £30m to accommodate any medium term (1-3 year) investing that might be proposed Added counterparty limit for Real Estate Investment Trusts (REITs) and provided further explanation of REIT in section below
- Treasury Investment Limits	14	Table 5 limits increased or added in line with the Counterparty limit changes, above.
- Operational Boundary for External Debt	16	Increased Operational Boundary by £1m to £3m for other long-term liabilities. These are most likely to be finance lease liabilities as the adoption of IFRS16 in 20-21 might require finance leases to be recognised on a 'right to use' principle, or re-measurement of lease liabilities.
Non-Treasury Investments	17	
- Non-Specified Investments	19	Added comment to clarify the limits in table 8 does not apply to Treasury Investments.
Risk exposure indicators	20	
Principal Sums Invested for Periods Longer than 364 days	21	Added explanation of what 'periods longer than 364 days' means in practice

Contents

Appendix 2 - Treasury Management Strategy

Treasury Management Policy Statement, Treasury Management Strategy Statement and Annual Investment Strategy for 2020-21

Treasury Management Policy Statement

Treasury management within the Council is undertaken in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services ("the TM Code").

The Council defines treasury management as:

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

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Treasury investment policy objective for this Council is the prudent investment of its treasury balances. The Council's Treasury investment priorities are security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA Code and the MHCLG guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

The Council's borrowing objective, being debt free and with relatively substantial resources still available for its capital investment spending plans, means that it does not intend to borrow any monies, except for short term cash flow purposes for revenue and capital commitments.

The generation of investment income to support the Council's spending plans is an important, but secondary objective. Other than income from the Council's investment in the Local Authority property Fund or other long term pooled funds, returns are generally used to fund one-off expenditure or capital investment.

Treasury Management Strategy Statement

The Council's priority is the security and liquidity of its Treasury investments in accordance with the priorities set out in the CIPFA Code and MHCLG Guidance. Whilst fundamentally risk averse, the Council accepts some modest degree of risk within the limits and counterparty restrictions set out in its Treasury Management and Investment Strategy and risk appetite statement

In December 2017 the Chartered Institute of Public Finance and Accountancy's Issued '*Treasury Management in the Public Services: Code of Practice 2017 edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year.

The Ministry for Housing, Communities and Local Government (MHCLG) updated its guidance on Local Authority Investments in January 2018 (the Guidance). Paragraph 21 of the Guidance makes it clear that, except for the requirement to prioritise Security, Liquidity and Yield in that order of importance, treasury management investments are managed within the principles set out within the CIPFA Code.

The Council's TMS Statement is underpinned by the CIPFA Code and Treasury Management Practices (TMPs) which provide prescriptive information as to how the treasury management function should be carried out.

In accordance with current MHCLG guidance, the Council will be asked to approve a revised Treasury Management Strategy should the assumptions on which this report is based change significantly. Such circumstances may include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balances.

Treasury Management and Investment Strategy 2020-21

Treasury Investments

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

As at 18 December 2019, the Council held £89.1m of investments as set out in table 1 below

Table 1: Investment Portfolio Position – 18 December 2019.

Investments	£m	Annualised Return %*
Short term Investments (cash, call accounts, deposits)	41.0	0.86
Money Market Funds	18.8	0.76
Total Liquid Investments	59.8	0.82
Pooled funds – Local Authority Property Fund (LAPF)	10.0	4.40
Pooled Funds – Other	19.3	3.72
Total Treasury Financial Investments	89.1	1.86
Commercial Property Investments	15.0	6.4**
Service Investments	0.8	n/a**

**returns are based on income only. Money market returns as at 30 September 2019*
*** based on latest complete financial year and value as at 31-3-2019*

These investments are expected to fall over the next few months due to the Council's ongoing capital programme and reduced local taxation receipts in February and March 2020. The Council's latest finalised resource projection indicates the following movements in resources, including funds available for investment, over the medium term.

Table 2: Resource projection to 31 March 2024 (£m)

	2019 Actual	2020	2021	2022	2023	2024
Usable Reserves:						
• Earmarked and specific	8.2	6.5	6.5	6.5	6.5	6.5
• New Homes Bonus	13.2	15.0	12.8	9.4	9.1	8.9
• Asset Replacement	7.2	5.6	4.2	4.2	4.2	4.1
• Capital receipts reserve	1.7	1.0	3.5	4.3	4.3	4.4
• General Fund	15.3	14.5	14.5	13.6	13.6	13.5
Grants and contributions						
• Commuted payments (s.106)	5.1	4.5	4.4	4.4	4.4	4.4
Community infrastructure Levy	6.1	9.0	9.6	4.3	-	1.2
Working Capital	8.2	4.0	4.0	4.0	4.0	4.0
Total Resources	65.0	60.1	59.5	50.7	46.1	47.0
Internal investments	47.0	25.1	24.5	15.7	11.1	12.0
External Investments	18.0	35.0	35.0	35.0	35.0	35.0
Total Investments	65.0	60.1	59.5	50.7	46.1	47.0
Capital financing requirement (CFR)	-	-	-	-	-	-
External Debt	-	-	-	-	-	-

The above figures are based on the Councils latest resource projections and include assumptions about timing of transactions that may differ from actual delivery

The Council’s operational boundary and authorised debt ceilings are set out in tables 6 and 7 and are set at a level that will accommodate possible short-term working capital requirements or any financial lease liabilities that will be recognised following the adoption of IFRS16 on 1 April 2020.

CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that the Council’s total debt should be lower than its highest forecast CFR over the next three years. As the Council does not expect to incur any debt (other than for temporary cash management purposes) over the next three years, table 2 demonstrates that the Council expects to comply with this recommendation.

Risk Appetite Statement

As a debt free authority the Council's highest priority in its treasury management function is the security of those investments in accordance with the priorities set out in the CIPFA Code. However, whilst fundamentally risk averse, the Council will accept some modest degree of risk

The use of different investment instruments and diversified high credit quality counterparties along with country, sector and group limits, as set out in this Strategy, enables the Council to mitigate the nature and extent of any risks.

Relevant risks are described in Treasury Management Practices (TMP) 1.

When investing surplus cash, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities, but may invest in other bodies including certain unrated building societies, money market funds. The Council may also invest surplus funds through tradable instruments such as gilts, treasury bills, certificates of deposit, corporate bonds and pooled funds. The duration of such investments will be carefully considered to limit that risk of them having to be sold (although they may be) prior to maturity, mitigating the risk of the capital sum being diminished through price movements.

Proportionality

The Council currently builds the following sources of income from investments into its base budget as these sources of income have demonstrated an ability to provide a constant, predicable return over the medium term. The figures are presented here are a proportion of net cost of Council services.

Table 3: Proportionality of Investments

	2017-18 Actual	2018-19 Actual	2019/20 Budget	2020/21 Budget
Net Cost of services £m	18.7	20.0	18.9	20.4
Commercial property income £m	0.7	1.0	1.0	1.0
Proportion %	3.7	5.0	5.3	4.9

Net Cost of Services is as presented in the Council's annual financial statements. Income from Commercial properties is gross. In accordance with professional best practice the Council does not formally value rental income streams further than 12 months in advance.

Income from commercial properties is expected to remain below 10% of the Council's net cost of services.

In setting this reporting threshold the Council does not intend for it to prevent the Council charging market rents or lending at market interest rates. If at any point this warning limit is exceeded, a report on the risk to the Council's overall revenue budget will be made to the Council's Corporate Governance and Audit Committee and to the Cabinet.

To mitigate the risk on front line services should commercial investments not achieve planned returns, the Council prepares its 5 year financial strategy in-line with a series of key principles. The key principles are set out in an appendix to the Council's financial strategy and are available online via the published papers for the Council's Corporate Governance and Audit Committee and Cabinet.

In accordance with current MHCLG guidance, the Council will be asked to approve a revised strategy should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the market value of the Council's investments.

Treasury Investments and Borrowing

In line with the Council's Treasury Management Policy Statement, treasury management includes all the activities necessary for:

1. Cash management,
2. Liquidity planning and control; and,
3. Corporate finance, including medium and long term financing and investing.

Successfully identifying, monitoring and controlling risk is the cornerstone of effective treasury management, although the Council acknowledges that effective treasury management also supports the achievement of business and service objectives.

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities lead to a cash surplus which is invested in accordance with the CIPFA Code.

The balance of treasury management investments is expected to fluctuate between £60m and £90m during the 2020/21 financial year. The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

The Council does not intend to borrow any monies, except for short term cash flow purposes for revenue and capital commitments.

UK exit from the European Union

The Council has prepared for the impact of the UK's exit from the European Union by increasing the proportion of its portfolio invested with UK Local Authorities. Should liquidity need to be repatriated from EU based money market funds, the Council expects to deposit this with the Government's Debt Management Office (DMO) or UK domiciled banks during any period of uncertainty.

Any decision to repatriate funds will be made by the Council's section 151 officer following consultation with the Council's Treasury Advisor.

Investment Objective

The Council's objective when investing money is to comply with the principles stated in this strategy document, striking an appropriate balance between risk and return in line with the Council's risk appetite statement.

Counterparty limits

The Council may invest its surplus funds with any of the counterparties in table 4 below, subject to the cash limits (per counterparty) and time limits shown.

Table 4: Approved Investment Counterparties

Sector Limits/ Credit Rating	Banks Unsecured[1] £30m	Banks Secured[1] Unlimited	Government Unlimited	Corporates £10m
UK Govt.	n/a	n/a	£ Unlimited 25 years	n/a
AAA	£3m 5 years	£6m 10 years	£6m 10 years	£3m 10 years
AA+	£3m 5 years	£6m 7 years	£6m 7 years	£3m 7 years
AA	£3m 4 years	£6m 5 years	£6m 5 years	£3m 5 years
AA-	£3m 3 years	£6m 4 years	£6m 4 years	£3m 4 years
A+	£3m 2 years	£6m 3 years	£3m 3 years	£3m 3 years
A	£3m 13 months	£6m 2 years	£3m 2 years	£3m 2 years
A-	£3m 6 months	£6m 13 months	£3m 13 months	£3m 13 months
UK Local Authorities			£6m 10 Years	
None (excludes	£1m 6 months	n/a	n/a	n/a

pooled funds)				
Pooled Funds	£6m per money market fund (MMF), subject to a maximum of 0.5% of MMF fund value and a total limit of £24m across all MMF £6m per pooled investment fund, to a maximum of £30m (excludes the Local Authority Property Fund). £10m in the Local Authority Property Fund			
Real Estate Investment Trusts	£2m per REIT to a maximum of £4m overall			

- ***Service and commercial investments will be subject to individual, separate risk assessment and are considered separately in this strategy.***
- ***No maximum investment period is set for pooled funds and REITs as they are intended to be for the long term.***

This table must be read in conjunction with the detailed notes below and the limits stated in table 5

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from leading credit rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Real estate investment trusts (REIT): Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Operational bank accounts

The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.5m in total across all operational accounts.

Banks Secured

Covered bonds and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is a generally a lower risk of insolvency, although they are not risk free.

Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following a credit assessment as part of a diversified pool in order to spread the risk widely.

For corporate bonds, the limits referred to in table 4 will apply to the sum of bond principal (par value) and any premium or discount paid to acquire the bond in the secondary market. The limit will exclude the accrued interest element paid to secure a secondary bond as this is recoverable on maturity of the Bond.

Pooled Funds

Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Where investments in pooled funds or other financial assets have prices or values that can vary according to fund performance and other factors, the investment limits in table 5 will operate to regulate the initial purchase cost (total initial investment) only.

Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in the ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

If in the case of a decision to recall or sell an investment at a cost which is over the approved virement limits, the Council's urgent action procedure in its Constitution would be invoked by officers.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn in a timely manner will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions, and advice from the Council's Treasury advisor. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Business model for holding investments

The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash-flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

2nd European Union Markets in Financial Investments Directive

The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this is considered to be the most appropriate status.

Negative interest rates

If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less that the amount originally invested.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Corporate Services believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Introduce Ethical, Social and Governance (ESG)	Unknown and would depend on investments	Increased risk that we would be unable to find

factors into investment decisions	made	sufficiently secure counterparties to spread risk, leading to increased risk of loss. This would contravene investment Regulations issued by the MHCLG requiring security to be given highest priority.

Treasury Investment Limits

The Council sets limits on the totals to be invested in any one single entity, group of entities, or investment type. These are set out in Table 5 and apply to all treasury investments.

The Council's uncommitted revenue reserves available to cover investment losses are forecast to be £36.0m on 31st March 2020. These uncommitted reserves include the following items; General Fund Balance, earmarked revenue reserves and New Homes Bonus, as set out in table 2.

To limit the proportion of available reserves which will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and LAPF) will be £6 million (being significantly less than 25% of available reserves). A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts, foreign countries and industry sectors as set out in Table 5 . Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 5: Treasury Investment Limits

Institution/ Sector	Cash limit
Any single organisation, except the UK Central Government and the LAPF	£6m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£6m per group
Pooled funds (excluding MMF and LAPF) under the same management	£6m per manager (other than the Local Authority Property Fund), to a maximum of £30m in total
Negotiable instruments held in a broker's nominee account	£10m per broker

Institution/ Sector	Cash limit
Foreign countries	£6m per country
Unsecured investments with Building Societies	£6m in total
Loans to unrated corporates	£2m in total
Money Market Funds	£6m per money market fund (MMF), subject to a maximum of 0.5% of individual MMF fund value and £24m in total
Property Funds (1)	£10m in total
Real Estate Investment Trusts	£2m per REIT with £4m in total across all REITs

The limit on Property Funds or REITs in table 5 does not apply to any element of a multi-asset pooled fund which is subject to the separate limit under 'Pooled funds'

Liquidity Management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast. To ensure adequate liquidity is maintained, 'worst case' estimates of cash flows are used when considering the Council's medium term investment position.

Borrowing

The Council is currently debt-free and has no borrowing other than that which might occur as part of routine working capital management. Under the Council's current resource projections, there are no plans to borrow to finance new capital expenditure over the medium term but this remains an option if deemed to be prudent.

If it considers it necessary to borrow money, the Council's chief objective will be to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Short term internal borrowing (for schemes that pay back within the 5 year time frame of the capital programme) can be accommodated without incurring external interest charges, provided the resulting savings are recycled into reserves.

Longer term pay back periods will have to accommodate both the external interest and a minimum revenue provision (MRP) in accordance with the Council's MRP policy.

Borrowing would add pressure on the revenue budget as MRP and interest would become payable. The capacity to make these payments would need to be identified in advance, namely the further efficiency savings generated by the investment in the assets.

Borrowing Sources

The Council may need to borrow money in the short term to cover unexpected cash flow shortages from the following approved sources:

- PWLB and any successor body
- Any institution approved for investments
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the West Sussex Pension Fund)
- Any other UK public sector body

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Sale and leaseback

The Council will, where possible, take advantage of the 20 basis points (0.20%) reduction in borrowing costs available from the Public Works Loan Board (PWLB) to those authorities who provide information on their plans for long-term borrowing and associated capital spending.

Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. If these limits are breached in-year, this will trigger an exception report explaining the circumstances of the breach to Cabinet.

The limit for 'other long term liabilities' includes the Council's best estimate of finance lease liabilities that may be recognised following adoption of IFRS16 on 1 April 2020.

Table 6: Operational boundary for external debt

Operational Boundary	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Borrowing	10	10	10	10	10
Other long-term liabilities	2	3	3	3	3
Total Debt	12	13	13	13	13

Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe.

The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 7: Authorised limit for external debt

Authorised Limit	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Borrowing	20	20	20	20	20
Other long-term liabilities	5	5	5	5	5
Total Debt	25	25	25	25	25

Non-Treasury Investments

The Authority may purchase assets for investment or service delivery purposes and may also make loans and provide guarantees for service and other purposes.

The overall amount that can be committed to investments of this type will be limited by adherence to the Council's overall key financial principles approved for the relevant financial period.

Commercial Investments

The Council may invest in commercial opportunities with the intention of making a profit that will be spent on local public services.

To provide specific guidance on the enhanced scrutiny and assessment of risk required, the Council has approved an investment opportunities protocol. All decisions to make commercial investments will comply with this protocol.

The Council's investment opportunities protocol requires that:

- Acquisitions should be within the District Council's area, or sufficiently close by to be easily managed
- Priority is given to acquisitions which achieve a community or economic benefit and strengthen the local economy
- The acquisition provides an acceptable rate of return for the additional risk taken on, and will not increase the Council's ongoing revenue costs in the longer term

Where necessary, specialist advisers are employed to provide advice and act for the Council for specific transactions.

Security

The Authority will assess the risk of loss before entering into and whilst holding commercial investments by undertaking due diligence in accordance with the Council’s protocol on investment opportunities.

In accordance with the Guidance, the Council assesses security for investment properties as maintaining the fair value of the investment property portfolio above the purchase price paid.

A fair value assessment for all commercial investments held by the Council has been undertaken within the last 12 months. Of the six properties owned by the Council for investment purposes, their total market value was assessed at £15m on 31 March 2019, significantly above the total initial purchase cost.

Within this, three of the properties had a fair value that was below the initial purchase cost. The estimated unrealised loss for two is £34,000 each, equivalent to 2% of their fair value. For the final property, the unrealised loss is £207,000 or 5% of the purchase cost.

Whilst it is possible that the fair value of these investment properties would not provide security against loss this would only occur if the Council were forced to sell these properties. Property is a long term asset and the Council only invests once it is satisfied that the asset can be held over a period longer than 5 years and does not borrow to fund the purchase.

The Council is satisfied that the true market value of these properties provides adequate security for the investment of public funds.

Liquidity

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. Because of this, the Council only invests in non-treasury assets where strategic forecasts indicate the asset can be held over an appropriate timeframe.

The Council does not borrow to finance non-treasury investments and therefore has no need to generate cash to repay borrowing. It recognises that unforeseen events can occur and maintains both a short term and medium term (five year) cashflow forecast which it expects will give the Council sufficient notice of any need to liquidate any non-treasury investments.

The Council also holds significant cash and short term investment balances at any one time.

Service investments

The Council may choose to make loans or provide guarantees to local enterprises, local charities and other entities as part of a wider strategy for local economic growth and to support its Corporate Priorities.

The Council manages the risk of any loan and guarantee by ensuring that total exposure is proportionate to the Council's revenues and revenue reserves to ensure that there is adequate cover in the event of a default or call on the guarantee.

Where service loans are made, or loan facilities agreed, the total exposure will be limited to the funding approved for this purpose in advance by the Council's Cabinet.

The Authority has guaranteed the possible pension liabilities associated with TUPE and other transfers of staff from public to private sector where staff have remained within the Local Government Pension Scheme (LGPS). The provision of this guarantee was a requirement of the LGPS administering body and the risk is mitigated by a bond which is intended to cover all but the most extreme likely financial exposure.

The decision to provide any loan or guarantee will be determined in accordance with the governance arrangements established by the Council's Constitution.

Non-Specified Investments

From 2018, the additional monitoring requirements for non-specified investments are only applicable to non-treasury investments as per paragraph 21 of the Guidance. The Council has a number of long term treasury investments that have previously been classified as non-specified investments but are now considered to be outside the scope of this requirement.

The Guidance defines non-specified investments as any non-treasury investment that does not meet the following criteria:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+.

If the need arises to make a non-specified investment, this will comply with the investment upper limits both individually and cumulatively specified in this investment strategy in table 8, below.

Table 8: Non-Specified Investment Limits

Limits (excluding Treasury Investments)	Cash limit (£m)
Total medium and long-term investments	20
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	20
Total non-specified investments	30

For clarity, these limits do NOT apply to Treasury Investments.

Risk exposure indicators

The Council measures and manages its exposures to investment risk by employing the indicators below.

Treasury Management Indicators

The Council will use the voluntary measures set out below to measure its exposure to risk

Security and credit risk

Table 9: Security risk indicators

Measure	Target
Average Credit Score (time-weighted)	Less than the average of other District Councils (AAA=1, D=24)*
Average Credit Rating (time weighted)	Maintain below the time weighted average of other District Councils
Proportion Exposed to Bail-in (%)	Less than the average of other District Councils
Fair Value of external funds	Overall positive fair value (market value less purchase consideration) over any rolling three year period

Liquidity

Officers will continue to manage the Council's treasury management investments ensuring that sufficient cash is available to accommodate known payments. In the unlikely circumstance that a large unexpected cash payment is required and the Council does not have sufficient liquidity immediately available, the Council will use its facility to borrow temporarily for cash management purposes.

Table 10: Liquidity risk indicators

Measure	Target
Proportion of investments available within 7 days (%)	Compare and explain against District Council average
Proportion available within 100 days (%)	Compare and explain against District Council average

Average days to maturity	Compare and explain against District Council average

Maturity Structure of Borrowing

As the Council is debt free it currently holds no fixed long term borrowing for which a maturity profile exists.

Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments in response to adverse economic or market conditions or credit rating downgrades.

Table 11 sets out the upper limit for each forward financial year period for the maturing of investments for periods longer than 364 days up to their final maturities beyond the end of the financial period

Table 11: Limits on investment periods (£m)

	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	50	50	50

Monitoring the Council's exposure to market and economic risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments, although the effects on the Council of such movements are not considered to be material as the majority of sums invested are at fixed interest rates for short periods. Of much more significance is the risk of property price movements and interest rate risk relating to the Council's investment in external pooled funds.

To measure the significance of these risks, the Council calculates the effect of a 1% change in interest rates and a 5% change in property prices on the Fair Value of the external funds when preparing its Statement of Accounts.

It will compare these figures against the individual counterparty limits set out above in table 4, which are seen as representative of a measure of the maximum amount that the council is willing to risk.

A Treasury exception will be reported to Cabinet where the interest rate risk exceeds 50% the Council's individual Counterparty limit (£3m).

For comparison, as at 31 March 2019, the position was as follows.

Table 12: Exposure to economic risk (£m)

	1% change in Interest rates £m	5% change in equity prices	5% change in property prices
Long term deposits (£3m)	0	0	0
Pooled funds (£17.5m)	0.05	0.05	0.5

Non- Treasury Investments Indicators

The Council will use the voluntary measures set out below to measure its exposure to risk associated with non-treasury investments

Table 13: Non-Treasury investment risk indicators

Measure	Risk/ Measure
Commercial income to net service expenditure (NSE)	This indicator measures the Council's dependence on income from its commercial investments to deliver core services.
Net operating surplus	This indicator measures the contribution received from the investment portfolio at a net level (income less costs) over time.
Vacancy levels and tenant exposure	Monitoring vacancy levels (voids) to ensure the property portfolio is being managed productively.
Exposure to credit default events for loans made	This will measure the Council's exposure to loss through default for non-treasury loans made to third parties.
Market Value of commercial properties	This indicator will track the Council's ability to recover its investment in any commercial investment should the need so arise

Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment of Money Borrowed in Advance of Need

Although not envisaged at this stage, the Council may, exceptionally, borrow in advance of need, where this is expected to provide the best long term value for money. Any borrowing in advance of need will comply with the MHCLG Guidance.

Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit as set out in table 7. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Investment Training

To address the training need of members, training will be provided to members of both Cabinet and the Corporate Governance and Audit Committee in advance of them considering the forthcoming year's strategies.

Member and officer training is an essential requirement in terms of understanding roles, responsibilities and keeping up to date with changes and in order to comply with the CIPFA Treasury Management Code of Practice.

The training needs of the officers involved on treasury management are identified through the annual performance and development appraisal process, and additionally when the responsibilities of individual members of staff change. Staff attend relevant training courses, seminars and conferences.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Staff involved in non-Treasury investments and commercial property purchases attend training, Continuing Professional Development and networking events and generally follow the market to keep abreast of current trends and values. The Team is represented at meetings of ACES (Association of Chief Estates Surveyors and Property Managers in the public Sector) which provides a forum for networking and sharing property information.

Investment Advisers

The Council currently contracts with Arlingclose Limited as its treasury management adviser and receives specific advice on investment, debt and capital finance issues. However, responsibility for final decision making remains with the Council and its officers. The contract runs until 30 June 2022.

The quality of this service is controlled and monitored against the contract by the Financial Services Divisional Manager.

Property Investments are undertaken in accordance with the Investment Opportunities Land and Property protocol. Investment advisors are appointed on a risk basis.

Reporting

Treasury investments

The Council/Cabinet will receive as a minimum:

- An annual report on the strategy and plan to be pursued in the coming year and on the need to review the requirements for changes to be made to the Treasury Management Strategy Statement.
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, by 30th September in the next financial year, including any circumstances of non-compliance with the organisation’s treasury management policy statement and Treasury Management Practices.

The body responsible for scrutiny of treasury management policies and practices is the Corporate Governance and Audit Committee. Monitoring reports on Treasury performance and compliance with this strategy will be prepared and presented to this Committee as a minimum for the half year to September and the full year to March.

The Leader of the Council, the Cabinet Member for Corporate Services and the members of the Corporate Governance & Audit Committee receive weekly monitoring reports of the investments held. Corporate Governance & Audit Committee will receive half yearly monitoring reports.

Non-Treasury Investments

For commercial investments, the Council's Commercial Board and Cabinet will receive reports on performance and risk each year. Approval for investments and reporting on them, will be in line with the Council's protocol on investment opportunities.

For service investments, the reporting process will comply with the Council's Constitution on a case by case basis.

Appendix A – Economic and interest rate forecast – November 2019

This summary has been provided by Arlingclose Ltd

Economic background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

Credit outlook

Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast

The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

Capital Strategy 2020/21 to 2024/25

Contents

Introduction

This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the council.

Our Strategic Aims & Objectives

The Council's Corporate Plan was approved on 23 January 2018 and runs until 31 March 2021. The Council's priorities over this period are to:

- Improve the provision of and access to suitable housing.
- Support our communities.
- Manage our built and natural environments to promote and maintain a positive sense of place
- Improve and support the local economy to enable appropriate local growth
- Manage the council's finances prudently and effectively

Each of these priorities is underpinned by several objectives, setting out what the Council aims to achieve. Below these objectives sit further, more specific, actions the council will undertake and, where appropriate, these are accompanied by specific, measurable targets.

The council has a 5 year medium term financial strategy and a 5 year capital programme (with 5 year revenue implications) that links the estimated available resources directly to the corporate priorities. Annual reviews occur as part of the budget process and Council makes amendments in the light of revisions to the Community Plan and the Performance Plan following detailed consultation with the public and partners.

Beneath these overarching documents, the Capital Strategy and the Council's Asset Management Plan (AMP) provide the policy framework for the operational work of asset management, asset acquisition and disposal.

Approval process

The Council approves a capital programme on recommendation from the Council's Cabinet. This programme consists of significant projects that qualify as capital expenditure and a planned programme of scheduled asset replacements (ie; the Asset Replacement Programme or ARP).

The Council follows the following key principles in determining its capital priorities:

1. All key decisions of the Council should relate back to the Corporate Plan
2. The revenue budget and capital programme must remain balanced and sustainable over a rolling 5 year period.
3. The Council will not use its reserves to fund ongoing services.
4. Savings in the revenue budget or external funding are identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved.

Cabinet is responsible for the acquisition, management, maintenance and disposal or letting or all Council properties together with review and implementation of the Council's Asset Management plan and this Capital Strategy. The Director of Growth & Place has delegated authority to let, manage, repair and maintain properties.

The Directors of Corporate Services and Growth and Place are responsible for providing professional advice to Cabinet and Council in the discharge of these functions, with the Director of Corporate Services being responsible for making arrangements for raising and repaying loans as necessary and overall treasury management of funds until they are needed.

Our Assets

The Council's asset base at 31 March 2019 was

Total Assets £227m

Property, Plant & Equipment	Investment Property	Other Long Term Assets	Current Assets
£125m	£15m	£29m	£58m

Capital Programme

In 2019-20 the Council is planning to spend £13.8m on capital assets. This is part of an overall planned programme of £55.2m in the period 2019-20- to 2024-25,which includes the following major schemes

Table 1: Approved capital programme and major schemes 2019-20 to 2024-25 £m

Capital Expenditure	2019-20 Projected	2020-21	Later	Total
Total approved spend**	13.8	15.7	25.7	55.2
Major schemes				
St James Industrial Estate	0.1	2.0	3.1	5.2
Southern Gateway	4.3	-	-	4.3
New Homes Bonus allocations	0.4	2.3	4.1	6.8
Disabled Facilities grants	1.9	1.4	5.4	8.7
Affordable and Community led Housing	1.2	1.4	1.8	4.4
Infrastructure Business plan: School Places	-	1.2	2.4	3.6
Infrastructure Business Plan: Southern Gateway	-	-	4.0	4.0
Infrastructure Business Plan: Sustainable Transport Corridor	-	0.5	0.5	1.0
Infrastructure Business Plan: Medical Centre West Chichester	-	1.7	-	1.7
Infrastructure Business Plan: Westhampnett Waste Transfer Station	-	2.5	-	2.5
Infrastructure Business Plan: Area Wide Parking Management	-	0.5	0.2	0.7
Asset Replacements	3.3	2.8	5.7	11.8

*** 2020-25 draft programme*

Affordability

The Council recognises that, due to its nature, the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable. The Council's resource projection at December 2019 is shown below.

Table 2: Resources available to finance our Capital programme (£m)

Resources 2019-20 to 2024-25		Total
Expected Available reserves 31 March 2019		45.9
New Resources expected in period		
- Capital receipts		7.9
- Interest		1.6
- Contribution to asset replacement fund		8.4
- New Homes Bonus		2.2
- External income, including CIL		24.4
- Other sources		3.8
Less		
- Minimum level of reserves		(6.3)
- Reserve commitments- revenue		(8.2)
- other commitments		(1.0)
- Approved capital projects	(43.4)	
- Current Asset replacements	(11.8)	
- Total approved spend		(55.2)
Available Resources		23..5

Tables 1 and 2, taken together demonstrate that the Council currently expects to be able to fully fund its approved capital and asset replacement programmes from existing and expected resources. Fully funding our capital programme and asset replacement programme from our own resources means that the Council also expects to remain debt free over this period.

The main risk managed by the Council is that the expected resources shown in the table above will not be received, or will be received significantly later than forecast.

The receipt of capital resources is closely monitored by the Council's Finance and Estates teams, Commercial Board and is regularly reported to the Portfolio holder for Corporate Services and to Cabinet. An annual statement on resource projections against capital needs is included with the Council's financial strategy that is presented each year to full Council for approval.

Guidance issued by the Government requires all Councils to be transparent where they plan to use capital receipts flexibility to part fund individual projects. As the Council currently makes significant revenue contributions to fund its capital programme, the Council presently does not intend to make use of this flexibility.

The Director and Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable and this is set out in more detail in the Council's 5 year financial strategy.

Other major future developments

The capital strategy recognises the impact of future projects not presently included in the Council's capital programme, but which have a potentially significant impact on Council resources.

One such project is the Southern Gateway and further information about this is available on the Council/s website, https://www.chichester.gov.uk/southerngateway.

The Council is also evaluating options to improve one of its industrial estates, and to expand the provision of accommodation for homeless within the District. Both projects are subject to ongoing design and evaluation work that will extend into 20-21.

Managing our assets

To ensure that capital assets continue to be of long-term use, the Council has an asset management Plan (AMP) which provides the policy framework for the operational work of asset management, asset acquisition and disposal.

Asset Replacement

The Council recognises that it is not sufficient to simply provide for the initial purchase cost of capital assets. Investment in assets requires a long-term view to be taken of the cost of those assets across their entire lifespan.

The Council's revenue budget incorporates repairs and maintenance to council buildings, removing dependency on reserves to fund what is a recurring revenue cost. Commercial investments are let on fully repairing and insuring lease terms to protect the Council's assets.

Other lifecycle costs for all Council assets are forecast for 25 years and included in the Council's approved Asset Replacement Programme (ARP). An annual contribution from the Council's revenue budget to fund this programme is made equating to approximately one 25th of the projected total ARP cost.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account and where it is economical to borrow in advance of spend.

In managing these funds, the Council has adopted the following risk statement

> "The Council's priority is the security and liquidity of its Treasury investments in accordance with the priorities set out in the CIPFA Code. Whilst fundamentally risk averse, the Council accepts some modest degree of risk within the limits and counterparty restrictions set out in its Treasury Management and Investment Strategy."

This means that, when investing its surplus cash, the Council does not limit itself to making deposits only with the UK Government and local authorities, it can, and does, invest in other areas such as money market funds and tradable instruments such as corporate bonds and pooled funds. The duration of such investments is always carefully considered to limit that risk of them having to be sold (although they may be) prior to maturity, mitigating the risk of the capital sum being diminished through price movements.

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council. Half yearly on treasury management activity are presented to the Corporate Governance and Audit Committee and Cabinet.

Investments

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. The Council's business model for holding treasury investments is designated as 'hold to collect', in that that Council holds these financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. However, there is no absolute requirement that financial assets are always held until their maturity in all circumstances.

The Council prioritise security and liquidity over yield in holding Treasury investments. That is, it focusses on minimising risk rather than maximising returns.

Cash that is likely to be spent in the near term is invested securely to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments can be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 3: Forecast treasury management investments in £m (31 March)

	2020	2021	2022	2023	2024
Near-term investments	25.3	24.7	15.8	11.2	12.1
Longer-term investments	35.0	35.0	35.0	35.0	35.0
TOTAL	60.3	59.7	50.8	46.2	47.1

These figures do not account for any delays in timing of capital payments. Delays generally increase the available cash balances temporarily above forecast levels.

Borrowing

The Council is currently debt-free and has no borrowing other than that which might occur as part of routine working capital management. Under the Council's current resource projections, there are no plans to borrow to finance new capital expenditure over the medium term, except for any finance lease liabilities that could be recognised following the adoption of IFRS16 from 1 April 2020.

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow to fund capital expenditure. The Council currently has a zero CFR and expects this to continue throughout the period to 31 March 2025, although our projections below incorporate some headroom for potential for borrowing should the need arise.

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each of the following three financial periods. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 4: Proposed Operational and authorised limits for borrowing (£M)

	2020/21	2021/22	2022/23	2023/24
Operational Boundary – borrowing	10	10	10	10
Operational Boundary– PFI and leases	3	3	3	3
Operational Boundary– total external debt	13	13	13	13
Authorised Limit – borrowing	20	20	20	20
Authorised Limit– PFI and leases	5	5	5	5
Authorised Limit– total external debt	25	25	25	25

Further details on borrowing are contained in the Council the treasury management strategy: http://www.chichester.gov.uk/article/24169/Treasury-Management-Strategy. The limits in this table are provisional until the 2020-21 strategy is approved by Full Council.

Liabilities

Decisions on incurring new discretionary liabilities are taken by Divisional Managers in consultation with Director of Corporate Services and within the limits established by the Council's Constitution and Treasury and Investment strategy. The risk of liabilities crystallising and requiring payment is monitored by financial services.

Further details on liabilities, contingent liabilities and guarantees are can be found in the Council's statement of accounts: http://www.chichester.gov.uk/statementofaccounts

Interest Rate Exposures

The Council is not exposed to risk associated with the maturity structure of borrowing, but recognises that its Treasury investments are subject to risk from movements in interest rates. The Council manages this risk by ensuring an appropriate mix of short term fixed and variable rate investments and a portfolio of external investments in pooled funds.

Impact on Council tax

Although capital expenditure is not charged directly to the revenue budget, a Minimum Revenue provision (MRP) is charged to revenue, offset by any investment income receivable. MRP charge is a set aside from council reserves to ensure that borrowing can be repaid when due and the overall net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

As the Council is, and expects to remain, debt free, the Council is not required to make a charge to revenue to finance debt (minimum revenue provision).

Further details on the revenue implications of capital expenditure are published with the Council's revenue budget which is considered each year by Cabinet and Full Council.

Service investments

The Council has made a very limited number of loans to assist local public services and residents, the majority for housing renewal purposes.

The Council has also agreed to provide up to £2m funding to a public sector body to facilitate a major redevelopment scheme. This funding is repayable within the next three years and is subject to a formal funding agreement signed by both parties.

Some loans have been made to members of staff for transport purposes. Decisions on minor loans are made by the relevant service manager in consultation with the Director of Corporate Services.

The total value of loans made by the Council to external third parties is disclosed on the Council's annual statement of accounts, although some loans have been treated as capital expenditure in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations.

Further details on service investments are within the Council's investment strategy, which is published with the Council's Treasury management strategy: http://www.chichester.gov.uk/article/24169/Treasury-Management-Strategy.

Commercial Activities

The Council's existing property portfolio generates income of approximately £3 million per year for the General Fund revenue account.

The majority of this income comes from properties held primarily to support the provision of local services, not to make a profit or for any appreciation in value. Examples of these activities include rents and licence fees from industrial units, commercial and industrial ground leases, shops, offices and other lettings to sports, community and voluntary organisations.

Only a small proportion of the assets involved are held because rental income and/ or capital appreciation were substantial factors in the decision to acquire or hold them. These are classified as 'investment properties' and disclosed in the Council's statement of accounts. These assets generate around £1m per annum in income which is used to support font line services.

General capital investment in commercial property is likely to take three main forms.

- Freehold or Long Leasehold Purchases
- Commercial development of property with the Council retaining ownership and receiving rental income.
- Partnerships where another party undertakes the development and the Council (as landowner) receives a proportion of the rental value.

Land and property acquisition and development is also a means of influencing regeneration and the economic development within the District. Therefore while one objective may be to increase the financial resources the Council has available, appropriate investment can also extend service delivery or provide community improvement generally.

For these reasons the Council has approved an investment opportunities protocol that gives priority to acquiring property in the Chichester District, albeit opportunities to acquire properties elsewhere are considered if a justifiable case exists for doing so.

The protocol also provides specific guidance on the enhanced scrutiny required, including:

- Acquisitions should be within the District Council's area, or sufficiently close by to be easily managed
- Priority is given to acquisitions which achieve a community or economic benefit and strengthen the local economy
- The acquisition provides an acceptable rate of return for the additional risk taken on, and will not increase the Council's ongoing revenue costs in the longer term
- Where necessary, Specialist advisers are to be employed to provide advice and act for the Council

The Council aims to acquire land and property for the longer term (10 years or more) to reap the benefit of sustained rental income and capital appreciation as land and property values recover from the effects of economic downturn in recent years.

There is a recognition that, in undertaking investments primarily for financial return, the Council needs to ensure that these decisions are subject to enhanced decision making and scrutiny as a result of the additional risk being taken on and the potential impact on the sustainability of the authority. The principal risk exposures in commercial property-based revenue strategy are:

- A downturn in the property market. This could lead to falling rents or higher vacancies, potentially meaning that the Council will need to find other sources of revenue, or reduce costs to balance its budgets. This scenario could also lead to falling property values, with a risk that the asset would be worth less than the purchase price.
- Government intervention to set limits on commercial activities. This would force the Council to react, which may be against the Council's long term interests.
- Lack of expertise in specialist areas, leading to poor acquisition decisions.

Investment purchases are evaluated using a scoring matrix approach, with a minimum score required of least 100 out of a maximum score of 168 (60th percentile). The score reflects, amongst other things, tenancy strength, tenure, occupiers lease length and repairing terms.

Decisions on commercial investments are made by Cabinet in line with the criteria and process set out in the Council's investment opportunities protocol.

For 2020-21 the Council has followed the recommendations of the Ministry of Housing, Communities and Local Government and included an indicator for the ratio of commercial income to net service expenditure in its investment strategy.

Further details on this and general risk management arrangements are contained in the Council's investment strategy and Treasury management strategy: http://www.chichester.gov.uk/article/24169/Treasury-Management-Strategy

Other long-term liabilities

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees do carry risks to the Council and as such, they are subject to separate risk mitigation procedures before they are entered into.

The only guarantees provided by the Council relate to possible pension liabilities associated with TUPE transfers of staff from public to private sector where staff have remained within the Local Government Pension Scheme.

In these circumstances the provision of a guarantee is a requirement of the Pension Fund. The financial risk of each guarantee is mitigated by a bond which is intended to cover all but the most extreme possible financial exposure.

Other than to cover mandatory requirement under the Local Government Pension Scheme, the Council does not expect to provide financial guarantees to, or on behalf of, any third party.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, both the Divisional Manager for Property & Growth and the Valuation & Estates Manager are chartered surveyors and registered valuers who jointly have over 33 years' experience

The Council currently employs Arlingclose Limited as Treasury Management advisers, and individual property consultants for cases where specialist property advice is required such as major development schemes. It has also elected where possible to be treated as a professional investor under the requirements of the 2nd European Union Markets in Financial Instruments Directive.

TREASURY MANAGEMENT PRACTICE NOTES

TMP 1 – RISK MANAGEMENT

General Statement

The Section 151 Officer will oversee the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk. The Section 151 Officer will ensure that reports are presented at least annually, on the adequacy/suitability thereof and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in this document and take into account the risk appetite statement in the Council's Treasury Management Strategy Statement, available via the following link:

http://www.chichester.gov.uk/article/24169/Treasury-Management-Strategy

This document is integral to the Council's treasury management practices and all staff involved in treasury management activities should familiarise themselves with its contents.

Overall approach

The Council has adopted a set of locally tailored risk indicators that it feels provides a balanced picture of the following risk areas

- Security and credit risk
- Liquidity
- Principal periods invested for greater than 364 days
- Exposure to market and economic risk
- Non-treasury investment risk

Each of these indicators is prescribed in the Council's annual Treasury and Investment Strategy and they will be monitored and reported in line with the procedures described in TMP6

[1] Credit and Counter party risk management

This risk is the risk of a third party failing to meet its contractual obligations (for example, to pay any investment money or interest back in full, on time)

Statutory guidance restricts the types of investments that local authorities can use and forms the structure of the Council's policy, which is contained in the Council's treasury management strategy.

The Council's key objective is to invest prudently, giving priority to security, then liquidity before yield.

The Council also has regard to the CIPFA publications Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance Notes and the sector specific guidance; Guidance Notes for Local Authorities including Police Authorities and Fire Authorities.

The Council ensures that its counter party lists and limits;

- reflect a prudent attitude towards organisations with whom funds may be deposited, and
- limit its investment activities to the instruments, methods and techniques referred to in TMP4 and in the Council's Treasury Management Strategy, published at the link above.

The Council also maintains a formal counter party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements. This is contained within the Council's Treasury management policy statement and approved each year by the Council.

Monitoring Investment Counterparties

The assessment of credit worthiness or credit rating of investment counterparties will be monitored regularly.

The Council obtains credit rating information from its treasury advisers who monitor leading credit rating agencies and notify the Council of any changes in ratings as they occur. This includes and takes account of changes, ratings watches and rating outlooks as necessary.

The Council has established counterparty limits by sector and credit rating and compliance with these limits is reviewed before any investment decision is made.

In considering credit rating, the lowest rating issued by Leading credit rating agencies is used, unless an investment-specific rating is available when this will be used.

The Council considers other possible sources of information available to assess the credit worthiness of counterparties. This includes information direct from brokers, news agencies and its treasury advisers monitoring the Credit Default Swaps (CDS) market.

On occasions ratings may be downgraded after an investment has been made, however, the criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest.

Any counterparty failing to meet the criteria or due to adverse information in the public domain, will be removed from the approved list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

[2] Liquidity Risk Management

This risk is the risk that cash will not be available when needed

The Council ensures it has adequate though not excessive cash resources, borrowing arrangements, overdraft facilities to enable it at all times to have a level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case and statutory authority for doing so and will only do so for the current capital programme.

To maintain flexibility and liquidity the Council determines a maximum amount of principal that can be invested for periods longer than 364 days and closely monitors known future cash demands. To ensure adequate liquidity is maintained, 'worst case' estimates of cash flows are used when considering the Council's medium term investment position.

The Council has also set an operational boundary for external debt that can be used on a short term basis for daily cash management purposes

[3] Interest rate risk management

This risk is the risk of fluctuations in interest rates creating unexpected and unbudgeted burdens on Council finances

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 (Reporting requirements and managing information arrangements).

The effects of varying levels of inflation, so far as they can be identified, will be controlled by the Council as an integral part of its strategy for managing its exposure to inflation.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, to create stability and certainty of costs and revenues, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

To achieve this objective the following specific policies are followed:

- maintaining the Council's debt free position and undertake no new borrowing unless the business case is proven for 'invest to save' projects
- retaining an appropriate minimum level of reserves in order to maintain flexibility in the use of interest earned from deposits
- lending surplus funds only to approved counterparties as specified by the Council's Treasury Management Strategy
- minimising short term borrowing by efficient cash flow management
- ensuring that the use of any hedging tools such as derivatives are only used for the management of risk and prudent management of the financial affairs of the council, as set out in the Council's Treasury Management Strategy

[4] Exchange rate Risk Management

The Council does not invest in foreign denominations but does occasionally make payments to foreign suppliers. In so doing we will manage our exposure to fluctuations in exchange rates to minimise any detrimental impact on budgeted income expenditure levels.

Any large contracts let by the Council must be denominated in £Sterling and the Section 151 Officer consulted on any proposed departure from this policy.

[5] Refinancing risk management

The Council ensures that any borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies are managed, with a view to obtaining offer terms for renewal or refinancing, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationship with counter parties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

[6] Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements.

It will demonstrate such compliance if required to do so, to all parties with whom it deals in such activities. In framing its credit and counter party policy the Council will ensure that there is evidence of counter parties' powers, authority and compliance in transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council manages the risk of 'Bail-in' by limiting its exposure to unsecured deposits and also by specifying counterparty investment limits. See TMP4 for further information.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, in so far as it is reasonable to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] Fraud error and corruption, and contingency management

The Council ensures that it has identified the circumstances that may expose it to the loss through fraud, error, corruption or other eventualities in its treasury management dealings. It employs suitable systems and procedures and maintains effective contingency management arrangements, to these ends.

The Council's treasury management system is considered sufficiently resilient to contingencies as it is a hosted solution operated by Logotech. Data is backed up to off-site servers operated by the software supplier.

The Council has a business continuity plan and key functions, including cash management and payments are included in that plan

[8] Fair value risk management

The Council is able to invest in variable Net Asset Value Instruments, or instruments that are revalued to Fair Value each accounting period, subject to the risk management provisions below

For the main classes of such instrument, the risk to security of the principal sum involved are managed as follows

Investment	Risk	Mitigating actions and risk management
Money Market Funds	These funds are likely to be Low Volatility Net Asset value funds	Exposure is limited by restrictions on the total invested in any single Money Market fund and across all funds.
External Pooled funds, including the Local Authority Property Fund	We may incur a loss to the Council's General fund balances if the Fair Value of these investments falls	The Council's investment in external pooled funds (including the Local Authority Property Fund) is limited by the Council's annual Treasury strategy. The Council carefully selects mixed asset and diversified funds to reduce the potential for volatility of capital values. The potential exposure to movements in fair values is considered in determining the adequacy of the Council's revenue reserves.

Appendix 5 – Treasury Management Glossary (updated December 2019)

Amortised Cost Accounting	Values the asset at its purchase price, and then subtracts the premium/adds back the discount linearly over the life of the asset. The asset will be valued at par at its maturity.
Authorised Limit (Also known as the Affordable Limit)	A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bail - in Risk	Following the financial crisis of 2008 when governments in various jurisdictions injected billions of dollars into banks as part of bail-out packages, it was recognised that bondholders, who largely remained untouched through this period, should share the burden in future by making them forfeit part of their investment to "bail in" a bank before taxpayers are called upon. A bail-in takes place before a bankruptcy and under current proposals, regulators would have the power to impose losses on bondholders while leaving untouched other creditors of similar stature, such as derivatives counterparties. A corollary to this is that bondholders will require more interest if they are to risk losing money to a bail-in.
Bank of England	The central bank of the UK
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".
Basis Point	A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in **interest rates** and **bond yields**. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%. In the bond market, a basis point is used to refer to the yield that a bond pays to the investor. For example, if a bond yield moves from 5.45% to 5.65%, it is said to have risen by 20 basis points. The usage of the basis point measure is primarily used in respect to yields and interest rates, but it may also be used to refer to the percentage change in the value of an asset such as a stock.
Bill	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the

	time of issue of the bond. The repayment date is also set at the onset but can be traded during its life, but this will affect the price of a bond which may vary during its life.
Call Account	A deposit account that can be called back (repayment requested), normally on an instant basis
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CD's	Certificates of Deposits with banks and building societies
Capital Receipts	Money obtained on the sale of a capital asset.
Capital Strategy	An annual report required by the Prudential Code that sets out a local authority's high level plans for capital expenditure, debt and investments and its prudential indicators fo r the forthcoming financial year.
Cash Plus fund	A collective investment scheme similar to a money market fund but with a longer duration (around 6 months)
CIPFA	The Chartered Institute of Public Finance and Accountancy – the professional body for accountants working in the public sector. CIPFA also sets various standards for Local Government
Collective Investment Scheme	Scheme in which multiple investors collectively hold units or shores. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are often referred to as 'pooled funds')
Commercial Investment	An investment whose main purpose is generating income, such as investment property.
Constant Net Asset Value (CNAV)	These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which mean that that any investment will not fluctuate in value

Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty List	List of approved financial institutions with which the Council can place investments with.
Covered Bond	Covered bonds are debt securities backed by cash flows from mortgages or public sector loans. They are similar in many ways to asset-backed securities created in securitisation, but covered bond assets remain on the issuer's consolidated balance sheet (usually with an appropriate capital charge). The covered bonds continue as obligations of the issuer (often a bank); in essence, the investor has recourse against the issuer and the collateral, sometimes known as "dual recourse."
CPI	Consumer Price Index – the UK's main measure of inflation
Credit Rating:	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees
Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the **DMADF**. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Diversification /diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
European Investment Bank (EIB)	The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a "policy driven bank" whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as "the Fed").
Floating rate notes (FRNs)	Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three-month Treasury bill or the three-month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.
FTSE 100 Index	The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market

	capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law.
General Fund	This includes most of the day-to-day spending and income of the Council
Gilts	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Gross Domestic Product (GDP)	Gross Domestic Product measures the value of goods and services produced with in a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy
IFRS	International Financial Reporting Standards.
LIBOR	The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.
Maturity	The date when an investment or borrowing is repaid.
Maturity Structure / Profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by quarter or month-by-month basis.
Ministry for Housing, Communities and Local Government (MHCLG)	The MHCLG is the UK Government Ministry for Housing, Communities and Local Government in England.
Minimum Revenue Provision (MRP)	An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Money Market Funds (MMF)	An open-end mutual fund which invests only in money markets. These funds invest in short term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. • **Constant net asset value (CNAV)** refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at €1/£1/$1 and calculate their price to two decimal places known as "penny rounding". • **Variable net asset value (VNAV)** refers to funds which use mark-to-market accounting to value some of their assets. The

	NAV of these funds will vary by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received • **Low Volatility NAV (LVNAV)** funds. LVNAV MMFs are permitted to maintain a constant dealing NAV provided that certain criteria are met, including that the market NAV of the fund does not deviate from the dealing NAV by more than 20 basis points.
Multilateral Development Banks	See Supranational Bonds below.
Municipal Bonds Agency	An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.
Operational Boundary	This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.
Pooled Funds	A pooled investment is an investment in a large, professionally managed portfolio of assets with many other investors. As a result of this, the risk is reduced due to the wider spread of investments in the portfolio. See also 'collective investments'.
Property	Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators
Public Works Loans Board (PWLB)	This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
REIT	Real estate Investment Trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many respects
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital

	financing charges.
RPI	Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the RPI index.
(Short) Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (Interest) with maturity durations of less than 365 days
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called **multilateral development banks**). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services, initially published in 2003, subsequently updated in 2017
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Variable Net Asset Value (VNAV)	Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.
Yield	The measure of the return on an investment instrument.

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

23rd January 2020

Progress Report – 2019/20 Audit Plan

1. Contacts

Report Author:
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2. Update on 2019/20 audit plan

2.1 In the original audit plan approved by Corporate Governance and Audit Committee there were 29 full audits and 8 follow ups, totalling 37 reviews. There were also 13 days included in the plan for any in year follow-ups that may arise should the exceptions raised be significantly concerning and require addressing by the client as a matter of urgency.

2.2 The audit plan has had to be reviewed due to changes in staffing resulting in the loss of a 0.5 FTE officer from the team during the vacancy and the recruitment process. This has meant that the following 4 audits have been removed from the 2019/20 audit plan for the following reasons:

- Community Safety – Low Risk
- Private Hire & Taxi vetting processes - Staffing Vacancies
- Food Safety – Introduction of a new Charging Regime
- Dog Control – Subject to a Service Review

2.3 These audits will be included in the 2020/21 audit plan.

2.4 The audit plan now comprises 25 full audits and 8 follow ups. 3 additional follow ups have also been added to the plan from the 13 contingency days, totalling 36 reviews.

2.5 As at 8th January, 15 audits have been completed and issued as final reports (42%) and 14 are in progress or at draft report stage (38%). The audits issued as final since the last committee meeting were:

- Housing Benefit Overpayment Recovery
- HR Recruitment & Selection
- Treasury Management

- Asset Management
- Trade Waste follow up
- Gifts, hospitality & car loans follow up
- GDPR follow up
- Building Control position statement

2.6 Results of the audits are contained in appendix one. There have been no audits given a ‘No Assurance’ rating and no critical exceptions have been raised.

3. Recommendation

3.1 That the committee notes performance against the 2019/20 audit plan.

4. Background

4.1. The Annual Audit Plan for 2019/20 was approved by this Committee on 23rd March 2019 following consultation with Directors and Divisional Service Managers.

5. Outcomes to be Achieved

5.1. Not Applicable

6. Proposal

6.1. Not Applicable

7. Alternatives Considered

7.1. Not Applicable

8. Resource and Legal Implications

8.1. Not Applicable

9. Consultation

9.1. Not Applicable

10. Community Impact and Corporate Risks

10.1. Not Applicable

11. Other Implications

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		√
Climate Change and Biodiversity:		√
Human Rights and Equality Impact:		√
Safeguarding and Early Help:		√
General Data Protection Regulations (GDPR):		√
Health and Wellbeing:		√
Other (Please specify):		√

12. Appendices

12.1. Audits completed since the last committee

13. Background Papers

14.1 None

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HR Recruitment and Selection 2019/20

FINAL REPORT

Louise Northcott

23rd December 2019

Distribution List: John Ward (Director for Corporate Services), Joe Mildred (Divisional Manager), Tim Radcliffe (HR Manager)

Contents **Page**

1) Executive Summary

i) Introduction

This audit was carried out as part of the agreed audit plan for the 2019/20 financial year. Audit testing has been restricted to areas that have been assessed as high risk by Internal Audit.

Recruitment of new starters is a key function within any organisation. The Human Resources department at Chichester District Council provides support and advice to recruiting managers during the process and ensures that legislation such as the Equality Act 2010 is complied with during the recruitment process.

Audit testing has been carried out on the following objectives to ensure that:

- There is clear corporate guidance in place for recruitment and selection
- All recruitment is appropriately authorised before being advertised
- There is a clear process to be followed by HR for employment checks
- Contracts are sent out in a timely manner

ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance (Critical Risk Exceptions)	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
➔	**Limited Assurance (High Risk Exceptions)**	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance (High or Medium Risk Exceptions)	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	Assurance (Low Risk/Improvement Exceptions)	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings

Objective 1: To ensure that there is clear corporate guidance in place for recruitment and selection – Assurance

One low risk exception has been raised as a result of audit testing.

It was confirmed that there is a Manager's guide to Recruitment and selection. It is not dated so it is not possible to tell when it was written or last reviewed. A review of the guidance confirmed that it clearly sets out what managers should do in the event of a vacancy. Version control best practice recommends that policy/guidance documents contain the version number and a version control table showing any changes made to the policy/guidance and when made so that anyone reading it can be sure that it is the most up-to-date policy/guidance. This will ensure that officers are not following out of date procedures by accident.

CDC also has an Equality and Diversity policy (dated 2012) which sets out policy standards which need to be adhered to during recruitment in order to comply with relevant legislation.

Objective 2: To ensure that all recruitment is appropriately authorised before being advertised - Assurance

No exceptions have been raised as a result of audit testing for this objective.

A report was run from Trent for new starters between 1/4/18 and 29/8/19. There were 145 new starters in this period. A sample of 25 was taken and checked to ensure that there was approval for the vacancy to be advertised. Of the 25 new starters tested it was found that:

- According to HR 7 posts did not require SLT approval. These were CCS posts, casual and seasonal posts
- One new starter came to work for CDC initially on a Choose Work placement, then doing temporary work for CDC before being made permanent
- One post is paid for by an external grant from the Police Crime Commissioner and the use of the grant money to fund the post was approved by the Community Safety partnership prior to the post being advertised

Objective 3: To ensure that there is a clear process to be followed by HR for employment checks - Limited Assurance

2 high risk exceptions have been raised as a result of audit testing for this objective.

Testing under this area covered whether HR officers are completing a recruitment checklist detailing what checks have been carried out on new starters, references had been taken up, right to work had been checked, qualifications were checked, DBS checks were carried out where the role required one, and whether medical checks had been undertaken.

Issues were found with reference take up and lack of evidence to confirm that qualifications had been checked. DBS certificates are being kept on file for longer than is recommended by the Disclosure and Barring Service, although this is in line with the timescales set out in the current register of data processing.

Detailed findings from this testing can be found in exceptions 2 and 3.

Objective 4: To ensure that contracts are sent out in a timely manner – Assurance

No exceptions have been raised as a result of audit testing for this objective.

When a candidate has been successfully appointed the recruiting manager completes a 'Successful applicant e'form' which is sent to HR. For the 25 new starters the date on the e-form was checked against the offer letter date to establish how timely the sending of an offer letter was. Offer letters were sent out ranging from the same day up to 11 working days later (only 1 case was at day 11). The general expectation from the HR Manager is that where resources allow contracts are sent out within a week to 10 days from the successful applicant e-form being received by HR.

The HR Manager confirmed that all contracts of employment are fully checked for accuracy and then signed by an HR Officer or on occasions the HR Manager. For contracts of employment for new starters there is also the checklist signed off by the HRO or the HR Manager. It was confirmed by reviewing the checklist that it has 2 rows that have to be initialled to confirm that the offer letter has been checked and the draft contract has been approved by the HR Manager.

Overall assurance level – **Limited Assurance**

2 high risk and 1 low risk exceptions have been raised as a result of the testing carried out during the course of the audit. Therefore Internal Audit can give limited assurance that Recruitment and Selection is of low risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description
Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to: ▪ The efficient and effective use of resources ▪ The safeguarding of assets ▪ The preparation of reliable financial and operational information ▪ Compliance with laws and regulations And corrective action needs to be taken immediately.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
Low Risk - Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

EX1 – Keeping guidance documents up- to-date **Risk rating: Low Risk/Improvement**	
Findings	
It was confirmed that there is a Manager's guide to Recruitment and selection. It is not dated so it is not possible to tell when it was written or last reviewed. A review of the guidance confirmed that it clearly sets out what managers should do in the event of a vacancy. Version control best practice recommends that policy or guidance documents contain the version number and a version control table showing any changes made to the policy/guidance and when made so that anyone reading it can be sure that it is the most up-to-date policy/guidance. This will ensure that officers are not following out of date procedures by accident.	
Risks and consequences	
Without version control officers may end up using out of date procedures by accident. This could result in HR needing to advise managers against taking certain recruitment actions. Ensuring the guidance is clearly up-to-date may reduce the need for managers to contact HR as frequently for advice and guidance on recruitment matters.	
Agreed action	**Officer responsible and by when**
Version control will be introduced for any guidance provided by HR to staff and managers.	Tim Radcliffe by the 24.12.19.

EX2 – Completion of checklist, take up of references and qualification checking **Risk rating: High**
Findings
For the 25 new starters tested it was found that • There was not a checklist on file for 4 of them. Recruitment checks had been fully undertaken for 3 of the 4. For the other case there was no evidence on file that references had been taken up. • 3 new starters only gave one referee on application • 4 new starters listed more than 1 previous employer but only gave 1 employer referee and a personal referee. It was confirmed by the HR Manager that this is acceptable under the current recruitment policy. • 1 reference was not taken up until after the new starter had commenced employment. The HR Manager confirmed that this does occasionally occur and is acceptable under current recruitment policy as employment is conditional on two satisfactory references being received. • 6 of the 25 new starters required formal qualifications for the job. There were only copies of qualification certificates on file for 3 of the new starters.
Risks and consequences
If the checklist is not completed then checks could be missed. If references are not taken up then recruitment decisions could be made on incomplete information. If personal references are used then these are of limited value when assessing a prospective employee's suitability for employment as they do not relate to the candidates performance within the workplace. If qualifications are not checked then staff may be employed who are not qualified for the job. They may give professional advice to members or the public, other organisations or staff which could turn out to be incorrect which could have a financial or reputational impact on CDC. All of the above could lead to inappropriate staff being employed and could result in further recruitment needing to be carried out which is a drain on officer resources.

Agreed action	Officer responsible and by when
It has been reiterated to the HR Officers and HR Administrators that all the requirements of the conditional offer of employment must be met and that the HR Officer is responsible for ensuring that the checklist is signed off as complete at the end of this process. The second referee is to be changed to a previous employer where the new starter has had earlier employment and where the referee is still available. The first referee is to remain as the current or most recent employer. Where required for the post, the requirement for professional qualifications to be viewed and scanned to the staff file by the HR Administrator as part of the one-to-one new starter induction process has been reiterated.	Tim Radcliffe Actioned: December 2019. By 31.1.20. Actioned: December 2019.

EX3 – Checking of criminal convictions and handling and retention of DBS certificates
Risk rating: High

Findings

A DBS check was applicable for 10 of the 25 new starter positions tested. Testing found that:

- Checks had been done for all of the 10 new starters where it was required for the role.

- The Revised Code of Practice for Disclosure and Barring Service Registered Persons issued under section 122 (2) of the Police Act 1997 dated November 2015 states that registered bodies must have a written policy on the secure handling of information provided by the DBS. The Disclosure and Barring Service has a sample policy that organisations can tailor to their own requirements. Although CDC does have a Data Protection policy on its website and a register of data processing, there are areas contained in the DBS sample policy that are not covered within CDC's policy or register.

- DBS certificates are being kept as scanned documents on staff files for the duration of their employment plus a further seven years after they leave employment with CDC. This is as per the timescales set out in the current register of data processing. However, this is not in line with the Disclosure and Barring Service guidance which states that certificates should be destroyed after a suitable period has passed, usually no longer than 6 months.

Risks and consequences

Keeping scanned copies of DBS certificates for longer than necessary is not in compliance with the General Data Protection Regulations.

The DBS Code of Practice states that failure to comply with the Data Protection requirements may result in enforcement action from the Information Commissioner's Office. This could have a financial and reputational impact on the Authority.

If the DBS believe that the code of practice is not being followed then they may refuse to issue DBS certificates. This may impact on whether CDC can formalise employment if there is no confirmation that the candidate has no relevant criminal convictions. Alternatively, successful applicants may have to be supervised by a DBS cleared employee until such time as DBS clearance can be obtained. This would not be a good use of staff resources.

Agreed action	Officer responsible and by when
The Retention Guidelines and Register of Data Processing are to be amended to reflect the above and all DBS disclosures over 6 months old are being deleted. The existing corporate record showing whether disclosures are clear or not is being amended	Tim Radcliffe Request for amendment of the Retention Guidelines and Register of Data Processing and details of changes needed

to show that where a positive disclosure is indicated that an assessment of risk has been done and the resulting decision as to whether or not to employ in the post concerned. Some information about the assessment of risk and decision made to be retained on the personal file for the employee concerned for future reference.	submitted to Legal service December 2019. Amendments to corporate record of DBS disclosures carried out to be completed by 24.12.19. Deletion of all disclosures over 6 months old by 31.1.20.

Internal Audit Position Statement

Building Control Audit

Louise Northcott
Senior Auditor
December 2019

1 Introduction

1.1 An audit of the ongoing Building Control account deficit was due to be carried out in the 2019/20 audit plan which was approved by Corporate Governance and Audit Committee.

1.2 The financial position of the Building Control account since 2010/11 is:

Financial Year	Surplus/ (Deficit) for the year	Cumulative Position
Oct 2010 - Mar 2011	(19,419)	(19,419)
Apr 2011 - Mar 2012	(8,352)	(27,771)
Apr 2012 - Mar 2013	(8,049)	(35,820)
Apr 2013 - Mar 2014	41,972	6,152

Apr 2014 - Mar 2015	69,885	76,037
Apr 2015 - Mar 2016	(92,798)	(16,761)
Apr 2016 - Mar 2017	(48,550)	(65,311)
Apr 2017 - Mar 2018	(84,869)	(150,180)
Apr 2018 – Mar 2019	(119,306)	(269,486)

2 Scope

2.1 The scope of the work was to identify what work is being done by Building Control and Finance to address this situation.

3 Outcome

3.1 Discussions with Finance identified the following:

3.2 A new Building Control category has been introduced to the Authority's charging structure which is 'Reversions'. This will generate additional income for the Authority.

Under the Building Act 1984 it is possible for a third party Approved Inspector to carry out the building control function for controllable work. To do this they submit an Initial Notice to the Council. This removes the Council from any obligation to control the work. Approval of the work becomes subject to the Approved Inspector's control.

Where the Approved Inspector is no longer able to carry out that function, for whatever reason, and the work has started, the Initial Notice will need to be cancelled. The work will then need to revert to the local authority building control team by making a reversion application.

3.3 There is current work being carried out by the Divisional Manager and Finance on the financial accounting of the Building Control budget. This includes reviewing the methodology used to account for the various elements of the service eg the time spent on chargeable and non chargeable building regulation work and LA buiding control work. This split is used to calculate the standardised hourly rate at which the various applications are charged out at. In addition, the time allocation for the varous applications is being reviewed. The split in time impacts on whether the account records a surplus or deficit in future years. This work is ongoing by the Divisional Manager and Finance and any change to the methodology will need to be agreed by the Section 151 Officer.

3.4 A review of the financial statement methodology will be carried out as part of the 2020/21 audit plan.

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Audits completed since the last Committee meeting (24th October 2019)

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk – Improvement	Total no of Exceptions	Overall Assurance level	Summary
HR Recruitment & Selection	0	2	0	1	3	**Limited Assurance**	The high risk exceptions related to: • Issues with reference take-up and checking of qualifications • CDC does not have a written policy on the secure handling of information provided by the Disclosure and Barring Service (DBS) • DBS certificates are being held for longer than advised in DBS guidance
Housing Benefit Overpayment Recovery			2		2	**Reasonable Assurance**	The medium risk exceptions related to: • Write off and procedure notes required reviewing, dating and given a version control. • Checking of the accuracy of write off schedules prior to authorisation.
Treasury Management	0	0	0	0	0	**Assurance**	No issues were found during testing relating to the audit objectives, which were: • The Authority has a Treasury Management policy, strategy, practices and reporting mechanisms in place which are in line with the CIPFA Code of Practice

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk – Improvement	Total no of Exceptions	Overall Assurance level	Summary
							• There is a clear process for staff to follow when undertaking the Treasury Management function • The Authority has access to professional Treasury Management advice and training • Trained officers provide cover in the absence of the Treasury Management Officer • The Authority meets the criteria needed to be classified as a Professional Client under the Markets in Financial Instruments Directive 2 • There is adequate separation of duties between officers initiating investments and those releasing funds from the bank • A reconciliation is carried out between the Treasury Management system and Civica to confirm that all transactions have been processed through the general ledger
Asset Management	0	0	0	0	0	**Assurance**	No issues were found during testing relating to the audit objectives, which were: • There is a comprehensive asset register in place including but not

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk – Improvement	Total no of Exceptions	Overall Assurance level	Summary
							exclusively plant and equipment, Capital, Asset Replacement Programme and Land and Buildings. • The Asset Management Module is updated to be current for final accounts. • Asset values are kept current through a valuations process and that there is an acquisition and disposal programme in place. • The Fixed Asset Register is reconciled to the General Ledger and signed off.

Follow ups

Audit title	Issues addressed	Issues ongoing	Total	Comment
Trade Waste	1	**0**	1	All Issues have been addressed by the client
Gifts & Hospitality	1	**0**	1	All Issues have been addressed by the client
GDPR	2	**1**	3	The Council's Data Protection Policy is currently under review. All other issues have been addressed.

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Chichester District Council

Corporate Debt Recovery Policy

(New – October 2019)

A CORPORATE DEBT FRAMEWORK

1. When is this Policy effective from?

This Policy is effective from 1 March 2020 and supersedes the Corporate Debt Recovery Policy and Write-Offs Policy which was last updated and approved by Cabinet in September 2017.

This Policy will be reviewed in February 2023 or at an earlier time dependent upon the outcome of the Government consultations on:

- Breathing space – proposal to give someone in problem debt the right to legal protections from creditor action while they receive debt advice and enter an appropriate debt solution. The plan would enable someone in problem debt to enter a statutory agreement to repay their debts to a manageable timetable. Individuals entering a plan would receive legal protections from creditor action for the duration of their plan.

- And review of Council Tax debt recovery - have committed to making Council Tax (CT) collection system fairer and more efficient. New guidance due to improve how councils recover unpaid CT and end aggressive enforcement tactics. Government sought input from charities, debt advice organisations and councils on the new guidance

2. Why do we have this policy?

Reason
The Council raises a significant proportion of its total income through local taxes and charges, and has a duty to ensure that all monies owed to it (debts) are collected efficiently and effectively for the benefit of its residents.

The vision of corporate debt management for the Council is:

"To maximise the amount of collectible debt through the efficient collection of income, within a framework of customer care and client sensitivity."

Purpose
This policy details the Council's corporate approach to debt recovery including how it prioritises debt outstanding. The Council will make every effort to ensure that best practice is applied to all debt collection and recovery activities within appropriate legal powers. This policy applies to both individuals and companies subject to the application of relevant legislation.

This policy embraces the objective:

To balance the effective collection of monies due to the Council to maximise income collection, whilst ensuring that a fair, proportionate and consistent approach is taken to the recovery of sums that are not paid when due, with the aim to avoid increased indebtedness.

3. Policy Aims

Underpinning this policy is the general principle that the citizens and businesses have a responsibility to pay for the services they receive from the Council and the charges for which they are liable.

The preference is for services to gain upfront payment for any new services that require payment, and not rely on invoices.

Wherever possible and when appropriate, services will not be provided until payment has been made and cleared funds received.

The key aims of this policy are to:

- To improve the levels of income collected by the Council and reduce levels of arrears (debts);

- To provide a number of mechanisms for payments to be made to, and to make the process of payment as easy as possible for customers;

- To ensure that all amounts due are collected according to the agreed payment criteria, and encourage payment by the most efficient method;

- To ensure that all relevant information provided to debtors is clear in setting out what action may be taken if a debt remains unpaid;

- Apply best practice and transparency to debt collection, using cost effective, fair collection and recovery practices;

- Ensure a professional and timely approach to recovery action for all the different types of debt owed to the Council;

- Treat individuals consistently and fairly and in accordance with the Council's Equalities Strategy;

- Promote a coordinated approach towards managing multiple debts owed to the Council,

- Ensure that people in genuine financial difficulty are supported to claim any benefits they are entitled to and where appropriate are signposted towards free debt advice;

- Acknowledge that some people struggle to pay their bills and to adopt a more preventative approach to indebtedness where appropriate,

- Ensure that vulnerable people are supported to manage their financial affairs effectively, including the payment of debt.

4. Who must comply with the policy?

This policy applies to all staff responsible for the administration and collection of debt for the Council.

5. What is the policy?

The Council's policy is, first and foremost, that all debt due to the Council is payable and all necessary steps should be taken to ensure that it is recovered. The Council recognises that some people do not pay their debts for a variety of reasons. This may include poverty or other financial hardship, which the Council will balance against its duty to collect. Conversely, this policy outlines a robust approach to those who can pay but won't pay.

The Council's debt collection and recovery policy is fair to everyone regardless of their age, race, gender, disability, sexuality or religious belief. This policy is in addition to existing legislation and is designed to enhance the procedures already in place to collect debt.

The need for people in debt to communicate their financial status is important. Where a person makes contact with the Council, their circumstances will be considered with a view to agreeing a reasonable payment arrangement (taking into consideration any statutory constraints or timescales), minimising recovery action and helping to alleviate hardship.

Payment arrangements for any sundry debtor accounts raised in the Council's Financial Management system (Civica) may be agreed by the service area, subject to liaison/consultation with the Taxation Team (especially if debt recovery action has commenced). The Income and Payments Team must also be informed to reflect the payment arrangement in the Council's financial system.

Where people fail to make contact or maintain agreed arrangements, recovery action will continue.

No policy can ever completely address the difficulties faced by some people and families on low incomes. The approach to recovery will therefore be sensitive to individual circumstances and take into account multiple debts owed within statutory limitations.

The Council will:

- provide individual debtors in financial hardship with advice on relevant benefits, discounts, relief and exemptions to prevent a worsening situation and / or signpost appropriate debt agencies;
- consider longer-term payment arrangements for debtors suffering genuine hardship, although this may not be available for some debts with statutory timescales, such as Penalty Charge Notices (parking tickets);

- take into account all debts owed to the Council (excluding parking tickets) , with the debtor’s consent, to ensure that the Council does not increase hardship where different council services are seeking to recover debts; and
- maintain and review this policy, as necessary, so that it remains in line with any anti-poverty strategies and actions approved by the Council.

6. How is this policy implemented?

This policy supports existing legislation and is designed to enhance the procedures that are in place to assist with the collection of debt. Although there are variations in the procedures relating to different debts, they must reflect the Council’s requirement for a corporate approach to recovering debt as set out in this policy.

6.1 Fair debt collection

There are various methods available to recover outstanding debts that are mentioned in this policy. The Council may appoint Enforcement Agents to recover local taxation arrears and other debts where authorised to do so. Only certificated enforcement agents can take control of goods for local taxation and road traffic debts. The fees charged to the debtor are governed by legislation. The ability to pay is a paramount concern when considering debt recovery.

This Council supports fair debt collection and recovery practices and makes the following commitments to support this.

It will:

- ensure there is a process in place to ensure that bills and statutory documents are accurate, timely and clear;

- provide appropriate and easy payment methods (e.g. direct debit, on line and automated payment line for the majority of income streams);

- encourage people and businesses that fall into arrears to contact us and agree to payment arrangements appropriate to their circumstances and the Council’s requirements;

- help to reduce the effect of debt on people on low incomes by informing people of the general availability of income-related benefits such as Job Seekers’ Allowance, Tax Credits, Universal Credit, Pension Credit and by ensuring that maximum benefit take-up occurs;

- advise people and businesses where they can get independent advice with financial problems (e.g. Citizens Advice Bureau). A list of some other organisations where money management and budgeting advice can be obtained is attached to this Policy in **Appendix 1**;

- identify deliberate non-payers or those who delay payment and take timely and effective enforcement action;

- focus on collecting the charge set rather than how the charge is arrived at. Some charges and debts have a process for appealing the charge. The debt and/or charge should be paid in the first instance pending the outcome of any dispute/appeal. The Council gives a commitment that payment will not prejudice the outcome of any appeal process and that it will refund the payment should the appeal be successful (excluding Road Traffic Debts); and

- consider reducing or remitting debt in cases of extreme hardship where legislation and discretionary powers allow for this.

6.2 Vulnerable People

The Council recognises that some members of the community may be considered to be more vulnerable and, therefore, may require additional support in dealing with their financial affairs.

Vulnerability does not mean that a person will not be required to pay amounts they are legally obliged to pay. However, where a person is recognised to be vulnerable consideration should be given to;

- Allowing longer to pay,
- Postponing enforcement action,
- Assisting the person to claim benefits, discounts or other entitlements,
- Supporting people to access sources of independent advice,
- Providing information in an accessible format,
- A temporary payment arrangement with lower repayment than would normally be agreed,
- Where appropriate engagement with third parties in order to assist the debtor with their financial affairs,
- Returning debt to Chichester District Council if the debt has been pursued by the Enforcement Agent.

The cause of vulnerability may be temporary or may be permanent in nature and the degree of vulnerability will vary widely. In some circumstances it will be appropriate to liaise with or seek further advice from other agencies that may be involved in working with the customer. The definition of vulnerability can be found in the Appendix 2 to this document.

Should a debt proceed to an Enforcement Agent, an agreed vulnerability policy is in place.

6.3 Prioritisation of Recovery

All debt is recoverable. Priority of recovery will be based upon various factors such as:

- Age of debt
- Amount
- Debtor Type
- Number
- Creditor Type

Referrals to enforcement or collection agents to collect debts or take control of goods will only be undertaken where there is a reasonable likelihood of recovering the debt.

6.4 Charging Orders

A charge against the property will be considered if the liable party is the owner. Upon obtaining a charge, consideration will be given to ordering a sale of the property to repay the debt owed. This will be based on several factors such as the amount owed, the lack of a suitable offer of repayment, the composition of the household and the liable party's capacity.

6.5 Use of Enforcement & Collection Agents

The Council reserves the right to use Enforcement Agents and collection agents as it sees fit, where it is allowed by law to so do.

Enforcement Agents are governed by Regulations made under the Tribunals, Courts & Enforcement Act 2007 such as The Taking Control of Goods Regulations 2013, The Taking Control of Goods (Fees) Regulations 2014 and The Certification of Enforcement Agents Regulations 2014.

Enforcement Agents will be expected to be members of the Civil Enforcement Association (CIVEA) and comply with the CIVEA Code of Conduct. If not members of CIVEA, they will be expected to demonstrate similar codes of practice and complaints handling.

The Council may issue specific instructions as to its own requirements on the conduct of enforcement and collection agents acting on its behalf either directly or through partnership arrangements. Contracts with Enforcement Agents are actively monitored to ensure they are operating in line with National Standards.

6.6 Insolvency

Bankruptcy and liquidation proceedings will be considered where the debt or combined debts are above the statutory minimum threshold and it is considered cost effective to do so.

The Council may appoint or approve an insolvency practitioner to act on its behalf in any insolvency proceedings either on its own or with others.

6.6 Writing off Debt

The Council will make every effort to collect monies due, in order to maximise the resources it has available to provide good quality services to its community. However, it also recognised that there will be occasions when debts become irrecoverable and will need to be considered for write off in accordance with the Council's Constitution Financial Regulations Section 4 Income 1(v). In such circumstances prompt and regular write off of such debts is good practice, as this allows for a correct calculation of bad debt provision each year, and avoids wasting resources chasing debt where there is no realistic prospect of recovery.

The Council will seek to minimise the cost of write offs to the local taxpayer by taking all necessary action to recover what is due. All debts will be subject to full collection, recovery and legal proceedings as outlined in this policy.

Write off is only appropriate where:

- The demand or invoice has been raised correctly and is due and owing;
- That every effort has been made to recover the debt, in the form of reminders, final notices and any other relevant recovery action undertaken; and
- There is a justified reason why the debt should not be pursued further.

The definition of irrecoverable is "a debt that will never be paid to the person owed, and is considered to be uncollectable for whatever reason, and should therefore be written off."

<u>Justified Reasons</u>

Whilst it is not possible to list every scenario which could make a debt suitable for write off; however, the following factors could be appropriate depending on the circumstances.

The responsibility for recommending whether a debt is suitable for write off to the Director of Corporate Services (S.151 Officer) is set out in Section 12 (Roles & Responsibilities). Services must take into account any advice or guidance from Legal Services or the service area's Divisional Manager.

The most common circumstances where a debt may be written off have been categorised as follows:

Table 1

Reason	Description
Insolvency	Debtor is the subject of bankruptcy, individual voluntary arrangement, liquidation, company voluntary arrangement, an administration order, or administrative receivership proceedings or has ceased to trade or is subject to a Debt Relief Order.
Unenforceable	Debtor is overseas or the debt is over 6 years old.
Abscond	Tracing agents/search engines or other methods have been unable to find the debtor.
Uneconomical to collect	Balance too small for further actions, or the costs associated with collecting the outstanding debt is prohibitive.
Uncollectible	Custodial sentences/remitted debts/system rounding/where all due process has been undertaken to recover the debt (as detailed in procedures), but despite using all available / appropriate recovery options, the debt is still deemed uncollectible.
Deceased	Insufficient funds in an estate to settle the debt.
Vulnerable	Where a debtor has no realistic means of paying the debt due to vulnerability, and all due process as detailed in the procedures, including third party support, has been followed.

The Council reserves the right to reinstate, within statutory deadlines, any debt where is becomes apparent the circumstances for write off are no longer applicable, i.e. a debtor is traced/funds become available.

In cases where the debtor is jointly and severally liable for the debt with another party, recovery action will continue against all liable individuals and only if this action fails, will monies be recommended for write off.

6.7 Credit Balances

Where an account has been overpaid or falls into credit for some other reason, with the agreement of the customer, the overpayment or credit will be refunded or may be transferred to reduce another debt owed by the customer. All refunds will be repaid by electronic transfer to a UK bank account, and only by cheque in exceptional circumstances.

(i) Customer Accounts (Sundry Income)

The refunds are processed by the Income and Payments Team and all necessary checks will be made for any other outstanding debts to the council. Whilst the customer’s permission may be required to transfer to another outstanding debt, every reasonable effort must be made not to refund the credit whilst other debt is outstanding.

(ii) Council Tax and Business Rates

These are refunded by the Taxation Team. Credits which cannot be traced or refunded which are over 6 years old are transferred to the General Fund Reserve.

(iii) Accommodation Services – License Fees

These are refunded by the Housing Service, or any credits which cannot be traced or refunded to the licensee which are over 6 years old are transferred to the General Fund Reserve.

Once all checks have been carried out; not knowing the whereabouts of the creditor (or not having sufficient information to determine how or when a credit is to be refunded) will be an acceptable reason for the writing off the credit. A record should be kept should the creditor subsequently be traced and the credit will be repaid, if economic to do so.

Checks need to be undertaken to see whether any refund is genuine and that money laundering is not being attempted.

6.8 Specific Debt Recovery

(i) Council Tax

Council Tax recovery procedures are laid down by statute in The Council Tax (Administration and Enforcement) Regulations 1992 and subsequent amendments. Reminder Notices and Final Warning notices will be issued as required by law.

Continued non-payment after the issue of Reminder and Final Notices may result in a Liability Order being awarded by a Magistrates' Court.

Enforcement action can include collection by an Enforcement Agent, attachment to benefits or earnings or ultimately insolvency proceedings, committal to prison or a charge against the property, which can lead to an order of sale.

(ii) Non-Domestic Rate (Business Rates)

Non-Domestic Rates recovery procedures are laid down by the Non-Domestic Rate (Collection and Enforcement) (Local Lists) Regulations 1989 and subsequent regulations and amendments.

Reminder Notices and Final Notices will be issued as required by law.

Continued non-payment after the issue of Reminder and Final Notices may result in a Liability Order being awarded by a Magistrates' Court.

Enforcement action can include collection by an Enforcement Agent, or ultimately insolvency, committal to prison (for an individual) or a charge against the property, which can lead to an order of sale.

(iii) Housing Benefit & Council Tax Support

Housing Benefit overpayments are reclaimed in accordance with Regulations 99 – 107 of The Housing Benefit Regulations 2006 (as amended). In addition, there are debt recovery procedures in place where Housing Benefit has been overpaid but where the debtor is no longer in receipt of payment.

How to repay a benefit overpayment can be found at:

Overpayments: Chichester District Council

(iv) Landlord and Tenant Act

Individuals or businesses entering into commercial lease arrangements with the Council will be expected to comply with the terms therein including payment of rent and other monies due.

In the event of a breach of the payment terms by the tenant, the Council will undertake such steps, as may be available to it, under relevant legislation to seek recovery of any monies due.

(v) Civil Parking Enforcement

The recovery and enforcement of Road Traffic Debts is carried out by Parking Services and is subject to Civil Enforcement parking legislation by way of the Traffic Management Act 2004. Road Traffic Debts are due immediately at point of issue and should a charge remain unpaid following the correct service of statutory documents, enforcement action will take place.

Parking Services operate a payment plan policy for individuals that prove exceptional circumstances apply, which is consistent with the Council's Corporate Debt Recovery Policy. It is also the case that the three tiered appeals process exists, whereby customers can dispute a charge but also that the charge is discounted by 50% within the first 14 days from the issue of a Notice.

Any recovery action and write off of Road Traffic irrecoverable debt is in line with the Council's Corporate Debt Recovery Policy. A senior member of the service will review each case considered for write off of parking enforcement notices.

(vi) Accommodation Services - Licence fees, Homefinder rents, deposits and rent in advance payments and recharges

Individuals entering into licences or tenancy agreements with the Council will be expected to comply with the terms therein including payment of rent and other monies due.

In the event of a breach of the payment terms by the licensee or tenant, the Council will undertake such steps, as that may be available to it, under relevant legislation to seek recovery of any monies due depending upon the type of legal relationship applicable to the accommodation.

6.9 Miscellaneous Income (Customer Accounts/Sundry Income)

The preference is for services to gain upfront payment for any new services that require payment, and not rely on invoices, if payment before the service is appropriate and lawful.

Customers are encouraged to pay invoices by the Council's preferred payment method of direct debit where they receive ongoing services where monthly, quarterly or annual charges apply or instalments.

All Customer Accounts (excluding Council Tax, Business rates, Business Improvement District Invoices and Road Traffic Debts) are required to be paid in 10 working days, unless a lease or contractual arrangement specifies otherwise. Customer Accounts arrears are collected in accordance with local procedures that are reviewed periodically and reflect best practice wherever practicable (see Appendix 3 for the high level process details).

6.10 Interest and Cost Charges

Debtors are made aware with their invoice of the possibility of interest and charges being levied, should their payment be received late. In the majority of cases, this does not present a problem and payments are received on time.

However, in a minority of cases, where payments are received late, in accordance with legislation, such as the Late Payment of Commercial Debts (Interest) Act 1998, interest and charges can be levied. The interest and charges applied are prescribed by Government and will be applied to all debts with the exception of the following:

- Debts incurred by public service bodies, charities and private individuals;
- Any debt under £1,000, regardless of debtor type; and
- Any payments received less than 14 days late, regardless of the debtor type.
- Or where the agreement contains its own interest remedy for late payment i.e. lease or contract.

However, should a debt in excess of £1,000 from those excluded debtors remain unpaid after a period of time, such as 90 days, interest and charges will be applied.

6.11 Writing Back Debt and Costs

Under the Council's Constitution the Director or Corporate Services (Section 151 Officer) has delegated authority to approve the write off of outstanding accounts, which are considered to be irrecoverable, subject to members being informed of the total amount of such write offs each year.

For recovery action undertaken by the Taxation Team, after any necessary consultation with the Council's Legal Service, the team will submit a quarterly schedule to the Director of Corporate Services to request any debts it considers to be irrecoverable in accordance with this policy (Corporate Debt Recovery Policy) and in accordance with the write off scheme of delegation as set out paragraph 6.12 (iii).

Services will be notified of the debts recommended and approved for write off.

In considering the write off of debts the Taxation Team will be mindful of statutory limitations relative to the type of debt e.g. commercial and residential property lettings etc.

For debts administered and recovery action undertaken by Parking Services or Housing Services, the teams will submit a quarterly schedule to the Director of Corporate Services to request any debts it considers to be irrecoverable in accordance with this policy (Corporate Debt Recovery Policy) and the write off scheme of delegation as set out in paragraph 6.12 (iii).

6.12 Roles and Responsibilities

The Council will publish and promote its Corporate Debt Recovery Policy and the steps taken to recover debt, so our customers understand the consequences of non-payments.

(i) <u>Services Teams</u>
For customer accounts the service teams are responsible for the raising of invoices and the creating of credit notes as necessary, query resolution and keeping the Finance System notes records up to date in relation to the debtor account, especially where payment is agreed within the 35 day terms (standard recovery route).

Delayed payment or requests to pay by instalments must be referred to the Taxation Team (if recovery action has commenced by the team), and the Income and Payments Team (as the payment arrangement must be set up in the Finance System (Civica)).

Accommodation services license fees debtor records are administered and maintained by the Housing Service using a standalone housing rental accounting system.

The Parking Service administers and maintains Road Traffic debtor records on their own standalone system.

(ii) Debt Recovery

Recovery action responsibility for the collect of outstanding debts is set out in Table 2 for the different service areas, and officers must adhere to the Council's Corporate Debt Recovery Policy to ensure consistency, fairness, transparency and effectiveness when dealing with the debtor.

Where the Taxation Team are responsible for agreeing any payment arrangements for Sundry (Miscellaneous) Debts with the customer, these are subject to discussions with the relevant service e.g. Estates Service to avoid any unintended acceptance of a breach of a lease.

Table 2

Debt type	**Administration and Recovery Action by**
Council Tax	Revenue & Benefits – Taxation Team
Non Domestic Business Rates (NDR)	Revenue & Benefits – Taxation Team
Housing Benefit/Council Tax Reduction Overpayment Recovery	Revenue & Benefits – Taxation Team
Customer Accounts (Sundry (Miscellaneous) Debtors)	Income & Payments Team and Taxation Team
Road Traffic Debts	Parking Services
Housing – Homeless Hostel Rents & associated service charges etc.	Housing – Accommodation Service Team

(iii) Section 151 Officer - Scheme of Delegation for Write Offs

Under the Constitution ultimately decisions on what classes of debt should be written off is matter for the Director of Corporate Services (or their Deputy S.151 Officer in their absence).

To achieve an efficient write off process the following delegation is adopted by the Director of Corporate Services, the precise elements which he authorises as being suitable for write off by other officers are set out in the schedule below:

a. For debts up to but not exceeding £100 (including aggregated debts for one debtor), the delegated authority rests with the relevant Service Manager (refer to Table 2) and reviewed by the Divisional Manager. The service manager must provide a quarterly summary of the approved write offs and the justified reason to the Revenues Operations Manager for inclusion in the quarterly statistical reports for the Director of Corporate Services and the annual report to members.

b. For debts greater than £100 but not exceeding £1,000 (including aggregated debts for one debtor), the delegated authority rests with the relevant Divisional Manager. The reporting requirements are as set out in section a. which officers must be adhered to.

c. For debts greater than £1,000 (including aggregated debts for one debtor), the write off request is submitted to the Director of Corporate Services for approval. (This action can also be undertaken by the Divisional Manager Financial Services as the Deputy Section 151 Officer.)

The above procedures will also apply to the treatment of credit balances where the customer is untraceable in accordance with paragraph 6.7.

(iv) <u>Reporting & Compliance</u>

This policy will be made available to all staff dealing with income collection and recovery via the staff intranet.

Each unit/section will be responsible for ensuring that this policy is adhered to and implemented effectively. Divisional Managers and budget managers have a responsibility to monitor and report debt arrears on a monthly basis using the Aged Debt Report and completing the Monthly Aged Debt Return to the Income and Payments Team, and are required to seek advice from the Director of Corporate Services (S.151 Officer) if support is required to manage a debt issue.

Officers from the Taxation Team and Income and Payments Team should report regularly to the Strategic Leadership Team (SLT), so that management are aware of the financial risk of non-collection for the authority for its income streams where debt recovery action is being undertaken. An aged debt report annotated with accounts referred to the Taxation Team to be compiled quarterly, along with the quarterly write off reports for the Director of Corporate Services (Section 151 Officer).

The Council’s Internal Audit & Investigations Team will test compliance with this Policy.

Appendix 1

Paying an invoice - additional help

https://www.chichester.gov.uk/payinvoice
Customers should understand the priority of debts owed to the council and the consequences of not paying them:

Consequences of not paying debts	
Payment owed	**Consequence of not paying**
Council tax	Can result in an enforcement agent, an attachment to earnings/benefit, or imprisonment
Non-domestic rates	Can result in an enforcement agent, imprisonment or liquidation
BID	Can result in enforcement agent or imprisonment
Rent and temporary accommodation licence fee arrears	Can result in eviction
Commercial Rent Arrears	Can result in forfeiture of the lease
Licence fees	Can result in the licence being revoked
Court orders	Can result in County Court bailiff action
Housing benefit	Can result in attachment of earnings/benefit and County Court recovery action
Invoiced debts	Can result in withdrawal of service and County Court recovery action

Additional help and advice can be obtained from the following Independent Organisations.

You may also want…

Other websites

- Advice UK - Advice Providers Network (Opens in a new window)
- Age UK West Sussex (Opens in a new window)
- Citizens Advice Bureau - Chichester and District (Opens in a new window)
- National Debtline (Opens in a new window)
- Step Change debt charity (Opens in a new window)
- Debt and borrowing - Money Advice Service (Opens in a new window)

Cannot find the information you are looking for?

- **Housing Benefit**

Email: benefits@chichester.gov.uk
Telephone: +44 01243 534509

Recovery and enforcement action

- If you are having financial difficulties it is important that you talk to us. Help and advice is available - see our 'Paying an invoice - additional help' page.
- If you have a query regarding a service please contact the relevant department direct.
- Early communication is really important in helping to solve problems. I
- If payment is still not received the debt will be passed to the Revenues Enforcement team.

Actions which may be taken

The following are examples of action which may be taken if a payment plan is not agreed:

- Final court action warning letter
- County court proceedings
- Collection agency

Final court action warning letter

A final court action warning letter will be issued. This includes a financial information form which invites a proposal for payment of the debt; however, it may not always be appropriate to accept payment by instalments. If you believe you should not have to pay the bill at this stage you **must** tell us. The court will expect you to act reasonably in exchanging information and documents relevant to the proceedings, and you should respond within 7 days. If court proceedings are issued it may affect your credit rating and you will be liable for any additional legal fees incurred. Late payment interest and additional costs will be claimed on all qualifying debts.

County Court proceedings

After a Final Court Action Warning letter has been issued, if the balance remains unpaid a County Court claim may be issued. This will result in a County Court Judgement (CCJ) which will affect your credit rating. Any costs incurred will be payable by you. Once a CCJ has been obtained the court will be instructed to enforce payment. This can be through:

- An order to attend the court for questioning
- An attachment of earnings
- Enforcement Agent action to seize goods
- Bankruptcy proceedings (for debts over £750)
- Third party debt order taken directly out of an account
- A charging order may be obtained on your property which will remain in place until

the property is sold. This may be enforced sooner by requesting an order for sale

Collection agency

Outstanding invoices may be referred to a collection agency who will call at your property to collect the outstanding amount.

Cannot find the information you are looking for?

- **Recovery and enforcement**

Email: cdcrevenues@chichester.gov.uk

Telephone: +44 01243 534512

Appendix 2

Vulnerable Customers

Whilst the Council accepts that vulnerability is not in its self a cause of debt, but can mean an inability, temporary or otherwise, for people to manage their liabilities due to lack of funds or the ability to manage their financial affairs.

So the Council will be vigilant for the signs and symptoms of “vulnerability” to safeguard our most vulnerable customers and reassure them.

Customers who are considered vulnerable may fall into one or more of the following categories:

- The elderly
- People with a disability
- The seriously ill
- People who appear to have mental health issues including dementia
- The recently bereaved
- Single parent families
- Pregnant women
- Unemployed people or those experiencing uncertainty in the short term employment status or benefit receipt
- Those who have obvious difficulty in understanding, speaking or reading English
- Addiction issues (drugs, alcohol, gambling).
- A person who has recently experienced changes in their lifestyle that means they are temporarily unable to deal with their financial affairs (e.g. fleeing domestic violence, leaving prison, leaving care etc.). Such cases will be reviewed periodically.
- A person who may have been or is currently being exploited (such as modern slavery).

This list is not exhaustive; it has been drawn up to promote fairness and a consistent approach but it is acknowledged that there may be many other causes of vulnerability. Decisions regarding vulnerability should remain unfettered by laid down policy and each case should be considered on its individual merits.

When considering how a debt should be repaid by a ‘vulnerable’ customer, individual circumstances will be taken into account and greater flexibility will be considered.

Appendix 3

Customer Accounts - Process for collecting debts

Service	No. of Days Between Action	Letter Reference Type	Action
1. DRStandard: **a.** Reminder 1 **b.** Reminder 2 **c.** Recovery 1 **d.** Recovery 2	21 days 14 days 7 days 10 days	**DR1** **DR2** **DR3** **DR4**	• **DR3** warning of Debt Collection Agency (DCA) • **DR4** referred to Debt Collection Agency (DCA)
2. DREstates: **a.** Reminder 1 **b.** Reminder 2 **c.** Recovery 1 **d.** Letter Before Action	21 days 14 days 7 days 10 days	**DR1** **DR2** **DR3** **DR5**	* Subject to lease provisions
3. DRLicensing: **a.** Reminder 1 **b.** Reminder 2 **c.** Recovery - Prem 1 **d.** Recovery – Prem 2	21 days 14 days 7 days 10 days	**DR1** **DR2** **DRLC3** **DRLC4**	• **DRLC3** Licencing Suspension Warning Letter • **DRLC4** Licence Suspension
4. DRTradeWaste (TW) – billing in arrears **a.** Reminder 1 **b.** TW Reminder 2 **c.** Recovery 1	21 days 14 days 7 days	**DR1** **DRTW2** **DRTW3**	• **DRTW2** Collection suspension warning • **DRTW3** Collection suspended
5. DRClosed **a.** Closed Account **b.** Collection Agency		**DR6** **DR4**	Taxation Team Taxation Team

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Chichester District Council

Equalities Impact Assessment Corporate Debt Recovery Policy

Effective from 1 October 2014
(Updated 19 April 2017) (Last Update November 2019)

Equality Impact Assessment

Author/editor/assessor	New Project Leader – Helen Belenger (Divisional Manager Financial Services) Impact Assessors – Helen Belenger (Divisional Manager Financial Services) and Kerry Standing (Divisional Manager Revenues, Benefits and Customer Services) 2014 - Original Project Leader & Impact Assessor– Chris Christie (Revenues Manager)
Partners/decision makers/implementers, etc.	Divisional Managers – to develop and design the policy and associated procedures with relevant services and their teams Directors – to provide guidance on the corporate objectives Members – Decision making
Start date	From the date the policy is adopted by the Council – minor changes to be adopted from June 2017. New policy from 1 March 2020 also incorporates the Council's write off policy first approved in September 2017
End date	Regular reviews of this policy will ensure that it remains up to date and accurate
Relevance	The Taking Control of Goods (Fees) Regulations 2014 came into force on 6th April 2014. The Government's aim when bringing forward this legislation was to clarify the law, introduce a transparent fee structure and regulate the enforcement industry. Since the legislation came into force debtors and creditors should now be easily able to understand their rights and can rest safe in the knowledge that there is no scope for unlawful force. Standards of behaviour are guaranteed by a mandatory training regime and appropriate standards for entering the profession. The public now get better information and guidance to make sure they know where

	to go for help when something goes wrong, as well as what their rights are. In view of this change in the legislation which is designed to regulate the enforcement industry it is acknowledged that enforcement action should be the last resort when collecting arrears and should be avoided wherever possible. A comprehensive and transparent Corporate Recovery policy will support this aim. Review April 2017 - It is expected that the Universal Credit roll out will have a significant impact in the district from April 2018 which will put extra financial pressure on this group of claimants. For many of them it will be the first time that they will have responsibility for managing their own budgets which will increase the need to support them to meet their financial obligations. Review April 2017 – The policy has been reviewed and a number of minor amendments will be presented to the Corporate Governance and Audit committee on 30 June 2017. These amendments ensure that the policy still remains up to date and relevant. A new Corporate Debt Recovery Policy has been drafted and incorporates the Council's write off policy first drafted in 2017 which ash also been refreshed and updated in 2019. See below for assessment of duties under the Equalities Act 2010.
Policy Aims	To provide customers with clear and transparent information about how we will collect debts what we will do to help those customers who are in debt to the Council. To promote efficiency and consistency in the collection of outstanding debt because the collection of monies owed to the Council is a vital factor in providing the resources the Council needs to deliver services. To ensure that the staff involved in the collection of debt have a consistent approach and understand what that approach is. To promote a holistic approach to customers indebtedness to the Council where they have

	multiple debts. To promote measures that will assist those customers in arrears to repay the outstanding sum as quickly as their finances will allow and to ensure that they have received all the help available to them (financial or otherwise).
Available evidence	There are various good practice guides • Guidance on enforcement of council tax published by the DCLG • National standards enforcement agents published by the MOJ • Managing money, helping people with debt published by the CAB in association with the LGA • Regard in also given to the CAB collection of council tax good practice protocol • Adopting the 6 recommended steps from the Money Advice Service for local authorities to reduce the use of bailiffs and improve collection processes.
Evidence gaps	The procedure notes which underpin this policy are kept up to date and regularly reviewed to ensure that they support the aims of the policy.
Involvement and consultation	A public consultation is not required because there is no regulatory requirement to have Corporate Debt policy. Relevant Divisional Managers and the Strategic Leadership Team have been consulted. The policy will be reported to the Corporate Governance and Audit Committee in January 2020 and Cabinet in February 2020 for their consideration and approval.
What is the actual/likely impact?	The likely impact is to encourage debtors to communicate with us at an earlier point and our aim is to remove the barriers to them paying the amount due by being flexible in our approach. There is a risk that this will create a two tier system of those who pay on time and those who do not. However the policy is clear as to when debt will not be pursued.
Address the impact	April 2017 -The primary impact is a positive action to manage all outstanding debt in one central recovery team, except for those income streams where a specific legal regime applies and the service manages the recovery action e.g. parking enforcement. The purpose of the policy is to minimise the gap by assisting those debtors who are experiencing difficulties paying

	by dealing with the entirety of their indebtedness to the Council rather than each separate debt always having regard for priority debts.
Monitoring and review	The Corporate Debt Recovery Policy will be reviewed periodically and any new ways of working, any problems identified, changes in legislation etc. will be included and amendments made as required. Commitment to ensure that the procedures that underpin this policy are kept up to date and relevant.
Action Plan	The new policy will be presented to Corporate Governance and Audit committee on 23 January 2020.
Decision making and quality control	Recommendation That The Corporate Governance and Audit committee approve the new Corporate Debt Recovery Policy (incorporating the write off policy previously approved in 2017).

Impact on individuals with protected characteristics

Protected Characteristic	**Impact**
Age	The policy does not discriminate on the ground of age except that it acknowledges that elderly individuals may be vulnerable. Those in the vulnerable groups will be treated favourably by this policy.
Disability	The policy does not discriminate on the ground of disability except that it acknowledges that disabled individuals may be vulnerable. Those in the vulnerable groups will be treated favourably by this policy.
Gender reassignment	The policy does not treat individuals in this category any differently to anybody else unless as a result of gender reassignment they fall into one of the vulnerable groups Those in the vulnerable groups will be treated favourably by this policy.
Race	The policy does not treat individuals in this category any differently to anybody else unless they fall into one of the vulnerable groups. Those in the vulnerable groups will be treated favourably by

Protected Characteristic	Impact
	this policy.
Religion or belief	The policy does not treat individuals in this category any differently to anybody else unless they fall into one of the vulnerable groups. Those in the vulnerable groups will be treated favourably by this policy.
Sex	The policy does not treat individuals in this category any differently to anybody else unless they fall into one of the vulnerable groups. Those in the vulnerable groups will be treated favourably by this policy.
Sexual orientation	The policy does not treat individuals in this category any differently to anybody else unless they fall into one of the vulnerable groups. Those in the vulnerable groups will be treated favourably by this policy.
Marriage and civil partnership	The policy does not treat individuals in this category any differently to anybody else unless they fall into one of the vulnerable groups. Those in the vulnerable groups will be treated favourably by this policy.
Pregnancy and maternity	Individuals in this group may be treated as vulnerable. Those in the vulnerable groups will be treated favourably by this policy.

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 January 2020

Corporate Debt Recovery Policy

1. Contacts

Report Author:
Helen Belenger, Divisional Manager Financial Services,
Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

2. Recommendation

2.1. That the Committee considers the new Corporate Debt Recovery Policy and recommends it to Cabinet for approval.

2.2. That the Committee notes the Council's response to the recommendations from the Money Advice Service.

3. Background

3.1. In response to the Taking Control of Goods (Fees) Regulations 2014 which came into force on 6 April 2014, Cabinet approved the Council's Corporate Debt Recovery Policy in October 2014. The aim of this Government legislation was to clarify the law, introduce a transparent fee structure and regulate the enforcement industry.

3.2. As a result of the legislation, debtors (who owe money to a third party) and creditors (who are owed money) should now easily understand their rights and be assured that there is no scope for unlawful force when enforcing debts. Standards of behaviour are guaranteed by a mandatory training regime and there are now appropriate standards for entering the enforcement profession (previously known as the bailiff profession). The public now get better information and guidance, so that they know where to go for help when in financial difficulties, and what their rights are when something goes wrong.

3.3. The Council's policy was last refreshed in September 2017, and a new Write off Policy was established with the aim of clearly setting out under what circumstances a debt is deemed to be irrecoverable, so that the Revenue Recovery Team (at that time) could submit the debt for write off approval by the Section 151 Officer (formerly known as the Head of Finance & Governance Services), or other specific officers authorised to approve the write off of smaller debts under the approved policy.

3.4. In view of the legislation, the Corporate Debt Recovery Policy was developed to promote a co-ordinated approach in the Council at an early stage in the recovery process so that debtors are better able to manage multiple debts to the Council, and it also acknowledged that vulnerable people may need extra assistance in dealing with their financial affairs.

3.5. Also to ensure a consistent approach one team was given the responsibility to manage the recovery and enforcement of all unpaid corporate debts with the exception of parking fines, which are subject to the Civil Enforcement of Parking legislation and managed by the Car Parking Service. The parking fines are normally due for payment within 28 days of being issued, but the service operate a payment plan policy for individuals where exceptional circumstances apply, which is consistent with the Council's Corporate Debt Recovery Policy.

3.6. The Council's Constitution states, (under Part 3, Item 24 Page 67), that the Director of Corporate Services has the delegated authority to "Write-off of outstanding accounts, which are considered to be irrecoverable, subject to members being informed of the total amount of such write-offs". The debts written off between 1 April 2018 and 31 March 2019 were published on Modern.gov for members in September 2019 and are a background paper for this report.

4. Outcomes to be achieved

4.1. That a new Corporate Debt Recovery Policy is approved which updates the Council's approach to debt management including roles and responsibilities, and incorporates the Council's write off arrangements. Thereby ensuring that the policy remains up to date, relevant and is clear and transparent about its approach for debt management, recovery action and the write off of debt where it is deemed to be uncollectable.

4.2. To seek to achieve the 6 steps of good practice for local authorities as advocated by the Money Advice Service to improve the Council's collection practices.

5. Proposal

5.1. The Corporate Debt recovery and Write off Policies have remained unchanged since they were last approved in 2017, and officers felt that the 2 policies should be amalgamated and a complete refresh undertaken. This was also an opportunity to take account of changes to the Council's management structure and the Corporate Debt Recovery Team, after the Revenues & Benefits service review, which has made changes to those undertaking recovery actions within the Council.

5.2. The new policy in appendix 1 is an overarching generic approach for income collection and debt management, with greater detail for those income streams where different legislation needs to be taken into account for debt recovery actions, and where the service has responsibility for recovery action rather than the corporate Taxation Team.

5.3. It also states when the council will charge interest for late payment, which has not been expressed anywhere before or advocated, even for corporate/commercial debtors.

5.4. It expands on the fair debt collection approach, the use of enforcement agents, and sets out the roles and responsibilities of officers under the policy, including the delegation of write offs for lesser sums, which reflects better the accountability and knowledge of such cases.

5.5. The policy sets out the reporting of write offs for lesser amounts to the Director of Corporate Services, along with the quarterly write off approval procedures. These reporting requirements are to aid the annual write offs report to members as prepared by the Revenues Operations Manager.

5.6. It also sets out a new regular reporting requirement to the Strategic Leadership Team (SLT) so senior managers are aware of the financial risk of non-collection and the service areas impacted.

5.7. Also in response to the Money Advice Service and their “Stop the Knock” research campaign which sets out 6 recommendations for local authorities to consider to improve their collection process; the Council’s response to those recommendations are set out:

(i) **Make a clear statement to reduce the Council’s use of enforcement agents (formerly known as bailiffs) over time.**

Council’s response: Any use of enforcement agents is usually a last resort in the debt recovery process, which is not evoked without considering the type of debtor involved in accordance with the Council’s debt recovery policy.
This approach is also illustrated by the data from the Money Advice Service, which stated that “Chichester District Council is amongst the 51% of councils in England and Wales that have reduced its use of bailiffs over the last two years - in 2018/19, Chichester District Council passed 1,174 council tax debts, 738 parking debts and 65 other debts to bailiffs - a total of 1,977 debts, representing an overall decrease of 32% since 2016/17”.

(ii) **Review the Council’s signposting to free debt advice, including phone/online channels**

Council’s response: This information was already contained within the 2017 policy, and is in the new policy being considered by the committee. The Council’s website will be reviewed to make any further improvements to aid sign posting as necessary.

(iii) **Adopt the Standard Financial Statement (SFS) to objectively assess affordability**

Council’s response: Officers are currently assessing the use of this statement in its debt management processes and procedures in the relevant service areas.

(iv) **Put in place a formal vulnerability policy covering residents in vulnerable circumstances**

Council’s response: This information was already contained within the 2017 policy and is in the new policy being considered by the committee.

(v) **Exempt Council Tax Support recipients from enforcement action**

Council's response: The Council continues to give a high level of support to those claimants that are financially vulnerable in its communities since the introduction of local Council Tax Reduction schemes, by maintaining levels of support to claimants in comparison with the National means tested Council Tax Benefit scheme that it replaced. There may be claimants where 100% level of support is not given, but the use of enforcement agents for this type debt would only be used as a last resort..

(vi) **Sign the Council Tax Protocol and review the Council's current practices against the 'Supportive Council Tax Recovery' Toolkit**

Council's response: Officers are currently considering this toolkit and its use by those involved in Council Tax recovery action, and if appropriate, it will be incorporated into the procedures used by the service.

6. Alternatives that have been considered

6.1. It is considered that a corporate wide policy for the recovery process of money owed to the Council, and the write off of irrecoverable debts ensures that there is a transparent and clear process for debtors to understand. This ensures that the approach is consistent for all income streams as debtors may have arrears with more than one service department of the Council.

7. Resource and legal implications

7.1. The adoption of the new policy, does not in itself have any resource implications, but aids transparency and understanding about the procedures and processes relating to debt recovery and write off protocols within the Council. This is because, as part of the Council's budget process the bad debt provision is reviewed for all its aged debt and the provision is adjusted as necessary. Provisions are also reviewed during the production of its statutory final accounts, to consider the debts written off during the year and whether the bad debts provisions remain sufficient or not.

7.2. The policy continues the promotion of good practice and a consistent approach in the recovery of debts, and the recommendation to write off any debts that are considered to be irrecoverable, after any necessary consultation with the relevant service and Legal Service's advice.

8. Consultation

8.1. Consultation has been carried out with a number of services across the Council of the new Corporate Debt Recovery Policy incorporating the write off arrangements. These included the Income and Payments team, Revenues and Benefits Service, Estates, Housing and Legal Services, plus the Divisional

Manager for Community Services from a financial inclusion viewpoint; before consulting with the Strategic Leadership Team.

9. Community impact and corporate risks

9.1. Lack of timely and appropriate debt recovery action may result in the loss of income due, higher levels of write offs and increasing bad debt provision requirements.

9.2. Reputational risk and not adhering to the Council's corporate priorities where the service user pays, increasing the risk to its financial resilience.

9.3. The Corporate Debt Recovery Policy has provided debtors with the assurance that the Council recognises that some individuals and commercial organisations can have problems paying and that the Council aims to provide assistance to help them meet their obligations.

9.4. The equality impact assessment has been reviewed to take account of the new policy being proposed, and no changes were required.

9.5. This policy in no way promotes a two tier system, as there will always be customers who pay their bills on time and those who don't. The policy was established to support individuals and commercial organisations to deal with their debts, as they would still be expected to pay what is due.

9.6. The policy also sets out clearly when the Council will consider writing off debts that it considers to be irrecoverable. However, should a debt need to be re-instated because the reason for write-off is no longer valid e.g. absconded and the debtor is subsequently found or assets identified, then the Council will reinstate the debt if appropriate to do so and within any time limitations.

10. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change and Biodiversity:		X
Human Rights and Equality Impact: An updated Equalities Impact Assessment has been carried out and has concluded that these policies will have a positive impact on some individuals with protected characteristics and a neutral effect on other groups.	X	
Safeguarding and Early Help:		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X

11. Appendices

11.1. Appendix 1 – New Corporate Debt Recovery Policy

12. Background Papers

12.1. Equalities Impact Assessment
12.2. Debt Write Offs between 1 April 2018 and 31 March 2019

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Motions Procedure

1. Submitting a motion

1.1. A member may submit a motion to a Council meeting by giving written notice to the Director of Corporate Services at least 10 clear working days before the date of the Council meeting.

1.2. The motion must relate to one of the Council's functions or affect the wider district.

1.3. Motions shall be limited to one motion per member per council meeting.

1.4. Motions shall be no longer than one side of A4.

1.5. The Director of Corporate Services shall decide whether the motion will be:

a) Included within the agenda to be moved and debated at the next Council meeting
b) Deferred to a later Council meeting either for further information to be gathered or in order to manage the number of agenda items
c) Referred to the Cabinet or relevant Committee/Panel where the motion has legal, financial or other regulatory implications, in order that those implications can be fully considered and understood in the most appropriate forum.
d) Reworded to enable the motion to be debated at Full Council. This may be necessary for example, where the matter being debated is an Executive function, and cannot therefore be resolved at Full Council, the motion would in this case need to be a recommendation from Council to Cabinet or other committee to consider, taking into account the views of Council.
e) Rejected as it does not relate to a function of the Council or affect the wider district, or where the motion, in the view of the Director of Corporate Services, contains more than one, unrelated motion or is unreasonably lengthy.

1.6. The Director of Corporate Services will inform the member who submitted the proposed motion, and the Chairman of the Council of his decision.

1.7. If more than one motion is accepted for any given Council meeting the motions will be taken in order of receipt.

2. Motions without notice

The following motions may be proposed and seconded without prior notice:

a) To appoint a Chairman of the meeting where the Chairman is absent.
b) To amend the minutes of the previous meeting.
c) To adjourn a debate.
d) To adjourn a meeting.
e) To propose a closure motion.
f) To exclude the press and public in accordance with legislation.
g) To propose an amendment/s to a motion or recommendation (see counter motions below).
h) Minor amendments which do not change the meaning (see counter motions).

3. Counter motions

3.1. During the meeting, a member may propose a counter motion or an amendment to a motion without prior notice. Where an amendment is minor in nature and does not significantly change the meaning of the original motion such amendments will be dealt with orally during the meeting. Where a member proposes a more significant change, either in length or in altering the nature of the motion, the proposer will be asked to read out the amendment, and if seconded pass a written copy of the amendment to the Democratic Services Officer who will share this with the Chairman.

3.2. The counter motion must relate directly to a motion that has been tabled in the agenda pack and must not be a new motion which would require 10 clear working day’s notice.

3.3. Members are encouraged to share their counter motions with the leaders of all political parties in advance of the meeting in order to avoid duplication, and with the Director of Corporate Services in order to assist the effective running of the meeting.

3.4. The Director of Corporate Services will share all notified counter motions with the Council Chairman and relevant officers in order to ensure the smooth running of the meeting.

3.5. All counter motions received in advance will be circulated to members in hard copy at the meeting.

4. Debating a motion

4.1. The time allowed for motions to be debated shall be restricted to 30 minutes in total. After which the Chairman may:
   - 4.1.1. Allow the current motion being debated to conclude in the normal manner, or
   - 4.1.2. Close the debate and put the matter to the vote.

4.2. Any motion not yet debated will be deferred to a subsequent meeting of the Council.

4.3. At the Council meeting each motion must be proposed and seconded before it is debated.

4.4. The Chairman will invite the member who proposed the motion to speak first before inviting other members to speak in turn.

4.5. The Chairman will then invite any member who proposed a counter motion in advance to propose and second their counter motion.

4.6. The Chairman will then invite the relevant Cabinet member or committee Chair to speak before inviting other members to speak in turn.

4.7. Following the debate the Chairman will first take a vote on the counter motion, the result of which will be noted in the minutes of the meeting.

4.8. If there is no counter motion or the counter motion vote is lost then the Chairman will take a vote on the original motion, the result of which will be noted in the minutes.

4.9. If there are multiple counter motions the counter motion submitted last will be voted on first.

4.10. If a motion is referred to the Cabinet or relevant Committee/Panel the member who proposed the motion will be invited to address the Cabinet or Committee/Panel.

5. Delegations

For the avoidance of doubt in the absence of the relevant person/s the following substitutes are authorised to carry out the above:

a) For the Chairman, the Vice-Chairman
b) For the Director of Corporate Services, the Divisional Manager for Democratic Services (or in the absence of both the Democratic Services Manager, or any Director of the Council)

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Chichester District Council

Corporate Governance and Audit Committee **23 January 2020**

Full Council **28 January 2020**

Motions Procedure

1. **Contact**

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2. **Recommendation to Council:**

2.1. **That the Constitution be amended to replace the current Motions guidance with the revised Motions Procedure as set out in the Appendix to this report.**

2.2. **That the time permitted at Full Council for "Questions to the Executive" be reduced from 45 to 30 minutes.**

3. **Background**

3.1. Since the May 2019 elections the ability for members to submit motions to Full Council has been utilised much more than in previous years. Whilst this is to be welcomed as it demonstrates greater member engagement, it has also highlighted the need to revise and expand on the guidance for submitting motions as detailed in the Constitution. This has not been updated for a very long period of time and following some challenges in managing the process this report suggests some changes to ensure that the council has a clear motions procedure in order to operate effectively into the future.

3.2. The Constitutions of West Sussex County Council, Horsham District Council and Arun District Council have all been considered.

4. **Amendments to the procedure**

4.1. The current guidance as detailed in part 4, section 18, page 97 of the Constitution offers limited instruction to members.

4.2. To overcome this issue the new procedure recommends a series of steps to submit a motion.

4.3. The new procedure also outlines alternative delegations in the event of member or officer absence.

4.4. Recent Council meetings have been much longer, due largely to Councillor motions. In order to mitigate this the new proposal includes two specific measures to enable the Chairman to manage the length of Council meetings:

4.4.1. The time permitted for motions to be restricted to 30 minutes in total, and
4.4.2. Questions to the Executive to be reduced from the current 45 minutes to 30 minutes in total.

5. **Alternatives Considered**

5.1. Consideration was given to leaving the guidance as it is however it currently offers minimal information and clarity to members and officers. By making the changes it is felt that the guidance provides a basis for good decision making in line with the Wednesbury principles.
5.2. It would not be against the law to leave our process unchanged but the benefits of clarity are thought to make the existing procedure inferior to the recommendation set out in the appendix.

6. **Resource and Legal Implications**

6.1. None other than those set out in the body of this report.

7. **Consultation**

7.1. The proposals have been shared with the political group leaders and the council's senior leadership team.

8. **Community Impact and Corporate Risks**

8.1. None.

9. **Other Implications**

Are there any implications for the following? If you tick "Yes", list your impact assessment as a background paper in paragraph 13 and explain any major risks in paragraph 9		
	Yes	No
Crime and Disorder The Council has a duty "to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area". Do the proposals in the report have any implications for increasing or reducing crime and disorder?		✔
Climate Change and Biodiversity Are there any implications for the mitigation of/adaptation to climate change or biodiversity issues? If in doubt, seek advice from the Environmental Strategy Unit (ESU).		✔
Human Rights and Equality Impact You should complete an Equality Impact Assessment when developing new services, policies or projects or significantly changing existing ones. For more information, see Equalities FAQs and guidance on the intranet or contact Corporate Policy.		✔
Safeguarding and Early Help The Council has a duty to cooperate with others to safeguard children and adults at risk. Do these		✔

proposals have any implication for either increasing or reducing the levels of risk to children or adults at risk? The Council has committed to dealing with issues at the earliest opportunity, do these proposals have any implication in reducing or increasing demand on Council services?		
General Data Protection Regulations (GDPR) Does the subject of the report have significant implications for processing data likely to result in a high risk to the rights and freedoms of individuals? Processing that is likely to result in a high risk includes (but is not limited to): • systematic and extensive processing activities and where decisions that have legal effects – or similarly significant effects – on individuals. • large scale processing of special categories of data or personal data relation to criminal convictions or offences. • Any larger scale processing of personal data that affects a large number of individuals; and involves a high risk to rights and freedoms eg based on the sensitivity of the processing activity. • large scale, systematic monitoring of public areas (including by CCTV). Note - If a high risk is identified a Privacy Impact Assessment must be provided to the Data Protection Officer.		✔
Health and Wellbeing The Council has made a commitment to 'help our communities be healthy and active'. You should consider both the positive and negative impacts of your proposal on the health and wellbeing of communities and individuals living and working in the district. Is your proposal likely to impact positively or negatively on certain groups and their ability to make healthy choices, for example low income families, carers, older people/children and young people. Are there implications that impact on areas of the district differently? eg the rural areas or those wards where health inequalities exist. If in doubt ask for advice from the Health and Wellbeing team.		✔
Other (please specify)		✔

10. **Appendices**

10.1. Motions Procedure

11. **Background Papers**

11.1. Chichester District Council Constitution

11.2. West Sussex County Council Constitution

11.3. Horsham District Council Constitution

11.4. Arun District Council Constitution

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