

# Public Document Pack

## JOHN WARD

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 24 November 2016 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr G Hicks, Mr I Curbishley, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr P Jarvis, Mr S Morley, Mr P King (Auditors) and Mr M Young (Auditors)

## AGENDA

- 1 **Chairman's Announcements**  
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 5)  
The committee is requested to approve the minutes of its ordinary meeting on 29 September 2016.
- 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 12:00 on the day before the meeting is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
- 6 **Annual Audit letter 2015-16** (Pages 6 - 26)  
Further to minute 86 of 29 September 2016 to consider and note the key issues arising from the work of the Council's external auditors on the 2015-16 Accounts in the Annual Audit Letter from Ernst & Young LLP.
- 7 **Audit Progress Report 2016-17**  
An oral report will be provided by Ernst & Young LLP on progress against the 2016-17 audit.
- 8 **Internal Audit - 2016-17 Audit Plan Progress** (Pages 27 - 42)  
The committee is requested to consider and comment on the audit report and to note progress against the 2016-17 Audit Plan. The audit report at Appendix 2 is confidential\* and is available to members of the committee and relevant officers only.

\*Note Exempt category Para 3: Information relating to the financial or business

affairs of any particular person (including the authority holding that information)

9 **Financial Strategy and Plan 2017-18** (Pages 43 - 51)

The committee is asked to consider the attached report and to make recommendations to Cabinet on the Council's five year financial strategy.

10 **Treasury Management 2016-17 Mid-Year Progress Report** (Pages 52 - 59)

The committee is requested to consider the Council's treasury management mid-year progress report for the period 1 April 2016 to 30 September 2016.

11 **Strategic and Operational Risks 2016-17** (Pages 60 - 91)

The committee is requested to consider the agenda report and its appendices and to note the current strategic risk register, the current high scoring programme board and organisational risks, the plans and mitigation actions in place and to raise any issues or concerns. Appendix 1b is confidential\* and is available to members of the committee and relevant officers only.

\***Note** Exempt category Para 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

12 **S106 exceptions report 2016** (Pages 92 - 111)

The Committee is requested to note the contents of this report concerning section 106 agreements nearing their expenditure date (as set out in Appendix 1) and to raise any concerns.

13 **Corporate Health & Safety and Business Continuity - Progress Update**  
(Pages 112 - 117)

The committee is requested to consider this report which provides details of progress and current position of the Council's corporate health and safety and business continuity (BC) management arrangements and to raise any issues of concern.

14 **Budget Task and Finish Group - 2016 review** (Page 118)

To consider and agree the Terms of Reference for this review and to nominate three members to contribute to this review.

15 **Exclusion of the Press and Public**

There are no restricted items for consideration. However, the documents listed below include information which is considered to be exempt under Paragraph 3 of Schedule 12A of the Local Government Act 1972 and **are attached for members of the committee and senior officers only (salmon paper)**.

8. **Internal Audit – 2016-17 Audit Plan Progress**

Appendix 2 – Car Parks G4S Income Audit Report

11. **2016-17 Strategic and Operational Risks**

Appendix 1b – Information relating to cyber-attacks to the authority.

Before discussing the item, the committee is asked to consider whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Paragraph 3 of Schedule 12A to the *Local Government Act 1972* as indicated above and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

16 **Late items**

The committee will consider any late items as follows:

- (1) Items added to the agenda papers and made available for public inspection
- (2) 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 wherever 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. The press and public may view report appendices which are not included with their copy of the agenda on the Council’s website unless these contain exempt information.
3. 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). Other members may request a copy of the supplementary information or a copy is available in the Members’ Room, East Pallant House.
  - b) The press and public may view this information on the Council’s website at [Chichester District Council - Minutes, agendas and reports](#) unless they contain exempt information.
4. The open proceedings of this meeting will be audio recorded and the recording will be held for one year by the town council. A copy of the recording will also be retained in accordance with the council’s information and data policies. If members of the public make a representation to the meeting, they will be deemed to have consented to being audio recorded. By entering the committee room they are also consenting to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please contact the contact for this meeting at the front of this agenda.
5. 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 intentions 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. (Standing Order 11.3)





Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 29 September 2016 at 9.30 am

**Members Present:** Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr G Hicks, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs and Mr S Morley

**Members not present:** Mr T Dempster and Mr P Jarvis

**In attendance by invitation:** Mr P King (Ernst & Young LLP)

**Officers present:** Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr D Cooper (Group Accountant), Mrs F Delahunty (Customer Services Centre Manager), Mr R Dunmall (Housing Operations Manager), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer) and Mrs J Ryan (ICT Manager)

## 80 **Chairman's Announcements**

Apologies had been received from Mr Jarvis and Mr Dempster.

## 81 **Approval of Minutes**

The minutes of the meeting held on 30 June 2016 were agreed as a correct record.

## 82 **Urgent items**

There were no urgent items.

## 83 **Declarations of Interest**

There were no declarations of interest.

## 84 **Public Question Time**

No public questions had been received.

## 85 **Audit Results Report 2015-16 - Ernst & Young LLP**

The committee considered the report circulated with the agenda (copy attached to the official minutes).

Mr P King introduced the report, confirming that Ernst & Young LLP was issuing an unqualified audit report to the Council and that there was no change to fees. He suggested a potential improvement point around the assurance the committee receives for the report on the effectiveness of Internal Audit with an inclusion of an assurance statement from the Principle Auditor to the S151 officer. This was not a particular weakness but something for the council to consider in future. Mr Ward took on board the suggestion raised by Mr King.

Mr King passed on his thanks to the Accountancy Services team for a very smooth audit. He would be liaising with the team over the next few months on planning the earlier closedown of the accounts over the couple of years.

Mr Ward and Mrs Belenger thanked Mr King and his team. They also wished their thanks to be conveyed to the Accountancy Services team - a much smaller team than in previous years, some of whom were new to the organisation and the unqualified audit reflected the professionalism in which the team had conducted the accounts.

## **RESOLVED**

That the Audit Results Report 2015-16 be noted.

### **86 Statement of Accounts (Audited)**

The committee considered the report circulated with the agenda (copy attached to the official minutes).

Mr D Cooper presented the report. The committee made comments, including the following:

- Queried the confidence placed on the reduction in liability for pension costs – Mr Ward explained that the triennial valuation of the pension fund was due in the next few months and this would provide a more meaningful valuation. The Council had a stability agreement with the actuary, who takes a 20 year view, allowing a smoothing effect with capped increases, and decreases. None of the figures in the accounts would impact on the taxpayer, but the triennial revaluation does as this is what sets the annual cash contributions. A report giving the latest position is expected in early October, and members could be updated on this at the next meeting
- Queried the increase in car parking revenue as a percentage – This was calculated at about 15%.
- Queried whether the authority carries out benchmarking ourselves against other authorities – An explanation was given of the need to take volumetrics into account rather than to compare cash spend due to the difference in services across authorities and the priorities of each council. A wholesale review was undertaken every few years. Benchmarking was also carried out when undertaking service reviews and used by the auditors when carrying out their Value for Money Assessment. Chichester was in the top proportion of all authorities for fees and charges income and the Council's financial position is strong.

- Queried the ongoing surplus in the accounts and whether there was potential for Central Government to claw this back – The Government was currently reviewing the Needs Assessment which was part of the settlement process. A local authority's ability to raise income locally would be assessed but they would not drill down to a deeper level. The Government grant was reducing and would decline over the next four years to the point where we would need to become independent of Government funding other than retained business rates and specific grants
- Queried the Council's levels of assets and whether the Government could dictate how we use them – We were expanding our property portfolio directly and indirectly. If we were forced to dispose of an asset we would generate a capital receipt which could not be used for revenue purposes. Revenue receipts, including revenue income generated from assets could be used to support the revenue account.

## RESOLVED

- 1) That the audited Statement of Accounts 2015-16 be adopted.
- 2) That the Letter of Management Representation be agreed and signed by the Head of Finance & Governance Services and the Chairman of the committee.

(Subsequent to the meeting the Letter of Management Representation was signed)

## 87 2015/16 Annual Governance Statement and Corporate Governance report

The committee considered the report circulated with the agenda (copy attached to the official minutes).

Mr James presented the report. The committee made comments, including the following:

- Queried the consistency of recording mitigation against risks – These bullet points would be expanded to include the mitigation.
- Queried business continuity resilience in terms of whether the Resilience Direct web site had its own business continuity plans. – **Mrs Ryan undertook to provide a written response to this question.**
- Queried the number and type of cyber-attacks being experienced by the Council – Our security is constantly being reviewed with ransomware, phishing and viruses being experienced on a daily basis. The Strategic Risk Register would be considered by this committee at its next meeting in November and this would include an update on the current situation including statistical data to give some context of the attacks experienced.
- Queried the non-achievement of the recycling targets – The Waste Minimisation Panel was working on an action plan. We are at 39.1% at present but not likely to be fined as some EU countries were achieving much lower results. Chichester Contract Services had started to push the green waste service to help meet the target. Last year we received 10% recycling credits (redistributed from WSCC) and this would increase to 20% by 2018.

- Queried the staff ratio under the effectiveness of the Internal Audit section – This would be amended to the number of FTEs who were employed during the year in subsequent reports.

## **RESOLVED**

That, subject to the suggested amendments being incorporated, the committee's annual report on the Council's governance arrangements, including the 2015-16 Annual Governance Statement at Appendix 1, be agreed.

## **RECOMMENDED TO COUNCIL**

That the Corporate Governance & Audit Committee's annual report on the Council's governance arrangements, including the 2015-16 Annual Governance Statement, be noted.

### **88 Formal complaints, FOI requests and Subject Access Requests Analysis 2015-16**

The committee considered the report circulated with the agenda (copy attached to the official minutes).

Mrs Delahunty presented the report. The committee made comments, including the following:

- Queried the trend in procedures/enforcement complaints and what we were learning as a result – The first stage of dealing with the complainant by telephone tends to stop the escalation of a complaint.
- Queried the complaints following the introduction of the Pay on Foot scheme at the Avenue de Chartres car park – This scheme had had teething problems but these had since been resolved and the complaints had decreased.

## **RESOLVED**

That the 2015-16 Annual Report on Complaints, Freedom of Information Requests and Data Protection be noted.

### **89 Internal Audit - Audit Plan Progress**

The committee considered the report circulated with the agenda (copy attached to the official minutes).

Mr James presented the report, providing an update on the recommendations made in the three audits – Data Security (Public Service Network), Rent Deposits and Treasury Management. He also presented the audit plan progress report.

The committee made comments including the following:

- The PSN audit needed to differentiate between the Cabinet Office and the Council's Cabinet.

- Queried the level of contingency we have for housing homeless people – This was variable depending upon demand, with Westward House close to full occupancy at present. A business case was being prepared to expand the resources available to increase the supply of temporary accommodation.

**RESOLVED**

That the audit reports and progress against the Audit Plan be noted.

The meeting ended at 11.20 am

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CHAIRMAN

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Date:

# Chichester District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

Agenda Item 6

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Chichester District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 30 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 September 2016.

Once the work is concluded, we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Paul King

Executive Director  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 29 September 2016 meeting of the Corporate Governance and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with our Audit Plan and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit

# Financial Statement Audit

## Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report.

Our detailed findings were reported to the 29 September 2016 meeting of the Corporate Governance and Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	We completed our planned procedures and identified no errors, omissions or inappropriate transactions.  Our testing identified no indication of either management bias or the override of controls.

# Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



Our audit did not identify any significant matters in relation to the Council's arrangements.

We issued an unqualified value for money conclusion.

## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Corporate Governance and Audit Committee. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We identified no significant deficiencies in internal control.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
EU referendum	Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>

EY | Assurance | Tax | Transactions | Advisory

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ED None

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**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE**      **24 November 2016**

**Progress Report – Audit Plan**

**1. Contacts**

**Report Author:**

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: [sjames@chichester.gov.uk](mailto:sjames@chichester.gov.uk)

**2. Recommendation**

**The committee is requested to note progress against the audit plan.**

**3. Main Report**

3.1. There is one Audit Report for Car Parks- G4S Income at Appendix 2 which is to be dealt with under exempt business.

3.2. The Audit Progress Report detailed in Appendix 1 is attached. You will note in the report that three audits will be deferred until 2017/2018, this is due to the service either being under review, being part of the shared service project or the contract having recently been let. The time allocated for these audits have been allocated to contingency to be used for non-programmed work. The remainder of the plan is currently on track.

**4. Background**

4.1. Not Applicable

**5. Outcomes to be achieved**

5.1. Not Applicable

**6. Proposal**

6.1. Not Applicable

**7. Alternatives that have been 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**

<b>Are there any implications for the following?</b>		
	<b>Yes</b>	<b>No</b>
<b>Crime &amp; Disorder:</b>		√
<b>Climate Change:</b>		√
<b>Human Rights and Equality Impact:</b>		√
<b>Safeguarding:</b>		√
<b>Other (Please specify):</b>		√

**12. Appendices**

- 12.1. Appendix 1 - Audit Plan Progress Report
- 12.2. Appendix 2 – Car Parks Audit Report – exempt (Part 2)

**13. Background Papers**

13.1 None

# Progress Report – Audit Plan



As at 31 October 2016

Appendix 1

Audits Brought Forward from 2015-16	Auditor	No of Days	Days Remaining	Position with Audit
S106/CIL	Philippa Watts	18	8.5	Ongoing
Business Continuity	Ann Kirk	10	9	Deferred until Qtr 4
Grants & Contributions (Received)	Stephen James	15	15	Planning
Fixed Asset Register (transfer to Civica)	Stephen James	5	5	Deferred until Qtr 4
Emergency Planning	Sue Shipway	15	11.5	Ongoing
<b>2016/2017 - Audit Plan</b>				
Elections	Sue Shipway	15	14.5	Planning
Carry Forwards (Data Security)	Stephen James / Sue Shipway	15		
Contact Management	To be determined	15	15	
CCFS Income (Trade & Green Waste)	Sue Shipway	15	13	Ongoing
Community Careline	Julie Ball/Ann Kirk	15	6	Ongoing
Budget Monitoring - Deficit Reduction (Procurement review target on goods and services)	Philippa Watts/Julie Ball	20	18.75	Includes Facilities Management/Caretaking/Building Services
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Key Financial Systems - See below for details	Sue Shipway / Julie Ball / Ann Kirk / Philippa Watts	100	66	Ongoing aim to be completed by Jan 2017
Audit Reviews	Stephen James / Sue Shipway	15	3	Ongoing
Chichester Contract Services Quality Audits	Stephen James	20		
Corporate Fraud Officer	Stephen James / Sue Shipway	20	18.5	Monitoring Role and progress report
Meetings / Discussions with EY	Stephen James / Sue Shipway	2	1.5	Ongoing
Shared Service Project Plan	Stephen James / Sue Shipway	15	0	Ongoing
Committee Reports & Representation	Stephen James	15	15	Ongoing
Corporate Advice	Stephen James / Sue Shipway/ Julie Ball / Ann Kirk	10	7.5	Ongoing
Contingency	Stephen James/Sue Shipway/ Philippa Watts/Julie Ball/Ann Kirk	65	23	Analysed separately
AGS & Supporting Evidence	Stephen James	30	7.5	Draft Report available
PSIAS	Stephen James/Sue Shipway	20	19.75	Deferred due the Shared Service project
Individual Service Risk Register & Corporate Risk Register	Stephen James/ Sue Shipway	10		
Follow Ups -	Sue Shipway / Ann Kirk / Julie Ball	14	8	Ongoing

Completed Audits				
Fraud Review	Sue Shipway	15	15	Report Completed
Personnel & Recruitment	Sue Shipway	20	0	Completed and Reported
Industrial Estates/Investment Properties	Philippa Watts	20	0	Increased days to include service charges Draft Report available
Data Security PSN	Julie Ball	15	5	Completed and Report available
Treasury Management	Philippa Watts	10	0	Completed and Report available
Rent Deposit Scheme Review	Ann Kirk	10	0	Completed and Report available
Pest Control	Philippa Watts	10	9	Now outsourced-cover under future contract audits
Key Financial Systems 2015/2016	Sue Shipway	0	0	YE report only
Estate Rent Arrears	Julie Ball	10	0	Report Completed
Deferred Audits to 2017-18				
Museum/TIC	Ann Kirk	20	18	Currently under review - defer until 2017-18
Information Technology (New IT Manager)	To be determined	15	15	Deferred due the Shared Service project
Westgate/Southbourne/Midhurst Leisure Centres	Sue Shipway	15	15	Contract commenced 1 May2016
Inclusion in Key Financial Systems				
Creditors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Debtors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Paid	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
NNPS	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby	100	See Above	Reported at Year End
Council Tax	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Bank Reconciliation	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Budgetary Control	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 24 November 2016**

**Financial Strategy and Plan 2017/18**

**1. Contacts**

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**2. Executive Summary**

The purpose of this report is to assist Cabinet in updating the Council's financial strategy and action plan to help guide the management of the Council's finances during a period of diminishing resources, and to build upon the work already achieved in this area in previous years.

The Council currently anticipates further government funding reductions over the course of the remainder of this parliament which, without intervention, would create a deficit in our revenue position that must be addressed if we are to comply with the legal requirement of setting a balanced budget each year. This report sets out the key financial principles and actions that will assist in this process.

The challenge facing the Council remains being able to provide services that meet community needs with a significantly reduced overall level of government resource.

The key recommendations from this report will help to formulate the 2017/18 budget, and level of Council Tax.

**3. Recommendation**

**That the committee consider and recommend to Cabinet:**

- 3.1. In the short to medium term the Council maintains a minimum level of reserves of £5m for general purposes.**
- 3.2. To maintain the current provision of £1.3m of revenue support to smooth the impact of funding reductions, and volatility associated with localisation of Business Rates.**
- 3.3. The Council should continue to aim to set balanced budgets without the use of reserves, although some use of reserves in the short term may be necessary.**
- 3.4. That in order to achieve a balanced budget over the medium term, officers should monitor delivery of the agreed deficit reduction plan.**

## 4. Background

4.1. The Council's 5 year Financial Strategy and the principles contained within it underpin the forthcoming budget cycle. Earlier this year cabinet approved a deficit reduction plan and gave delegated authority to the Head of Finance and Governance to take up the government's four year funding offer. That four year settlement will help to provide a degree of certainty. However, with much of our income being related to the state of the economy in the form of retained business rates and fees and charges a great degree of uncertainty regarding the financial position still remains. The Council, therefore, has to maintain a prudent and robust approach to medium term financial planning, in order to manage service delivery with increasing costs, whilst also addressing continuing reductions in available government resource.

### 4.2. The 2017/18 Settlement

The 2016 spending review is not expected until 23 November, after this report will have been published, and officers will therefore provide an update at the meeting. At the time of drafting this report, DCLG have not yet confirmed to those authorities, such as Chichester, that their four year funding agreement has been secured. It is hoped that this will also be confirmed in time for the committee meeting.

4.3 It is also possible, although unlikely, that there may be another Council Tax freeze grant on offer for 2017/18. The government have however, confirmed that the referenda principles for excessive council tax increases for shire authorities will again be 2% or £5 whichever is greater. This helps low taxing authorities such as Chichester, as a small percentage uplift would benefit us much less than some other authorities that have higher council tax levels. This means that this authority will be able to increase council tax in 2017/18 by £5, generating approximately £250,000 of additional income. This has been assumed in the 5 year model for 2017/18, however, the government set these referenda thresholds annually, and so the five year model assumes just 2% per annum thereafter.

### 4.4 Beyond 2017/18

The previous coalition Government pursued a very clear fiscal policy which has resulted in significant funding reductions for local government. It seems that this trend will continue for the foreseeable future.

4.5 The government have announced full localisation of business rates (Non-Domestic rates or NDR) by 2020, and a complete review of the operation of the New Homes Bonus scheme (NHB). Consultations have commenced but full details as to how these schemes will operate in the future are still unknown. We do however know that the government's objective with the NHB scheme is to reduce the overall cost by two thirds. We also know that full localisation of business rates will still have tariff and top-up payments. This will redistribute NDR income away from authorities such as Chichester where the income would be in excess of our perceived need for funding, to other areas where need exceeds NDR income. Neither of these scheme changes is expected to be implemented for the 2017/18 financial year.

- 4.6 The 5 year financial model (Appendix 2) has been updated to reflect the officers' best estimates of what may occur in 2017/18 and beyond. The model assumes the deficit reduction plan will be delivered on schedule, together with further savings and investment returns managed by the Commercial and Business Improvement Programme Boards. The current model also assumes the balance of savings from the leisure outsourcing project, and savings anticipated from the potential shared service project. This model will of course be kept under review so that the Council has time to respond should the situation, and government funding, deteriorate faster than currently predicted.
- 4.7 The four year funding offer that the government announced alongside the 2016/17 settlement has been built into the 5 year model. This covers the period 2016/17 to 2019/20. Officers have therefore had to make assumptions beyond that period. It is hoped that the government will confirm the four year funding is secured before the meeting.
- 4.8 This council, along with Arun, Adur, Worthing and West Sussex County councils have operated a business rate pooling arrangement. This enables the authorities to divert some business rate growth that would otherwise have been paid to the government into the local pool. The operation of the pool in 2016/17 is forecast to retain £2.7m. This is then available to fund growth related projects that benefit the whole county area. It is therefore recommended we continue to participate on the West Sussex business rates pool.
- 4.9 As reported last year, the Council's Estates Service has been pursuing a number of investment and asset realisation opportunities. In addition to the economic and community benefits that such investment brings to the district, they also help to reduce our dependence on central government funding. To supplement this, officers have also pursued investment in the Local Authority Property fund. These are pooled investments in property, and as such offer greater diversity and are backed by assets providing security over the longer term. Although offering slightly lower income returns than our own in house property investments (circa 5% versus 8 – 9%) they do offer an alternative source of relatively good returns for long term balances, with only modest capital risk, as opposed to traditional Treasury Management deposits which currently generate just 1%. The Council has invested £10m in the property fund which should return between £400,000 and £500,000 per annum to assist the deficit reduction plan.
- 4.10 Appendix 3 sets out our current level of reserves, the commitments against those reserves, and therefore the potential funds available for the Council to invest in new schemes.
- 4.11 **In addition to government funding, other uncertainties and risks still remain which will impact on the Council's financial position, and make forecasting budgets more difficult.** These include:
- **Income from Fees and Charges.** The Council currently relies on £16m pa of income from its fees and charges to balance its budget. Much of this is discretionary spending, or linked to the economy.

- **The effects of inflation.** Inflation remains extremely low at present, however, some commentators have suggested increases to around 4% during 2017, although the bank of England have indicated less dramatic increase to 2% is likely. The overall effect of inflation on the Council's budgets is fairly neutral as expenditure inflation is largely offset by income inflation. However, some services have struggled in recent years to pass on the effects of inflation in setting their fees as customers are unable or unwilling to bear the increased cost. Fee levels have not kept pace with inflation in all services.
- **Pay settlements.** Following repeated pay freezes, local government has returned to limited increases. While the current Government is still advocating pay restraint there is a risk over the longer term of increased pressure on national pay negotiations, especially if private sector pay increases outstrip the public sector. The current 5 year model assumes a further 1% increase in 2017/18, and 2% thereafter. Some services have already struggled to recruit staff, especially where we are competing with the private sector, and some limited use of market supplements has had to be offered to fill vacancies. A separate report has already been presented to Cabinet on addressing the pay structure at the Council. £300,000 has been built into the 5 year model to address this.
- **The localisation of Business Rates.** This brought both opportunity and risk, as a change in the business rate base locally will directly impact our funding. Localisation brings with it volatility as losses on collection will largely fall on local councils in future rather than on the national pool. The government's announcement to fully localise NDR by 2020 may present an opportunity to retain more growth, but all of the other associated risks are likely to remain. Consultation has commenced, but still no details are available as to how this will be implemented, or the impact it will have. However, in the interim it is proposed that we should continue to pool business rates with other authorities in West Sussex to maximise the amount of funding that can be retained.
- **The localisation of Council Tax Reduction (CTR).** Currently, expenditure on this has fallen since the 2016/17 budget was set. However, localisation means that any increase in demand for support will have to be met locally in full in future.
- **Council Tax increase.** Last year full Council took advantage to secure recurring income by option to take up the new freedom to low taxing authorities to increase their council tax by £5 rather than 2%. The government set the increase "limits" annually i.e. the limits above which a referendum must be held. It has been confirmed that for 2017/18 the £5 option will again apply, and this has been assumed in the 5 year model. Beyond that officers have assume 2% per annum.
- **Welfare reform,** including changes to Housing Benefit cap and the phased introduction of Universal Credit, which will impact on certain services such as Benefits and Housing. A review of the Council's discretionary housing payments policy is currently being carried out and Officers in the Benefits and Housing services are working together to

ensure our resources are used to best effect and to assist those most affected by the changes.

- **The New Homes Bonus** where funding is linked to growth in domestic properties, but is funded nationally by reducing the amount of government grant. This effectively, is a distribution of local government funding via a different mechanism, and is not new funding. The future of this source of funding is very uncertain, and is subject to a government review. In the current 5 year model officers have assumed reductions beyond 2017/18. Again this may become clearer after the CSR announcements on 23 November.
- **Amended Waste Regulations and increased recycling targets.** New and tougher recycling targets and the need to separate out types of recyclate may drive substantially increased waste costs. An indicative estimate of £0.8m per year has been included in the 5 year model based on officer's current projections.
- **Cultural grants to the Chichester Festival Theatre and Pallant House Gallery.** These are currently funded from earmarked reserves which will be exhausted in 2017/18. These are the subject of a separate report to the December Cabinet.
- **Political environment.** The EU referendum outcome and subsequent developments including the recent legal challenge, and possibility of a parliamentary election have added greater uncertainty. It is too early to determine exactly how a withdrawal from the EU will impact on the council, and this will have to be continually reviewed and any impacts reflected in the financial model as and when they are known.

4.12 The Council took early action as the 2008 financial crisis started to emerge and has, from 2010/11 to 2015/16, achieved in excess of £8.6m of savings and increased income. In May 2013, members approved a £2.4m deficit reduction programme. This was exceeded and delivered £3.6m. In September of this year members received a further savings plan based on the latest five year financial plan. This sets out targets to deliver further savings / additional income of £3.8m. It has been via this medium term modelling that the Council has been able to plan ahead, and implement sensible and considered efficiencies in a timely fashion. This planning has helped to avoid making severe service cuts, yet thus far enabled us to balance our budgets, and invest in new priorities. Additionally it has enabled us to preserve the NHB funding for community benefit. A further benefit of careful planning has been that we have been able to implement localised CTR in a way that has protected claimants.

4.13 The current 5 year financial model (Appendix 2) has been updated to reflect current assumptions including government funding reductions and a council tax projections, as well as projected costs and planned efficiencies. This demonstrates a balanced budget over the next 5 years subject to delivery of the deficit reduction plan agreed in September and all of the other uncertainties set out above.

## **5 Outcomes to be achieved**

- 5.1 The purpose of this report is to set out the key financial principles that should be applied over the short to medium term to help maintain a robust and balanced financial position for the Council, and which will be used to underpin the annual spending report in February 2017 to set the 2017-18 budget and Council Tax requirement.
- 5.2 This will help the Council to deliver its Corporate Plan objectives by having a sound financial position that is balanced over the medium term and enable investment in priority services.

## **6 Key Financial Principles**

- 6.1 The financial principles that are used to underpin the Council's financial strategy and ensure a robust budget process are set out in Appendix 1. These are well established now, and have served us well in ensuring a sustainable balanced financial position over the medium term.

### **6.2 Treasury Management**

6.2.1 The Council is required to agree its treasury management policy annually, and has made further changes during the year, following a task and finish group review. Performance reports are also received during the year. The key objectives are security of the principal sums invested, and liquidity. Maximisation of investment return is a secondary objective. As such, removing revenue reliance on investment income not only strengthens the Council's financial position, but also reinforces the primary objective of the treasury management policy. However the use of a property fund would enable the council to invest balances in a long term fund which would provide a predictable return that could be used to assist in closing the projected budget deficit.

6.2.2 The Treasury Management Policy, together with the Minimum Revenue Provision policy and Prudential Indicators are an integral part of the Financial Planning process, but they will be reported separately to Cabinet early in the New Year.

## **7 Alternatives that have been considered**

- 7.1 The Financial Strategy is key to ensuring the Council continues to set a balanced budget even with all of the uncertainty and pressure faced by the Council in the current economic climate.
- 7.2 Various alternatives exist within the strategy and the 5 year plan. The NHB could for example be used to support revenue budgets, but this would be contrary to the financial principle of not using non-recurring income to fund recurring expenditure.
- 7.3 Although the financial model assumes certain levels of Council Tax increases, it will be for the Council to determine the appropriate level annually. For 2017/18 the Council Tax levels will be recommended by Cabinet at their February 2017 meeting for Council to consider at the March 2017 meeting.

## 8 Resource and legal implications

- 8.1 The financial principles will help to guide the management of the Council's finances over the short to medium term, and will underpin the budget process that will be reported back to Cabinet in February.

## 9 Consultation

- 9.1 Corporate Governance and Audit Committee are asked to consider this report and make any recommendations as appropriate to Cabinet.

## 10 Community impact and corporate risks

- 10.1 The Council has taken action over the last five years to achieve a relatively strong financial position. However, there remains a great deal of uncertainty over the future with many different factors that may impact on the Council and change the financial forecast. The financial principles contained within this report will help the Council maintain its financial standing and protect valuable services to the community, whilst giving flexibility to respond to changes in the future.

## 11 Other Implications

<b>Crime &amp; Disorder:</b>		None
<b>Climate Change:</b>		None
<b>Human Rights and Equality Impact:</b>		None
<b>Safeguarding:</b>		None

## 12 Appendices

- 12.1 Appendix 1 – Financial Principles
- 12.2 Appendix 2 - Five Year Financial Model.
- 12.3 Appendix 3 – Statement of Resources.

## 13 Background Papers

- 13.1 None

Principle	Narrative	Actions
<b>Key Financial Principles</b>		
<p>1. All key decisions of the Council should relate back to the Corporate Plan</p>	<p>The Corporate Plan is the driver for our decision making, including the allocation of resources, and sets the Council’s work plan. Each year the Corporate Plan is reviewed. The affordability role of finance in the corporate planning process has evolved into an assessment of what resources are required to deliver the emerging Corporate Plan projects, whilst maintaining high quality provision of services wherever possible.</p> <p>So far, major service reductions have been largely avoided. However, with finite resources that are predicted to continue to reduce in the immediate future, the Council may not be able to deliver all of its aspirations whilst maintaining existing services to the current level provided. Members may have to make difficult decisions in the future about service provision and competing priorities.</p>	<p>Members and the Senior Leadership Team (SLT) have developed a strategy to eliminate the current projected budget deficit over the next 5 years. This was reported and agreed at full council earlier in the year as the “Deficit Reduction Plan”. The challenge now is to see that plan delivered on time and achieving the level of savings required. Regular monitoring and reporting against the plan will be undertaken by officers &amp; reported to members during the months ahead.</p>
<p>2. Ensure the revenue budget and capital programme remain balanced and sustainable over a rolling 5 year period.</p>	<p>There is a legal requirement to set a balanced revenue budget and ensure the capital programme is fully resourced. Over the last seven years 2010/11 to 2016/17 the Council took action to balance the revenue budget without drawing on general reserves.</p> <p>The Statement of Resource Allocation (Appendix 3) demonstrates that the capital programme remains affordable. Within this, £1.3m has been earmarked as available to support the revenue budget should conditions dictate. Whilst the intention is to set a balanced budget over the medium term, this finite resource remains available to smooth the impact should there be any unanticipated adverse changes to our funding, or where service savings have been unavoidably delayed.</p> <p>The 5 year financial risk model has been updated as our current best estimate of the budget for the next five years, and is attached as Appendix 2. This indicates that, subject to all the uncertainties set out in part 4 of the covering report, and assuming that the deficit reduction programme is delivered on schedule, the budget for 2017/18 and beyond should be balanced.</p> <p>The Resources Allocation statement has been</p>	<p>The five year financial model will continue to be monitored and updated, and Cabinet is given regular briefings on this throughout the year. Senior managers will monitor delivery of the approved deficit reduction plan.</p> <p>Budget monitoring for revenue and capital schemes is completed quarterly by budget managers, and reported to cabinet.</p>

	<p>updated to reflect the current capital programme and is attached as Appendix 3. The Corporate Governance and Audit Committee (CGAC) are asked to consider the appropriateness of the minimum level of reserves, and make appropriate recommendations to Cabinet.</p>	
<p>3. Over the next five years maintain a position of non-dependency on reserves.</p>	<p>Appropriate funding needs to be built into the revenue and capital budget, taking into account the whole life cost of the assets. With reserves being largely committed, the revenue budget will need to make an appropriate contribution to reserves to fund any future capital commitments.</p> <p>Base budgets incorporate repairs and maintenance to council buildings, thereby removing dependency on reserves for what is a recurring revenue cost. Similarly, other recurring items still funded from reserves must be built into future revenue budgets.</p> <p>Building Services have undertaken a full review of the existing asset base of the council and identified with service managers the need to reinvest in our existing essential assets. This is updated annually to ensure the current asset base remains affordable over the long term.</p> <p>Since 2010-11 the degree to which the revenue budget was supported by interest on investments was removed. This eliminated a key risk to the authority that large variances on interest receipts could have put immediate pressure on the revenue budget. Instead all interest receipts were recycled into funding the capital programme (interest receipts on S106 balances are ring-fenced to those funds). Any change in interest rates has still impacted the overall position of the Council, but has a less immediate impact than it has had for authorities that continue to rely on interest receipts to fund day to day activities. Last year it was reported that officers were investigating is the ability to invest a proportion of the Council's cash balances in long term property funds. This would provide a more predictable return which could be incorporated into the base budget to help narrow the budget deficit without creating volatility and risk. This review has been concluded and the Treasury Management policy amended by Council to permit this type</p>	<p>To build future demands for recurring expenditure into the five year Financial Model, and thereby into any potential savings target.</p> <p>To avoid funding recurring expenditure from reserves as a key financial principle.</p> <p>To determine annually an amount of revenue income to set aside for property investment.</p>

	<p>of investment. The Council currently has £10m invested in a Local Authority Property fund generating returns of approximately 4.5%. This investment return was identified in the deficit reduction report to assist with funding the revenue budget.</p> <p>Recent investment decisions in the Council's own property portfolio will also generate further revenue receipts for the Council. It is proposed that some of this additional income is recycled via council reserves to enable further investment going forward, rather than taking all of the income into the revenue budget. The precise amount to be recycled in this way will be determined as part of the detailed budget proposals brought to Cabinet in February 2017. The 5 year financial model takes into account income from historic investment decisions such as Barnfield Drive, Crane Street and the Enterprise Hub as part of the Commercial Programme Board.</p>	
<p>4. In order to maintain a balanced budget in a climate of reduced funding, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved.</p>	<p>The Council needs to have certainty about capital and revenue funding before entering into new commitments. This will require robust project management processes to ensure the full consequences; both revenue and capital, of embarking on particular projects are known and understood from the outset. The whole life costs of the project must be considered.</p> <p>Where projects are dependent on match funding, the funding partner may impose certain conditions. The Council needs to clearly understand what those conditions are and their possible financial consequences. Projects should only proceed once all funding has been secured, and the conditions have been assessed and evaluated. The relevant service should also consider, in advance, any costs that may arise at the end of the project and prepare an exit strategy so that the full consequences are known in advance. Whole life costing should be used. Copies of all funding agreements should be copied to financial services to ensure all possible future liabilities are considered and documentation retained.</p>	<p>All Project Initiation Documents (PIDs) are to be based on whole life costs, and include an exit strategy.</p>
<p>5. Review costs in response to changes in service demands.</p>	<p>The call upon Council services is fluctuating more during a period of economic and financial uncertainty. Whilst short-term variances in demand can be accommodated, any longer term trends, i.e. beyond one year,</p>	<p>Essential services that experience an increase in demand will be recognised and supported. However, where there is an on-going reduction</p>

	<p>will require the Council to respond by redirecting its resources in line with changes in demand. This is a key principle as future changes in demand on services are bound to occur.</p> <p>Prioritising the Council's services will enable scarce resources to be directed to areas of need and priority over the medium term.</p>	<p>in demand beyond one year they should be reviewed in order to realign resource allocation.</p>
<p>6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion, if any, that should be met by Council Tax.</p>	<p>The Council has limited discretion to set fees and charges for some services. Clearly, the setting of charges should have regard to community needs for those services as well as affordability. Traditionally, many fees and charges have increased in line with inflation. The Council has a Fees &amp; Charges Policy. This requires services that have discretion to charge, to attempt to at least break even, unless there is a clear approved policy reason for not doing so. The underlying principle is that the service user should pay the full cost of the services received.</p>	<p>Service managers need to consider their fees &amp; charges in advance of the start of each financial year. Any individual services operating at a deficit should aim to break even unless there is an approved policy to support their on-going subsidy. This should be based on the whole cost of delivering the service, including use of assets.</p>
<p>7. Continue to review the Council's costs in order to find further savings.</p>	<p>The Council has already achieved significant savings over recent years. However, the Council will continue to seek further efficiencies to help free up resources, ensure services are as efficient and effective as possible and support the community. The focus is to ensure services are delivered to an appropriate standard at a competitive unit cost.</p> <p>Three programme boards (Infrastructure, Business Improvement and Commercialisation) have been set up to co-ordinate the various projects that the council is engaged in. This enables the council to direct resources to higher priority projects, and enables senior management to intervene to assist projects to remain on track to deliver their planned objectives. The programme boards also track efficiencies as part of their process which aids corporate financial planning. These boards are incorporated in the 5 year financial model.</p> <p>Future service reviews will consider the most efficient ways of working, including working with partners, channel shift, sharing assets, shared services and outsourcing to deliver the best and most effective solutions for services and the community.</p> <p>Aside from formal service reviews, service</p>	<p>In order to assist the budget process for future periods, further efficiencies should be identified. Officers will need to review service costs to determine whether unit costs are appropriate and report back to members where service reviews are deemed necessary to reduce unit costs to an acceptable level.</p> <p>The council is currently investigating whether to deliver a number of services via a shared service arrangement with other authorities. A full report incorporating detailed business cases is due to be reported to Cabinet in February 2017.</p>

	managers should normally be considering the best, most cost effective procurement methods in their service areas.	
8. Match Council Tax increases to a realistic and affordable base budget.	<p>The objective is to limit increases in Council Tax to modest and affordable levels over the next 5 years, whilst accepting that such an objective may be impacted by national government policy.</p> <p>For 2016/17 the requirement to hold a referendum for council tax increases over 2% was relaxed slightly so that the referendum was only required if the proposed increase was both in excess of 2% and £5. In effect that rule change permitted this council, since it has one of the lowest Council Tax levels, to increase its Council Tax by £5. The government have confirmed that the same rules will apply for 2017/18 and a £5 increase is assumed in the 5 year financial model for next year only. The decision regarding the referendum limits is taken annually, and so the model assumes just 2% each year from 2018/19 onwards.</p>	
9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community.	It is likely that in future the Council will become more involved in new ways of working, including greater partnership working, devolved budgets and pooling resources with other agencies. It is important that the Local Strategic Partnership strategic objectives and community outcomes are agreed from the outset when partnerships are formed so that the achievement of results can be measured and reported to members to ensure public funds are being used in the most efficient way to achieve greatest impact for the community.	Where appropriate we should commission services with other service providers and pool our budgets to provide more effective and efficient outcomes for the customer.
10. New Homes Bonus (NHB) This should be allocated annually, and only committed once received.	The NHB is not new funding. This is paid from local government funding that would otherwise have been distributed to councils. The grant is not ring-fenced, and as such the Council can choose how it wants to use this source of funding, although the previous coalition Government pointed out that it expected it to be used to help “reward” communities that have taken housing growth. Further, the Government also stated that it expects councils to consult their communities on its use, and in areas where there is a national park as the planning authority, to also consult with the park authority.	The NHB to be reserved for community and other uses after it has been received. It remains important, however, to allocate this funding taking into account the legal requirement to set a balanced budget for the council. As such this will be reviewed annually.

	<p>The funding is paid as a grant in respect of each new domestic dwelling coming into the tax base (net of any long term empty properties) of the whole District, including the area within the National Park. The amount paid is based on the national average council tax, and is paid for the following six years, split 20% to the County Council and 80% to the Housing authority, i.e. CDC.</p> <p>It was flagged in previous years that that there is a risk that, NHB may be amended or replaced following the parliamentary elections. NHB should not, therefore, be relied upon long term to resolve our budget position, and should only be committed after it is received. The government have earlier this year embarked on a review of the NHB scheme with an objective to reduce the overall cost of the scheme by two thirds. Although we still await the final outcome of this review, the decision not to rely upon it to fund core services has proven to be prudent.</p> <p>In previous years we have not used the NHB to assist in balancing our revenue budget, and have instead used this source of funding to help reward communities by funding one off projects. With the introduction of CIL, and given the uncertainty surrounding the future of NHB as we await the detail of the 2015 spending review the grants and concessions panel are currently undertaking a review of the use of NHB, along with other grant funding that the council makes available to individuals and groups.</p>	
<p>11. Localisation of Business Rates. We should review the decision to pool our business rates annually after receipt of the government draft settlement to ensure that the Council is in the best possible financial position.</p>	<p>A business rates pool in West Sussex has been created, thereby enabling us to retain more of the NDR growth locally for investment jointly with other pool member authorities. Full localisation of business rates which is expected by the end of this parliament may in effect do away with the need to form pools to retain this growth. Until then it is recommended that we continue with the current pooling arrangements.</p>	<p>The existing pooling arrangement will continue into 2017/18 unless the council opts out of this arrangement. Once the draft settlement has been announced the council will have an option to withdraw from the pool, however, until NDR is fully localised it would remain beneficial to retain the current pooling arrangements.</p>
<p><b>Resources and Capital Programme Principles</b></p>		
<p>1. Capital receipts, reserves and interest on investments (other than property investment) will primarily be available for</p>	<p>This is a long-established principle whereby non-recurring resources are used to meet non-recurring expenditure. The revenue budget is no longer reliant on reserves. Interest receipts are, with the exception of</p>	<p>Temporary sources of funding should not be relied upon to fund recurring revenue costs. Budget managers embarking on new projects that involve</p>

<p>new investment of a non-recurring nature, thereby minimising the overall financial risk.</p> <p>Income earned from property investments, both directly owned and managed property, and the Local Authority Property Fund, can be used to support revenue as the income streams earned are much less volatile.</p>	<p>property related income, diverted to support the capital programme.</p>	<p>temporary funding must design an exit strategy from the outset to ensure the council is not left with unfunded costs at the end of the funding stream.</p>
<p>2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment.</p>	<p>The objective is to offer resilience against the unexpected and provide resources for new initiatives including one off costs to assist with reshaping the organisation.</p> <p>The Capital Programme is an estimate of the capital schemes' likely cost and the funding resources likely to be available to meet that need. This is always subject to amendment if, for example, a scheme cost is higher than anticipated or an anticipated capital receipt is less than expected. The capital programme is by its nature constantly changing and the resource position will be continuously monitored to ensure it remains affordable. The Resources Statement reflects the current level of reserves, anticipated receipts, and commitments, and this is attached at Appendix 3. This currently indicates a surplus of resource of £4.9m.</p> <p>The Resources Statement assumes a minimum level of general fund reserves of £5m as agreed by members in 2009 and reaffirmed in subsequent years.</p> <p>Although the Resources Statement indicates £5.3m as being available, further projects, possibly to supplement CIL or projects that produce revenue income to assist with the Council's revenue budget may be funded from the residual balance of this fund.</p>	<p>Routine monitoring of the capital schemes and the overall resources position will continue to ensure the capital programme remains affordable.</p> <p>All earmarked reserved were reviewed at the end of last year. These will be reviewed annually with service managers to ensure that they remain relevant and essential, otherwise the funds should be returned to available balances.</p>

## 5 Year Financial Model

## Appendix 2

11/11/2016

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budget (including NHB)	15,325	14,683	14,688	14,693	14,098	14,603
NHB (assumed to reduce beyond 2016/17)	3,666	3,600	3,100	2,600	1,500	1,500
<b>Budget (excluding NHB)</b>	<b>11,659</b>	<b>11,083</b>	<b>11,588</b>	<b>12,093</b>	<b>12,598</b>	<b>13,103</b>
<i>(expenditure less fees from income)</i>						
<b>Funding:</b>						
Revenue Support Grant	(830)	(190)	-	-	-	-
Rural Grant	(188)	(152)	(117)	(152)	-	-
RSG Transition Grant	(93)	(93)	-	-	-	-
Retained Business Rates (National Non-Domestic Rates or NNDR)	(3,013)	(2,100)	(2,160)	(2,230)	(2,300)	(2,370)
NNDR tariff adjustment	-	-	-	620	620	620
<b>Total Government Settlement (excluding NHB)</b>	<b>(4,124)</b>	<b>(2,535)</b>	<b>(2,277)</b>	<b>(1,762)</b>	<b>(1,680)</b>	<b>(1,750)</b>
Council Tax	(7,535)	(7,791)	(8,024)	(8,266)	(8,512)	(8,769)
Council Tax Freeze Grant	-	-	-	-	-	-
Council Taxbase Growth (@ 1%)	-	(75)	(80)	(80)	(85)	(85)
<b>Deficit after Gov. Funding &amp; Council Tax</b>	<b>-</b>	<b>682</b>	<b>1,207</b>	<b>1,985</b>	<b>2,321</b>	<b>2,499</b>
<b>Policy Decisions</b>						
Increased Recycling Targets			400	800	800	800
Grants funding (putting grants into base after reserve exhausted)					175	175
Tourism Support		50	50	50	50	50
Staffing cost pressures		300	300	300	300	300
<b>Deficit after policy &amp; cost pressures</b>	<b>-</b>	<b>1,032</b>	<b>1,957</b>	<b>3,135</b>	<b>3,646</b>	<b>3,824</b>
<b>Planned Savings</b>						
Business Improvement Board		(50)	(50)	(50)	(50)	(50)
Commercial Board (excluding Leisure)		(210)	(332)	(505)	(647)	(647)
- Westgate - (balance of savings in addition to £304k in 16/17)		(728)	(1,070)	(1,143)	(1,119)	(1,076)
Infrastructure Board	-	-	-	-	-	-
Temporary funding (16/17 only) for management posts x2 at Depot		(104)	(104)	(104)	(104)	(104)
Depot Management restructure				(50)	(50)	(50)
Green Waste Expansion			(50)	(100)	(100)	(100)
Property Fund (assuming £10m @ 4%)		(400)	(400)	(400)	(400)	(400)
Guildhall income		27	(10)	(17)	(25)	(40)
Procurement Review (based on high spend contracts)			(250)	(250)	(250)	(250)
ARP review			(198)	(198)	(198)	(198)
Succession Planning			(109)	(109)	(231)	(231)
Novium Review			(50)	(100)	(150)	(200)
Support costs (target for shared support services - 10% of cash items)			(200)	(408)	(408)	(408)
Withdrawal of Parish CTR grant		(43)	(86)	(128)	(128)	(128)
<b>Total Planned Savings</b>	<b>-</b>	<b>(1,508)</b>	<b>(2,909)</b>	<b>(3,562)</b>	<b>(3,860)</b>	<b>(3,882)</b>
<b>Projected deficit / (surplus)</b>	<b>-</b>	<b>(476)</b>	<b>(951)</b>	<b>(427)</b>	<b>(214)</b>	<b>(58)</b>

## Statement of Resources 2016-17 to 2021-22

	<b>£000</b>
<b>Reserves at April 2016</b>	<b>39,871</b>
Contribution to Asset Replacement Fund	6,393
Less Commitments:	
- Revenue Budget Support	-1,300
- Provision for one-off costs of future service reductions	-966
- Cultural Grants	-633
- Housing Reserve	-1,000
- Minimum level of reserves	-5,000
- Other Earmarked Funding	-17,241
<b>Non committed reserves</b>	<b>20,124</b>
<b>New Resources</b>	
o Right to Buy (RTB) receipts	300
o Asset Sales	7,528
o Interest on Investments	815
o New Homes Bonus Scheme	3,666
Other Reserves (grants, s106, revenue contributions etc)	8,222
<b>Available Resources</b>	<b>40,655</b>
<b>Current Capital &amp; Projects Programme</b>	<b>-26,724</b>
<b>Current Asset Replacement Programme</b>	<b>-9,046</b>
<b>Uncommitted Resource</b>	<b>4,885</b>

## Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

24 NOVEMBER 2016

### Treasury Management – 2016-17 Mid-Year Progress Report

#### 1. Contacts

**Report Author:**

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#### 2. Executive Summary

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report summarises performance for the six months to 30 September 2016.

Treasury management activities in the first half of 2016-17 were conducted in accordance with the Council's Treasury Management Strategy and achieved an overall return of 1.38% against a benchmark for other District Councils of 1.10%.

The largest contribution to this return was made by the Council's investment in the Local Authorities Property fund. A further £5m investment was made on 29 September taking the Council's investment to the target of £10m.

#### 3. Recommendation

**The committee is requested to consider the Council's treasury management mid-year progress report for the period 1 April 2016 to 30 September 2016.**

#### 4. Background

- 4.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a summary of the Council's Treasury Management Activities for the half year to 31 September 2016.
- 4.2. The Authority's Treasury Management Strategy for 2016/17 was approved by full Council on 26 January 2016 and updated on 19 July. The Strategy is available on the Council's internet site.
- 4.3. The Authority has continued to invest substantial sums of money and manage financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated

monitoring and control of risk

## 5. Outcomes to be achieved

- 5.1. This report demonstrates treasury management activities in the first half of 2016-17 were conducted in accordance with the Council's Treasury Management Strategy and achieved an appropriate return given the Council's expressed risk appetite.
- 5.2. The Council continues to manage significant resources as part of its treasury management function. The funds managed increased in the first half of 2016-17 by £10.8m as shown in Exhibit 1, below.

### Exhibit 1: Movement in treasury funds

<b>Investments £000</b>	Balance 01/04/2016	Movement	Balance 30/06/2016	Movement	Balance 30/09/16
Short term Investments (cash, call accounts, deposits)	29,465	3,450	32,915	(8,530)	24,385
Money Market Funds	4,420	(1,610)	2,810	7,690	10,500
Corporate Bonds	0	-	0	4,879	4,879
<b>Total liquid investments</b>	<b>33,885</b>	<b>1,840</b>	<b>↑ 35,725</b>	<b>4,039</b>	<b>↑ 39,764</b>
Long term Investments	10,000	-	10,000	-	10,000
Pooled funds – Local Authority Property fund	5,000	-	5,000	5,000	10,000
<b>TOTAL INVESTMENTS</b>	<b>48,885</b>	<b>1,840</b>	<b>↑ 50,725</b>	<b>9,039</b>	<b>↑ 59,764</b>

*Short term investments include any investments that had an original period greater than 1 year, but which will mature during 2016-17.*

- 5.3. Reflecting the Council's Treasury Management Strategy, officers have continued to diversify into other forms of investment and/or higher yielding asset classes and the movement in investment balances reflects the following trends:
- returns on Money Markets have proved more resilient to the August interest rate cut than those for new short term cash deposits
  - short-term corporate bonds have been purchased where returns have exceeded available money market rates and where they meet our counterparty lending criteria
  - a second investment of £5m was made in the local authority property fund in September 2016.

## 6. Externally Managed Funds

5.4. Following the Council's purchase of 1.6m units in the Local Authority' Property Fund (LAPF) in February 2016, a further 1,659,035 units were purchased on 29 September 2016, bringing the Council's total investment in this fund to £10m.

## 7. Borrowing Strategy during the quarter

5.5. The Authority does not expect to borrow in 2016/17.

## 8. Investment Activity Benchmarking

5.6. The data below is presented in terms of the key objectives of public sector treasury management, Security, Liquidity and Yield for the previous four quarters.

### Security

Measure	CDC Actuals				Non-met District average	Rating
	Qtr3 15-16	Qtr4 15-16	Qtr 1 16-17	Qtr 2 16-17		
Average Credit Score (time-weighted)	2.52	2.38	2.85	3.56	4.21	GREEN
Average Credit Rating (time weighted)	AA	AA+	AA	AA-	AA-	GREEN
Proportion Exposed to Bail-in (%)	29	18	19	41	66	GREEN

5.7. The Council's unsecured investments have been maintained above the target credit rating of A set out in Table 7 of its updated Treasury Management Strategy. The risk of bail-in continues to be managed by holding a relatively small proportion of investments with Banks and Building societies. The increase in holdings in the second quarter of 2016/17 is attributable to increased investments with Lloyds and Bank of Scotland (both with a minimum credit rating of 'A') to secure above market rate returns.

### Liquidity

Measure	CDC Actuals				Non-met districts (average)	Rating
	Qtr3 15-16	Qtr4 15-16	Qtr 1 16-17	Qtr 2 16-17		
Proportion available within 7 days (%)	15	16	7	18	36	GREEN
Proportion available within 100 days (%)	53	39	49	44	61	GREEN
Average days to maturity	273	288	246	213	124	AMBER

- 5.8. The Council has a voluntary liquidity measure to maintain a minimum of £10m available within 3 months and this has been complied with throughout the period in question.
- 5.9. The relatively low proportion of funds available within 7 days continues to reflect the Council's active management of its investments to limit its exposure to bank bail-in, the majority of short term deposits being for periods of 1 to 6 months with Local Authorities or Bonds issued by large corporates.
- 5.10. The relatively high average days to maturity figure continues to reflect a number of longer term investments which generate additional returns for the Council's general fund.

## Return

Measure	CDC Actuals				Non-met districts (average)	Rating
	Qtr3 15-16	Qtr4 15-16	Qtr 1 16-17	Qtr2 16-17		
Internal investment return %	0.79	0.84	0.82	0.82	0.64	GREEN
External funds – income return %	-	4.63	4.55	4.42	3.47	GREEN
External funds – capital gains/losses %	-	(7.20)	(10.13)	(9.16)	(1.50)	RED
Total treasury Investments – income return %	0.79	1.20	1.16	1.38	1.10	GREEN
Property – income return (investment Purchases only) % <sup>1</sup>	9.09	9.09	9.09	9.09		GREEN

<sup>1</sup> Note: This relates to properties managed directly by the Council's Estates Service.

- 5.11. The overall internal investment return on treasury investments continues to slightly exceed the target return for the year (0.75%), although officers expect overall returns to fall below this in the next six months due to the August reduction in the bank base rate.
- 5.12. The capital loss of 9.16% is due to the purchase of additional units in the Local Authority property fund on 29 September and represents the difference between the acquisition and sale price of fund units. This loss will only be charged to the Council's General Fund if the asset becomes impaired, is sold or is derecognised. At present this is not expected to occur as, although money can be redeemed from this fund at short notice, the Council's intention is to hold them over the medium to long term.
- 5.13. The return for 2016-17 on our investment in the Local Authority Property Fund is shown below

	Dividend £	Dividend % (p.a)
April - June 2016	55,587	4.4
July - September 2016	52,884	4.2

Total for 6 months to September	108,471	4.3
---------------------------------	---------	-----

5.14. Officers anticipate an investment outturn of £318,000 (4.2%) from this investment in 2016-17 and £425,000 for future financial periods..

## 9. Treasury management activity

5.15. Alongside the investment on the Local Authority Property Fund, the Council has also made a number of investments in corporate bonds issued by large corporates. These have been reported to Members of the Corporate Governance and Audit Committee via a weekly summary of investment activity undertaken.

5.16. The commencement of these investments has resulted in a change in the definition of 'principal' being adopted by officers to ensure that a prudent approach to the application of limits in the Council's Treasury Management Strategy is maintained.

5.17. Following investments in:

- Centrica Plc £1,000,000
- Scotland Gas Networks Plc £1,000,000
- Scottish Power UK plc £1,000,000

5.18. The definition of principal invested was amended to include any premiums paid on initial purchase. These sums are paid in addition to the nominal value of the bond as a result of acquiring a higher rate of return on the bond compared to other available investments and have ranged from £3,600 to £37,000 to date. These costs are included in any calculation of yield to maturity on the bond and covered by the interest received on the investment. This amended definition has been agreed with the Council's Treasury Management advisors and will be reflected in the Council's Treasury Management Strategy presented to Council in March 2017.

5.19. One investment during the period was made for a period that exceeded the maximum allowable period by 1 day. The was approved by the Director of Finance and Governance as no other suitable investment opportunities existed and the Council's money market funds was at the maximum available balance.

5.20. The Council's change of banker on 1 April 2016 continues to require the attention of Treasury staff. On the 2<sup>nd</sup> September the agreed balance 'sweeping' arrangements between the Council's accounts did not operate, leading to the Council's creditors account being overdrawn by £6.3m overnight. National Westminster have acknowledged this was due to a failure of their systems and have confirmed no interest or other charges will be made to the Council as a result of this.

## 10. Other Treasury Management Indicators

5.21. The Authority also measures and manages its exposures to treasury management risks using the following indicators.

5.22. **Interest Rate Exposure:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount and proportion of net principal invested are:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	£28m/40%	£24m/40%	£22m/40%
Actual (30 September 2016)	£10m/17%		
Upper limit on variable interest rate exposure	£70m/100%	£60m/100%	£55m/100%
Actual	£49.6m/83%		

5.23. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. Instruments that mature during the financial year are classed as variable rate.

5.24. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£35m	£30m	£25m
Actual	£20m	£15m	£13m

5.25. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual 30/9/2016
Total cash available within three months (30 September 2016)	£10m	£20.7m

5.26. At present the Council is favouring shorter term investments due to flat interest yield curves for investments and also to maintain a potential for future investment in externally managed funds.

## 11. Investment Training

5.27. Training to help Members exercise proper oversight of Treasury Management activities is offered each year to all members. Members of the Corporate Governance and Audit Committee and the Cabinet are required to attend the next training session which is due to be held on 13 January 2017.

## 12. Resource and legal implications

- 5.28. Any investment interest received in the year is currently not used to help balance the revenue budget, but used to fund one off costs or towards funding capital projects. Any underperformance may therefore have an impact on the Council's overall funding position, but this is kept under review and reported to members as part of the budget process. Currently the approved capital programme remains fully funded.
- 5.29. The Council has complied with all the relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management, means that, its capital expenditure is prudent, affordable and sustainable, and demonstrates a low risk approach

## 13. Other Implications

<b>Crime &amp; Disorder</b>	None
<b>Climate Change</b>	None
<b>Human Rights and Equality Impact</b>	None
<b>Safeguarding and Early Help</b>	None

## 14. Appendices

- 5.30. Appendix 1 - Benchmarking definitions

## 15. Background Papers

- 5.31. Arlingclose Benchmarking Report for quarters one and two 2016-17 (contains exempt information under Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of Part I of Schedule 12A to the Local Government Act 1972.

## **Appendix 1 – Benchmarking definitions**

The benchmarking compares various measures of risk and return, which are calculated as follows:

### **Investment Value**

For internal investments, the value is the sum initially invested. For external funds, the value is the fund's bid price on the quarter end date multiplied by the number of units held.

### **Rate of Return**

For internal investments, the return is the effective interest rate, which is also the yield to maturity for bonds. For external funds (LAPF) this is measured on an offer-bid basis less transaction fees. For external funds the income only return excludes capital gains and losses.

Average returns are calculated by weighting the return of each investment by its value. All interest rates are quoted per annum.

### **Duration**

This measure applies to internal investments only. This is the number of days to final maturity. For instant access money market funds, the number of days to final maturity is one.

Average duration is calculated by weighting the duration of each investment by its value. Higher numbers indicate higher risk.

### **Credit Risk**

Each investment is assigned a credit score, based where possible on its average long-term credit rating from Fitch, Moody's and Standard & Poor's. This is converted to a number, so that AAA=1, AA+=2, etc. Higher numbers therefore indicate higher risk. Unrated local authorities are assigned a score equal to the average score of all rated local authorities.

Average credit risk is measured in two ways. The value-weighted average is calculated by weighting the credit score of each investment by its value. The time-weighted average is calculated by weighting the credit score of each investment by both its value and its time to final maturity. Higher numbers indicate higher risk.

**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 24 November 2016**

**Strategic Risk Update**

**1. Contacts**

**Report Author:**

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**2. Recommendation**

- 2.1. That the Committee notes the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.**
- 2.2. That the Committee notes both the current high scoring programme board and organisational risks and the associated mitigation actions in place, and raises any issues or concerns.**

**3. Background**

- 3.1. In accordance with the governance arrangements set out in the Risk Management Strategy and Policy, the Strategic Risk Group (SRG) reviews the strategic and programme board risk registers, and the high scoring organisational risk register bi-annually. The Corporate Governance and Audit Committee last received an update on the risk registers on 22 March 2016.
- 3.2. Since March, the Corporate Management Team (CMT) has received quarterly updates on the risk registers in July and September. The outcome of the last CMT review was incorporated in the risk registers which were then considered by the SRG on 13 October 2016.

**4. Outcomes to be achieved**

- 4.1. The strategic, organisational and programme board risk registers are current and relevant to the Council and its operation, and that those risks are well managed in accordance with the Council's Risk Strategy and Policy.

**5. Update on the Strategic Risk Register**

- 5.1. The strategic risk register is considered by the relevant risk owner prior to the review by CMT and SRG.
- 5.2. SRG considered the updated risk register, with its discussions focussed on the current risk scores, the latest situation affecting the risk position, and the mitigation action plans that are in place or being developed to manage the identified risks.

5.3. The heat map below shows where the individual risks are placed based on the recent assessment against the risk scoring matrix:

Diagram 1 Heat Map for the Strategic Risk Register

LIKELIHOOD				
		8	98	
		10	1, 9, 88, 97, 127	
				68
IMPACT				

Key to Risk Numbers:

1 = Financial Resilience, 8 = Skills, Capability/Capacity, 9 = Business Continuity, 10 = Contract Management, 68 = Health & Safety, 88 = Recycling Target, 97 = Cyber Risk, 98 = Devolution, 127 = Shared Services

5.4. Since the last report to the Committee in March 2016, the following risk scores that have changed are:

- **CRR 97 Cyber Risk across ICT Estate** reduced from a risk score of 9 to 6
- **CRR 3 Vision and Priorities** was end dated by CMT as it was no longer considered to be either a strategic risk nor an organisational risk
- **CRR 8 Skills, Capability and Capacity** have reduced from a risk score of 8 to 6.

5.5. Two potential new risks were identified during CMT's review in September, which were:

- a. The effect of the referendum vote to leave the EU (BREXIT), and
- b. Shared Services (CRR 127)

5.6. After discussions SRG also concluded that any specific risks associated with the result of the referendum to leave the EU on the council were currently unclear, and therefore no specific changes were required in the strategic risk register. Although the latest position for some risks in respect of the general economic impact has been noted. As and when the situation becomes clearer this will be considered at a future SRG meeting.

5.7. During the review of the Business Continuity risk (CRR9) the issue of the backing up of council system data was explored, and SRG has requested that ICT Manager attends their next meeting to discuss the current arrangements in place and how this may change as a result of the shared services project.

5.8. Appendix 1 (a) and (b) reflect the following recommendations made by SRG:

- a. **CRR 1 Financial Resilience** – that the internal control for income streams only reflects the additional bullet point “Putting money in place to achieve better returns” and within the Treasury Management internal control add to the end of the sentence “ and increased diversity.”
- b. **CRR 8 Skills/Capability/Capacity** – to add a new internal control of “Measuring staff turnover by significant groups – SLT review the turnover statistics and the reasons”, and under the Workforce Development Plan internal control add “New apprenticeship levy”. To separate out the internal control “Strategic Leadership Team & Heads of Service” from “Training and Action Plan”. Add a new bullet point of “Succession Plan” under the internal control “Strategic Leadership Team & Heads of Service.”
- c. **CRR 9 Business Continuity** – to add a new item of “Effective backup of data” under the internal control Robust BC Plans.
- d. **CRR10 Contract Management** – to amend any Cabinet Member reference to the new Cabinet Member for Business Improvement rather than Cabinet Member for Finance and Governance. To add under the contract management internal control a new item of “the H&S Manager responsibility to attend regular quarterly/annual meetings for the council’s specific high risk activity contracts, along with the contract manager, to liaise with the contractors regarding any H&S concerns.”
- e. **CRR127 Shared Services** – to amend the description of the risk in the title to two separate statements; 1. The project doesn’t deliver the anticipated outcomes and 2. Member’s discrete risk. To update the latest position to reflect that the Steering Group meeting held on 22 September 2016 had agreed to discontinue the “enhanced in house model and to progress the shared services model.” To add a new internal control “Member Engagement with bullet point for 1. SLT & Cabinet informal briefings. 2. Wider membership would be informed by specific workshops and 3. Members involved before the full business case was developed.”
- f. **CRR68 Health & Safety (H&S)** - to amend any Cabinet Member reference to the new Cabinet Member for Business Improvement rather than Cabinet Member for Finance and Governance. To add “Regular updates to Cabinet Member for Business Improvement Services by H&S Manager” under the internal control for H&S Policies & Procedures.
- g. **CRR88 Recycling Target** - to amend the internal control Initiatives to increase amount of recycling to “New initiatives to increase recycling rates are being implemented and further work to improve the quality of the waste recycling collected are currently being investigated under consideration. Also reflect that a Waste & Recycling Panel has been established to drive forward initiatives and improvements. To amend the second sentence in the risk description to “The failure to achieve this target could mean the Council may ~~will~~ incur significant fines or reputational damage.

- h. **CRR98 Devolution** – to amend the latest position to reflect that the Government has now stated that any devolved area would need to be run by a mayor or there would be no deal.
- i. **CRR97 Cyber Risk** – to amend the original score on the heat map from 9 to 6. To amend the risk description to “Cyber attack across ICT ~~entire~~ estate.” At its last meeting the Committee requested statistical information to provide some context of this risk; this has been provided in the latest position statement as detailed in the Strategic Risk Register for this item within Appendix 1 (b) (Part 2 Exempt).

## 6. Programme Board Risk Registers

- 6.1. Three Programme Boards were set up for Business Improvement, Commercial and Infrastructure matters with head of service leads along with the relevant portfolio holder. A risk register, if necessary, is compiled for each board. Any high scoring risks from these risk registers would be escalated within the Risk Management Framework for consideration by senior officers and members as necessary.
- 6.2. Only one risk from the Infrastructure Programme Board is currently high scoring; PBR02 Failure of partners to deliver. Appendix 2 sets out the associated mitigation plans for this high scoring risk. All other risks on the board registers have reduced since last reported to the Committee to risk scores lower than 6.

## 7. Update on the Organisation Risk Register

- 7.1. The SRG considered the high scoring risks and the associated mitigation plans which are shown in appendix 3, which reflects the changes recommended by the group.

## 8. Other Implications

	Yes	No
<b>Crime &amp; Disorder:</b>		X
<b>Climate Change:</b>		X
<b>Human Rights and Equality Impact:</b>		X
<b>Safeguarding:</b>		X

## 9. Appendices

- 9.1. Appendix 1(a) – Strategic Risk Register
- 9.2. Appendix 1(b) – Strategic Risk Register (Exempt Information – para 3)
- 9.3. Appendix 2 – Mitigation Plans for High Scoring Programme Board Risks
- 9.4. Appendix 3 – Mitigation Plans for High Scoring Organisational Risks

## 10. Background Papers

- 10.1. None.



# Corporate Risk Register - Strategic Risks Quarterly Update

Report Author: Helen Belenger

Generated on: 09 November 2016

Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

## Controlled

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 01	Financial Resilience	JW	9	6	<b>6</b>	3	31-Mar-2017	Good
	CRR 08	Skills / Capability / Capacity	PEO	3	8	<b>6</b>	2	31-Mar-2017	Good
	CRR 09	Business Continuity	JW	9	6	<b>6</b>	3	31-Mar-2017	Good
	CRR 10	Contract Management	JW	12	4	<b>4</b>	4	31-Mar-2017	Improving
	CRR 68	Health and Safety	JW	9	4	<b>4</b>	4	31-Mar-2017	Good
	CRR 97	Cyber Risk Attack Across ICT Estate	PEO	6	6	<b>6</b>	6	31-Mar-2017	Good
	CRR 127	Shared Services	DS	6	-	<b>6</b>	2	28-Feb-2017	Good

## Control Pending

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 88	Non Achievement of Recycling Target of 50% by 2020	SC	6	6	<b>6</b>	3	01-Jan-2020	Improving
	CRR 98	Devolution of Public Services	DS	9	9	<b>9</b>	3	31-Mar-2017	Improving

<b>CRR 01 Financial Resilience</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

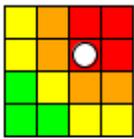
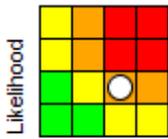
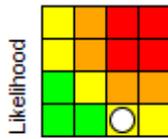
**Risk Description:**

- Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences.
- Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans.
- Failure to maximise income streams.
- Unpredictable Government policy.

**SLT Risk Owner:** Diane Shepherd

**Responsible Officer:** John Ward.

**Risk Assessment**

Page 7 Likelihood		<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	14-Sep-2016		<b>Target Date</b>	31-Mar-2017
	<b>Original Score</b>	9	<b>Current Score</b>		6	<b>Target Score</b>		3	

<b>Internal Controls</b>		<b>Current Status</b>
Five Year Financial Model and Deficit Reduction Plan	<ol style="list-style-type: none"> <li>1. Monitor and update the 5 year financial model as required and review with CMT.</li> <li>2. Assess against progress on Deficit Reduction Plan and savings targets.</li> <li>3. Monitor income volatility in relation to use of NHB (Policy approved) and localisation of both CTS &amp; NNDR.</li> </ol>	Good
Income Streams	<ol style="list-style-type: none"> <li>1. Monitor income performance and review with CMT so remedial action can be taken.</li> <li>2. Heads of Services and budget managers monitor income monthly from budget monitoring reports.</li> <li>3. Service managers to assess fee setting for services in accordance with Fees &amp; Charging Policy, and react when if income reductions occur.</li> <li>4. Putting money in place to achieve better returns.</li> </ol>	Good
Reconciliation of Income	<ol style="list-style-type: none"> <li>1. Monthly reconciliations by services.</li> <li>2. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan.</li> <li>3. Support given by Accountancy Services when setting up new income streams and reconciliation processes.</li> </ol>	Improving
Control of Expenditure	<ol style="list-style-type: none"> <li>1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations.</li> <li>2. Quarterly monitoring of major variances by CMT.</li> </ol>	Good

Financial Strategy Principles	<ol style="list-style-type: none"> <li>1. All key decisions of the Council should relate back to the Corporate Plan.</li> <li>2. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period.</li> <li>3. Over the next 5 years maintain a position of non-dependency on reserves.</li> <li>4. In order to maintain a balanced budget in a climate of no growth, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved.</li> <li>5. Review costs in response to changes in service demand.</li> <li>6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion met by Council Tax.</li> <li>7. Continue to review the Council's costs in order to find further savings.</li> <li>8. Match Council Tax increases to a realistic and affordable base budget.</li> <li>9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community.</li> <li>10. New Homes Bonus (NHB) should be reserved to reward communities that have accepted growth, whilst also considering the fact that this is not new funding, and to some extent may have to be used to protect services. This should be allocated annually, and only committed once received.</li> <li>11. Localisation of Business Rates. We should review the decision to pool our business rates annually after receipt of government draft settlement to that the Council is in the best financial position.</li> </ol>	Good
Revenue and Capital Programme Principle	<ol style="list-style-type: none"> <li>1. Capital receipts, reserves and interest on investment will primarily be available for new investment of a non-recurring nature, thereby minimising the overall financial risk.</li> <li>2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment.</li> <li>3. Borrowing could be used for capital schemes or "invest to save" projects providing the cost of servicing the debt is contained within the revenue savings/income the project generates. The payback period for invest to save projects should be shorter than the life of the asset.</li> </ol>	Good
Treasury Management	<ol style="list-style-type: none"> <li>1. Generate better returns with the Treasury Management Strategy and the Investment Protocol and the Council's view of risk and increased diversity.</li> </ol>	Good

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### Latest Position Statement

14-Sep-2016

**A new deficit reduction plan**, incorporating an updated 5 year Financial Model has been approved by Cabinet. Although this identifies a potential gap in funding of £3.8m by the end of the 5 year period, it also identifies sources of savings to meet that projected deficit. The Council are also recommended by cabinet to opt into the government's offer of a four year settlement, which would aid financial planning.

**Post the EU referendum** result the immediate impacts on the Council's financial position have been minimal. However there is potentially an increased risk going forwards of further interest rate returns being suppressed, and a general down turn in the economy impacting on various revenue streams, although it is still too soon

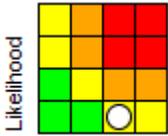
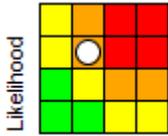
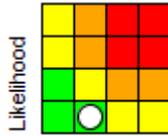
to determine with any accuracy what, if any impact these would have.

On-going deliberations by government over the **future of local authority funding**, localisation of business rates, devolved responsibilities etc mean that there is a degree of uncertainty surrounding local government funding over the medium term. This will be kept under review and the 5 year model revised as and when new information emerges.

<b>CRR 08 Skills / Capability / Capacity</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:**  
 Failure to have resilience in the staff structure, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.  
**SLT Risk Owner:** Paul Over.  
**Responsible Officer:** Jane Dodsworth / Tim Radcliffe.

**Risk Assessment**

 Likelihood Impact	<b>Assessment Date</b>	31-Jul-2012	 Likelihood Impact	<b>Date Reviewed</b>	07-Sep-2016	 Likelihood Impact	<b>Target Date</b>	31-Mar-2017
	<b>Original Score</b>	3		<b>Current Score</b>	6		<b>Target Score</b>	2

<b>Internal Controls</b>		<b>Current Status</b>
Workforce Development Plan	1. Ensure commissioning and objectives remain relevant and up to date. 2. Review personnel literature, marketing CDC as an employer at recruitment fairs. 3. CDC salaries - benchmarking exercise to be undertaken and monitored. 4. New apprenticeship Levy.	Good
Appraisal Process	1. Succession planning considered during appraisal process. 2. Completion of appraisals on time. 3. Strategic training needs identified using Belbin or equivalent. 4. Possible use of 360 degree appraisals.	Good
Training Plan and Budget	1. Use First Line Managers course to develop new managers. 2. Use diploma management studies for senior managers. 3. Specific training programme for new Directors and Heads of Service.	Good
Recruitment Benefits	1. Use of benefits packages for relocation, assisted house purchase scheme to aid recruitment. 2. Guidance to be issued for how to use recruitment benefits.	Good
Staff Satisfaction Survey	1. Staff survey to be undertaken after NWOW project.	Improving
Strategic Leadership Team & Heads of Service	1. Specific training programme delivered to SLT & HoS to address core competencies. 2. Succession plan currently being put into place.	Good

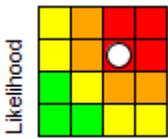
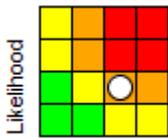
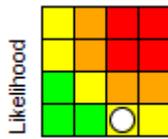
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Measuring Staff Turnover by Significant Groups	1. SLT to review turnover statistics and the reasons.	Good
<b>Latest Position Statement</b>		
<p>09-Sep-2016  Workforce development initiatives now live to provide mentoring, high potential achievers and appointment of interns and apprentices. Managers trained in mentoring skills.</p> <p>Pay Policy report approved by Cabinet 6 Sept 2016 to undertake job redesign exercise to be implemented wef March 2018. Enhancements approved to staff benefits package approved by Cabinet. Interim issues will be addressed on a case by case basis.</p>		

<b>CRR 09 Business Continuity</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:**  
 Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage.  
**SLT Risk Owner:** Diane Shepherd.  
**Responsible Officer:** John Ward.

**Risk Assessment**

 Likelihood Impact	<b>Assessment Date</b>	31-Jul-2012	 Likelihood Impact	<b>Date Reviewed</b>	02-Sep-2016	 Likelihood Impact	<b>Target Date</b>	31-Mar-2017
	<b>Original Score</b>	9		<b>Current Score</b>	6		<b>Target Score</b>	3

<b>Internal Controls</b>		<b>Current Status</b>
Robust BC Plans	1. Refresh Business Impact Assessment (B.I.A). 2. Critical services to prepare plans. 3. Test Plans. 4. Retrain where necessary, embed BC into culture of the council. 5. Identify system to store BC plans. 6. Non critical services to make appropriate arrangements. 7. Audit of Plans in high risk service areas. 8. Effective backup of data.	Good
BC Management Strategy	1. Annual BCM corporate meetings held. 2. Bi-annual CMT review meetings held. 2. Key managers identified for BC plans. 3. Articles for team briefs or management forum to embed BC planning into organisation.	Good
Disaster Recovery Team	1. Training and repeated messaging to embed BC cultural into organisation. 2. Annual appraisals targets for HoS and relevant staff.	Good

**Latest Position Statement**

12-Oct-2016  
 The Council now have Business Continuity document storage hosted off-site (on a system called Resilience Direct), which means that staff can access key documents in

the event of loss of IT servers and systems. The Health & Safety Manager is currently working with the Council's insurer (Zurich Municipal) to review and refresh the Business Impact assessments. This will provide an opportunity to review the BC plans that service areas have produced. There is still work taking place with the IT team to look at improving DR (disaster recovery) solutions for IT provision and rebuilding IT in the event of a business continuity event.

The major projects currently being undertaken for shared services and the new telephony scheme will aid the resilience in the delivery of council services and provide alternative solutions for business continuity.

<b>CRR 10 Contract Management</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:**

Failure to manage and specify contracts where contractor or key partner fails to deliver goods and/ or services which prevents the council from delivering its corporate plan objectives for both projects and services which could lead to non delivery of services to the community, or failure to receive the required standard of goods/services.

Failure to ensure that the contractor adheres to the required health & safety legislation under the specific contract potentially putting the contractor or members of the public at risk of harm, leading to both a financial and reputational risks.

**SLT Risk Owner:** Diane Shepherd.

**Responsible Officer:** John Ward

**Risk Assessment**

Page 9 Likelihood		<b>Assessment Date</b>	07-Feb-2013		<b>Date Reviewed</b>	02-Sep-2016		<b>Target Date</b>	31-Mar-2017
	<b>Original Score</b>	12	<b>Current Score</b>		4	<b>Target Score</b>		4	
	Impact			Impact			Impact		

**Internal Controls**

		<b>Current Status</b>
Improve Knowledge and Skills	<ol style="list-style-type: none"> <li>1. Procurement Champions are Cabinet Member for Business Improvement Services and Head of Finance &amp; Governance.</li> <li>2. Develop clear guidance of roles and responsibilities to be issued to staff.</li> <li>3. Assistance and guidance from key officers from legal and procurement.</li> <li>4. Identify and address training need via appraisal process.</li> </ol>	Good
Improve Protocols and Governance	<ol style="list-style-type: none"> <li>1. High profile specifications signed off by Executive Directors/ Heads of Services.</li> <li>2. Ensure any lessons learned where shortcomings occur are highlighted and feedback to procurement champion as part of the post project review.</li> <li>3. Amend the Council's Constitution and Contract Standing Orders as necessary from lessons learned.</li> <li>4. Cabinet member for Business Improvement Services receives regular updates on procurement matters from the Head of Finance and Governance Services.</li> </ol>	Good
Contract Management	<ol style="list-style-type: none"> <li>1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification.</li> <li>2. The contractor manager must ensure that their contractor adheres to H&amp;S legislation in carrying out the specification and has a monitoring system in place which is also including performance reporting to the council's</li> </ol>	Improving

	contract manager. 3. The H&S manager will attend regular quarterly/annual meetings for the council's specific high risk activity contracts along with the contract manager, to liaise with the contractors regarding any H&S concerns. 4. Members are involved in major decisions on procurement matters.	
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**Latest Position Statement**

02-Sep-2016

Internal controls are in place, as training and guidance has been provided to all relevant staff with refresher training delivered May 2016. This follows due to the higher level of contract management required when considering health and safety issues for certain specific council contracts; as managers need to undertake on-going monitoring procedures covering health and safety issues related to these contracts.

Therefore existing controls are complete and in place; but further new controls are now required to be progressed due to the health and safety issue to be addressed in the next few months.

New contract guidance will be published shortly.

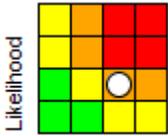
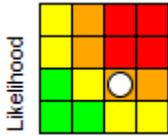
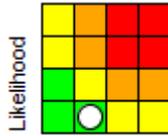
<b>CRR 127 Shared Services</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	

1. The project doesn't deliver the anticipated outcomes i.e. failure to achieve part or all of the savings identified in the deficit reduction plan . 2. Members discrete risk i.e. failure to gain member support for some or all of the detailed business cases.

**SLT Risk Owner:** Diane Shepherd

**Responsible Officer:** Jane Dodsworth

### Risk Assessment

	<b>Assessment Date</b>	13-Sep-2016		<b>Date Reviewed</b>	13-Sep-2016		<b>Target Date</b>	28-Feb-2017
	<b>Original Score</b>	6		<b>Current Score</b>	6		<b>Target Score</b>	2

<b>Internal Controls</b>		<b>Current Status</b>
Dedicated Project Team	A dedicated project team is in place including Programme Manager, Change Manager and 2 Project Managers appointed to work solely on project. All in-house staff across partner sites with knowledge of organisations and services	Good
Governance Arrangements	Clear governance arrangements set including a Steering Group consisting of Chief Executives and portfolio holders from all partners meeting monthly. Project Board meeting fortnightly with Finance Officers and Project Leads from each authority. Project Managers assigned to individual work streams to support delivery of business cases	Good
Staff Consultation	Union consultation is in place. Monthly meetings with Branch Secretaries chaired by Chief Executive of Horsham and project leads and Programme manager attending. CDC JECP advised and informed.	Good
Professional Support	<p>1. <b>Finance Officers Working Group.</b> Finance Officers from each authority attend Project Board and are tasked with agreeing appropriate financial mechanisms to share costs and savings during implementation and in live environment.</p> <p>2. <b>HR, Procurement and Legal Advice provided by Horsham District Council (HDC).</b> HDC are coordinating advice on these areas to ensure consistent approach and liaison with Unison at appropriate points in project.</p>	Good
Member Engagement	Member engagement by: 1. SLT & Cabinet informal briefings.	Improving

- |  |   |  |
|--|---|--|
|  | 2. Wider membership would be informed by specific workshops.<br>3. Members involved before the full business case is developed. |  |
|--|---|--|

**Latest Position Statement**

07-Nov-2016

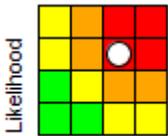
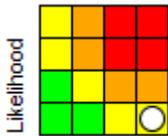
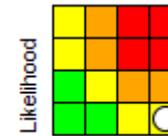
Project Board meeting 16 September to review overarching timetable, accommodation criteria, finance paper on cost/savings sharing, risk log, business case weightings and enhanced As-Is model from each work stream (how would the service operate if shared services did not proceed). Decisions and recommendations to be tabled at Steering Group on 22 September.

At the meeting of 22 September the Steering Group decided to discontinue the "enhanced in house model" and to progress the shared services model. The shared services model would be compared with the in house model before a final decision was taken.

<b>CRR 68 Health and Safety</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:** Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation  
**SLT Risk Owner:** Diane Shepherd.  
**Responsible Officer:** John Ward.

**Risk Assessment**

 <p>Likelihood Impact</p>	<b>Assessment Date</b>	03-Sep-2013	 <p>Likelihood Impact</p>	<b>Date Reviewed</b>	02-Sep-2016	 <p>Likelihood Impact</p>	<b>Target Date</b>	31-Mar-2017
	<b>Original Score</b>	9		<b>Current Score</b>	4		<b>Target Score</b>	4

<b>Internal Controls</b>		<b>Current Status</b>
H&S policies & procedures	Clear policy, procedures and guidance statements on H&S available to all staff and members via intranet and in hard copy format at some sites including: 1. Statement of intent. 2. Hierarchy for communication/organisation. 3. Roles and responsibilities. 4. H&S arrangements. 5. Policies, procedures and guidance for specific H&S issues eg. control of contractors, COSHH assessments forms etc.. 6. Evidence compliance forms. 7. Specific risk assessments for site visits undertaken for staff and member visits. 8. Regular updates to Cabinet member for Business Improvement Services by H&S Manager.	Good
Training Programme & Competencies	1. Specific training programmes for all aspects of H&S skills and competencies required with the Council's business. 2. Staff names with relevant competencies available on staff intranet. 3. Training records maintained to evidence training provided. 4. Training for all new members as part of the Members' Induction Programme.	Good
Legionella Testing	1. Written policy available. 2. Regular testing and monitoring to demonstrate compliance.	Good
Quarterly service meetings for high	1. CCS - Quarterly insurance & H&S meetings with Director & Head of Contract Services with insurance, H&S	Good

risk service areas	Corporate & CCS H&S. To assess accident trends and claims and agree any actions required to staff duties, policies and procedures. 2. Leisure & Wellbeing - Quarterly insurance & H&S meetings with Head of Commercial Services and service managers for the museum, Westgate Leisure and car park service, to discuss claims & accidents to identify any necessary changes to procedures/policies etc. 3. All accidents, near misses and reports of ill health are investigated by the Corporate H&S team. Interventions made with the service where appropriate to improve systems of work to prevent reoccurrence.	
PAT testing	1. Annual testing of all electrical equipment carried out by qualified contractor.	Good
Safety Committee	1. A group of managers and employees meet 3 times a year to discuss health and safety issues and matters of interest. Westgate and Westhampnett also have local 'Safety Forums', meeting bi-monthly, that feed into this committee. The Safety Committee reports any issues of significance to the JECF.	Good
Caution Alert Register (CAR)	1. Specific procedures and decision tree guidance in place for staff and members to follow on staff intranet. 2. Nominated person CR Keeper who maintains register and advises staff. 3. Procedures in place for appropriate staff and members to access CAR. 4. Compliance with data protection legislation included in policies and procedures. 5. Violence & aggression response team available to support staff and members at EPH if an incident occurs. 6. Two levels of Violence & Aggression (V&A) resolution training provided to relevant staff.	Good
Emergency arrangements for Council Premises	1. Evacuation procedures in place for EPH on staff intranet. 2. Known competent staff with allocated roles & responsibilities for evacuation procedures. 3. Regular testing of evacuation procedures carried out. 4. Policy advising the arrangements in place for safe evacuation of council owned buildings.	Good
Corporate H&S Audits & Action Plans for Service H&S Improvement	1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service H&S and management with any necessary improvement action plans. These are reviewed again after an agreed period.	Good
Contract Management	1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification. 2. The contractor manager must ensure that their contractor adheres to H&S legislation in carrying out the specification and has a monitoring system in place which is also including performance reporting to the council's contract manager. 3. The H&S manager will attend regular quarterly/annual meetings for the council's specific high risk activity contracts along with the contract manager, to liaise with the contractors regarding any H&S concerns. 4. Members are involved in major decisions on procurement matters.	Improving

### Latest Position Statement

02-Sep-2016

The Council's policy, procedures and guidance on Health & Safety (H&S) remains in good order and is reviewed and updated in response to changing legislation and industry good practice.

Auditing and monitoring within service areas is critical to ensuring that the policy is being followed, however, H&S have undertaken fewer audits in the last 12 months due to more focus needed on the Business Continuity plans and integrating Insurance into the Corporate H&S team. Audits have been identified in the service plan for 2016/17.

Health & Safety are in the process of carrying out service H&S challenges with each Head of Service (HoS) which will give a generic view of the level of compliance within teams. The challenges result in an action plan for each HoS where areas of H&S weakness are identified. The Corporate H&S team will be used to provide further advice and support to those areas.

As previously reported, within risk CRR 10 Contract Management, certain specific council contracts need to consider a higher level of health and safety provision in the contract terms and conditions to ensure that the controls and monitoring procedures are in place as recommended by the Health & Safety Executive.

Contract management training was delivered on 23 May 2016 over 2 sessions for all identified contract owners and a high level session for the management forum attendees and contract guidance is to be published shortly.

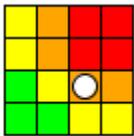
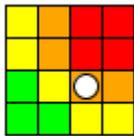
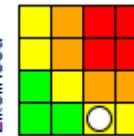
The Corp. H&S team have met with the contract managers that are responsible for the longer-term service contracts and the representatives from the contractors operating those contracts. Regular meetings should now be in place to enable health and safety performance to be monitored. The contractors have also been formally written to in order to clarify the health and safety arrangements we expect to be in place, including duty to notify the contract manager of accidents and incidents and resultant actions taken, details of third party audits, the result of monitoring, etc.

<b>CRR 88 Non Achievement of Recycling Target of 50% by 2020</b>	<b>Management</b>	Control Pending
	<b>Corporate links</b>	

The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines or reputational damage.

**SLT Risk Owner:** Steve Carvell  
**Responsible Officer:** Rod Darton

### Risk Assessment

 Likelihood Impact	<b>Assessment Date</b>	28-Nov-2014	 Likelihood Impact	<b>Date Reviewed</b>	15-Sep-2016	 Likelihood Impact	<b>Target Date</b>	01-Jan-2020
	<b>Original Score</b>	6		<b>Current Score</b>	6		<b>Target Score</b>	3

<b>Internal Controls</b>		<b>Current Status</b>
Initiatives to increase amount of recycling	<ol style="list-style-type: none"> <li>1. New initiatives to increase recycling rates are being implemented and further work to improve the quality of the waste for recycling collected are under consideration.</li> <li>2. A Waste &amp; Recycling Panel has been established to drive forward initiatives and improvements.</li> </ol>	Improving

### Latest Position Statement

15-Sep-2016  
 No change to current risk score. Score and internal controls (see points below) to be reviewed once Q2 2016/17 performance results are available. However it is expected that Q3 results should demonstrate if there has been any immediate behavioural changes following Recycle Week and impact following the garden recycling promotion.

- Dedicated Recycling Officers now in post focused on delivering and monitoring the projects within the Recycling Action Plan.
- Food Waste Collection options appraisal - detailed costings dependent on county-wide decision on disposal facility.
- The 'back to basics' communications campaign is now underway. Campaign messages are based on feedback that it is not clear what can and cannot go in the recycling bin.
- Recycle Week taking place during 12- 16 September. Officers and members will be talking to residents , including at 4 main supermarkets. We aim to reinforce the 'back to basics' message and get feedback from residents in order to develop future projects and answer any questions they may have.

- Garden Recycling Service – introductory offer for new customers and launch of online service now live. On target to meet project objectives with over 900 new applications since July. Plans for additional growth beyond 2016/17 for currently being considered.
- Houses in Multiple Occupation – Pilot project, in partnership and funded by WSCC, has commenced with the aim of improving recycling awareness and the quality of recycling within communal recycling bins.
- Revised crew training and research regarding bin stickers is currently behind schedule but will commence at the end of September.
- Over 10 residents have signed up to our residents’ recycling group which we will use as a forum to get feedback for future projects.

<b>CRR 98 Devolution of Public Services</b>	<b>Management</b>	Control Pending
	<b>Corporate links</b>	

- . Failure to engage in the process could potentially lead to CDC being isolated and therefore unable to influence and shape the process
- . Lack of Member buy-in to the process could stop the bid progressing
- . Transfer of extra responsibilities without matching fiscal powers
- . Heads of Terms and Governance proposal not acceptable
- . Continuation of duplication and disjointed service delivery
- . Failure to influence others' infrastructure programmes

**SLT Risk Owner:** Diane Shepherd  
**Responsible Officer:** Diane Shepherd

**Risk Assessment**

Page 88		<b>Assessment Date</b>	05-Nov-2015		<b>Date Reviewed</b>	01-Sep-2016		<b>Target Date</b>	31-Mar-2017
	Impact	<b>Original Score</b>	9	Impact	<b>Current Score</b>	9	Impact	<b>Target Score</b>	3

<b>Internal Controls</b>		<b>Current Status</b>
Officer Engagement in the 3SC Devolution Deal	CEO involved with WSCC, ESCC and Surrey CEOs to develop the bid; Districts and Boroughs are leading on the Housing work stream; Other District and Borough officers are working with County officers on other work streams;	Improving
Member Engagement/Agreement to the 3SC Devolution Deal	1. Members' workshop to be held once further details are available; Leader to work with other WS Leaders to ensure best outcome for the area.	Improving

**Latest Position Statement**

09-Nov-2016  
 3 SC leaders' meeting held on 11 July 2016 to update all leaders on the progress with the 3SC devolution deal and its work streams (housing and planning; infrastructure; skills; governance and fiscal and investment). The housing and planning work stream has concluded its key asks but the others are still being finalised. The 3SC leaders endorsed the work completed to date and agreed to continue working up deal.

Key to the proposal is the fiscal model that is being developed with DCLG, Treasury and 3SC. The model being developed works on the premises that the 3SC area, other than London, contributes more to the Exchequer than any over region and should be rewarded for its growth. It is proposed that it retains a proportion of the

fiscal growth generated that would have otherwise been returned to the Exchequer and using this money to fund the infrastructure gap. Meetings with Government have been positive and we have been asked to work up a detailed proposal on how the fiscal model could work. There is an expectation from government that local authorities commit some of their growth to the funding model , i.e. a percentage of the additional council tax growth. Further work has been done to develop the fiscal model and this will be presented to the 3SC Leaders' meeting on 19 September. At this meeting there will be an update on the latest government thinking on devolution, although it was unclear at that time whether there would be any changes to government policy on devolution and also the pre-requisite of an elected mayor. However since the September meeting, the Government has now stated that any devolved area would need to be run by a mayor or there would be no deal.

Currently all 3SC authorities are still supporting devolution in principle. Once the proposals for each work streams are finalised each Council will then be asked to confirm its commitment to Devolution and endorse a set of proposals that will be formally submitted to Government. Further negotiation with Government and 3SC will then take place before the deal is finalised. Once the deal is concluded, each Council will still need to endorse and finalise the deal before the new any new arrangements can take place. In tandem a governance review will need to be concluded.

The aim is to agree a deal with Government later in the year. The EU referendum vote to leave and the impending change in the Prime Ministership may affect the timetable for the deal. However, at this stage the West Sussex Leaders have agreed to continue with the work on devolution .

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## High Scoring Programme Board Risk – Mitigation Actions

Infrastructure Board									
Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	PBR 02	Failure of partners to deliver	AF	8	6	6	3	31 March 2017	Good
Process and governance arrangements in place including Community Infrastructure Levy (CIL) /Section 106 Protocol to control release of CIL funds.									

## High Scoring Organisational Risks - Mitigation Actions

### Commercial Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 106	Leisure - Termination of leisure contract either by the Council or the contractor	JH	6	6	6	3	31-Mar-2017	Improving

7 September There have been no major concerns with the contract in the first three months. The first quarter monitoring process is due. Score to remain the same until this has been completed

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 107	Commercial - Negative publicity due to change in service delivery options for the Novium	JH	6	6	6	4	31-Mar-2017	Improving

Further work being conducted so risk remains the same as the decision has been deferred to a later date.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 108	Economic Development - Failure to have sufficient staff resources to deliver service	JH	6	6	6	1	31-Mar-2017	Improving

Service is still currently down by 0.5 fte. Risk level to remain

**Community Services**

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 72	Careline - Potential for corporate contracts to be lost to commercial competition	SH	9	6	6	6	31-Mar-2017	Improving

03-Nov-2016 Current market conditions continue to be highly competitive but on-going management of client relationships and monitoring of contract expiry dates for renewal and new tender opportunities seek to mitigate risk.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 110	Community - Changes to partner organisations impacting on delivering corporate objectives	SH	8	8	8	4	31-Mar-2017	Improving

03-Nov-2016 Changes in key personnel, organisational priorities and funding policies can all disrupt delivery of key projects needing partnership support. Partnership project initiation advice includes requirement to consider alternative funding and exit strategy in the event of withdrawal of support. For example ChooseWork is one instance where the Council is reliant on partnership organisations for funding.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 111	Community - Leisure contract effecting service delivery arrangements	SH	6	6	6	4	31-Mar-2017	Improving

Relationships are being established and continuing project work assessed. 1st quarter contract monitoring has taken place but too early to assess any longer term impact. Scores to be reviewed next quarter.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 112	Community - Increased risk of community tensions due to changes in service delivery by the Council or other statutory organisations	SH	8	8	8	8	31-Mar-2017	Improving

There has been no significant rise in hate crime incidents reported to the police, anecdotally there have been incidents but not formally reported. There have been isolated incidents of racist's graffiti. The situation is being monitored by CSP Joint Action Group which meets again on 14/9 so at present no change to scores.

We may also need to consider the impact of the A27 consultation outcome as in some communities feelings are running quite high about the impact.

**Finance & Governance Services**

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
Page 98 	CRR 101	H&S - Failure to deliver services following incident leading to a breach of the council's statutory duties under the Civil Contingencies Act	JW	6	6	6	3	31-Jul-2016	Improving

Zurich (the Council's insurer) have assisted the Corp. H&S Manager with refreshing the Business Impact Assessments (BIA) for CDC. This has resulted in a reduced number of critical services/actions. The next stage is to meet with CMT to agree the BIA's. Disaster Recovery (DR) for IT will also be discussed with CMT at that time – decisions on DR for IT in the short term are proving difficult due to the shared service review as a shared service will provide additional options for DR. The current situation with Business Continuity (BC) remains good in that each service has their BC plans on the Resilience Direct (RD) website and there is a system in place for on-going review and updating of those plans. Designated staff have received training on the use of RD. The critical staff list is also available on RD. Once the BIA's are approved by CMT there will need to be some improvements made to the BC plans. The improvements can be incorporated into the plans at the time of their 6-monthly review.

**Housing & Environment Services**

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 114	Environment - Failure to maintain Licensing income due to impact of Deregulation Act 2015	LR	8	6	6	2	31-Mar-2017	Improving

Income review underway to assess potential impact.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 125	Housing - Welfare reform impacting on Council's ability to house people from a particular needs category		4	6	6	4	31-Mar-2017	Improving

There has been a review of the housing strategy.

The Council has various types of mitigation in place for the impact of welfare reforms including using our Strategic Housing Market Assessment to inform housing types and sizes through the planning process, we have mitigation plans in place for people affected by the new benefits cap (targeted publicity, events and support), we use Discretionary Housing Payments to top-up housing benefit for those in need and we engage with Registered Providers through our Housing Partnership regarding particular types of accommodation needed.

**Planning Services**

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 117	Planning - Duty to co-operate fails to provide strategic framework	AF	6	6	6	2	30-Apr-2016	Improving

Reluctance to commence Local Strategic Statement No. 3 (LSS3) by other Coastal West Sussex (CWS) and Greater Brighton (GB) partners indicates that a meaningful strategic framework is unlikely in time for the Local Plan review.

# Agenda Item 12

## Chichester District Council

### CORPORATE GOVERNANCE & AUDIT COMMITTEE 24 November 2016

#### S106 Exceptions Report Annual Report

#### 1. Contacts

**Report Author:**

Caroline Peace, Planning Obligations Monitoring & Implementation Officer

Tel: 01243 534766 Email: [cpeace@chichester.gov.uk](mailto:cpeace@chichester.gov.uk)

#### 2. Recommendations

- 2.1. **The committee is requested to note the contents of this report concerning section 106 agreements nearing their expenditure date (as set out in Appendix 1) and to raise any concerns.**

#### 3. Background

- 3.1. Section 106 (S106) financial receipts nearing the expiry date for expenditure need additional monitoring and input from officers and managers of the services concerned with spending S106 money. This is in accordance with the Section 106 and CIL Protocol approved by Corporate Governance and Audit Committee at its meeting of 19 January 2016. Under the protocol the Committee is due to receive an exceptions report each November/December detailing all contributions due to be spent within a two-year deadline.
- 3.2. The report also identifies, under Section 6, contributions that have not been received where the trigger date has been reached and provides an update on the current position with respect to securing the payment of the financial contributions due.
- 3.3. This report refers to financial contributions only. Non-financial obligations are included in the full report to Corporate Governance and Audit Committee in June each year.

#### 4. Outcomes to be achieved

- 4.1. The main outcomes for the community, environment and the Council, are improvements and greater clarity in the way money obtained from S106 agreements is monitored and spent.
- 4.2. That S106 receipts are spent in accordance with the agreements and within the agreed targets to reduce the risk of developers seeking to amend agreements and/or the return of the funding.
- 4.3. The Planning Obligations Monitoring and Implementation Officer and the Principal Planning Officer (Infrastructure Planning) will monitor the outcomes.

## **5. The updated position on those contributions received that will reach their target expenditure by end of November 2018**

5.1. This report outlines those contributions that need additional monitoring. The first section of Appendix 1 to this report shows those contributions reaching their target expenditure date within the next two years. The second section of Appendix 1 identifies the contributions where spending targets are now overdue.

5.2. Definitions used in the report are as follows:

- (a) Received: financial obligation received from the developer by cheque or BACS, usually following the issue of an invoice by CDC
- (b) Allocated: formal approval of fund allocation by the Corporate Management Team (CMT)
- (c) Spent: outgoing expenditure already approved and undertaken
- (d) Remaining: money/monies unspent and held by CDC
- (e) An asterisk (\*) denotes a notional 5 year spending target that is applied for monitoring purposes when there is no spending target specifically written into the agreement. This is because the applicant can seek to vary an agreement after 5 years.

5.3 The Committee's attention is drawn to the entry in relation to the Land West of Devils Rush (former Apollo Garage Site). A sum of £20,000 was secured, at the request of West Sussex County Council, for the provision and maintenance of a bus shelter within the vicinity of the site in the Parish of Westhampnett. A bus shelter was installed at a cost of £6,670. To date, no maintenance has been required. The spending officer has commissioned a survey to ascertain whether or not any maintenance is required and this work will be contracted prior to the expiration date. However, it is highly unlikely that the full balance of £13,300 will be spent prior to the deadline, therefore, in accordance with the S106 Agreement, the developer will need to be notified and the balance, together with any accrued interest will need to be returned.

5.4 Other contributions

None of the contributions received for CCTV, Waste and Recycling or Recreation Disturbance Mitigation reach their expenditure date by the end of November 2017.

## **6. Outstanding receipts**

6.1. At the time of writing there are three outstanding contributions, which total £93,418 for Community Facilities, Sport and Leisure and Recreation Disturbance in respect of the development at Land at Tawny Nurseries, Birdham. As this site has reached a trigger date for payment, the developers have been invoiced and payment is expected shortly.

## **7. Resource and legal implications**

7.1. Section 106 of the Town and Country Planning Act 1990 (as amended) permits local planning authorities to enter into agreements with applicants for planning

permission to regulate the use and development of land. This may involve the payment of a financial contribution for off site works.

- 7.2. The Community Infrastructure Levy Regulations 2010 that came into force on 6 April 2010 (as amended) set out new statutory tests on what can reasonably be sought under section 106, replacing the former Circular 05/2005 guidance.
- 7.3. Staffing implications – no additional requirements.
- 7.4. IT requirements – no additional requirements.
- 7.5. Property implications – none.

## 8. Consultation

- 8.1. Internal CDC officers involved with the S.106 process were consulted, and the matters set out in Appendix 1 have been agreed by the S.106 Monitoring and Liaison Group for referral to SLT and CGAC.

## 9. Community impact and corporate risks

- 9.1. Provided allocation of funds for a specified purpose has taken place, the risk of having to return funds to a developer is considered minimal.
- 9.2. There is a potential risk of non-payment by developers or a risk that developers may seek to re-negotiate agreements reducing anticipated income. There are procedures in place for dealing with these situations.
- 9.3. In the cases where contributions received under S106 agreements are passed on to Town or Parish Councils for spending on specified projects, a condition of such funding will be that the Town or Parish Council will return any unspent monies to the Council within the pay back period specified in the S106 agreement or, if the agreement is silent, within five years.

## 10. Other Implications

Are there any implications for the following?		
	Yes	No
<b>Crime &amp; Disorder:</b>		✓
<b>Climate Change:</b>		✓
<b>Human Rights and Equality Impact:</b>		✓
<b>Safeguarding</b>		✓
<b>Other (Please specify):</b>		✓

## 11. Appendices

- 11.1. Appendix 1: Expiry dates within 2 years and expiry dates overdue

## 12. Background Papers

- 12.1. None.

## Appendix 1 - Details of receipts reaching their expenditure target by contribution

In the column 'Expires' an asterisk (\*) indicates a notional 5 year repayment date. It shows that a repayment date was not specified in the S106 agreement, but CDC Service Departments aim to spend the Contribution within 5 years, the point at which a developer can ask to vary the agreement if the contribution has not been spent. This includes asking for the contribution to be returned if it has not been spent because the need for it has not been justified.

### Expiry date within 2 years of 17/10/2016

#### Affordable Housing

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/05/00430/FUL	Shippams Factory (Roman Quarter) And Social Club	East Street	03-Mar-06	£376,000.00	£0.00	£21,889.00	£21,889.00	£354,111.00	20-Aug-18

**Proposed Development:** Comprehensive mixed-use redevelopment, comprising of retail and residential accommodation, together with associated car parking landscape and highway works (after demolition of existing factory and former social club building).

Phase N1: The social club site

Phase N2: Retail and residential block

Phase N3: Listed buildings

Phase N4: Inland residential block

Phase N5: Residential block facing East Walls

**Spending officer:** Linda Grange. **Projects identified:** £95,000 and £115,000 towards The Heritage (these sums have different expiry dates 27/02/17 and 19/08/18 respectively) and £61,000 for Stone Pillow 5 bed spaces. **Mar 2015:** £210,000 has now been spent on The Heritage. **May 2015:** £61,000 spent on the Stone Pillow 5 bed spaces. **Aug 2015:** Remaining funds being used to fund Rural Enablers post. **Nov 2015:** Remaining funds being used to fund Rural Enablers post. **Feb 2016:** Remaining funds being used to fund Rural Enablers post up until end of March 2017. **May 2016:** No further update. Remaining funds are being used for the Rural Enablers post. **Aug 2016:** All remaining funds will be used to fund the Rural Enabler's post by first quarter 2017/18. **Oct 2016:** No further update.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
AP/09/01441/OUT	89 Birdham Road, Donnington	Apuldram	08-Feb-10	£47,841.93	£2,392.10	£20,062.83	£20,062.83	£25,387.00	15-Oct-17 *

**Proposed Development:** Outline application for 9 no. cottages, access and parking.

**Spending officer:** Linda Grange. **Projects identified:** Bids are being sought from registered provider partners. A report will go to Cabinet in May 2016 seeking approval to allocations. **May 2015:** £25,387 spent on Bosham Fire Station site. **Aug 2015:** Hyde advised they do not require the remaining £20,062.83 previously allocated for scheme and will consider alternative schemes. **Nov 2015:** RPs requested to consider grant requirements and to submit bids. Feb 2016: A report seeking approval to allocations will go to Cabinet in May 2016. **May 2016:** On 3rd May Cabinet approved the allocation of £20,062.83 towards the delivery of 4 affordable rented homes at Exton Road, Chichester by Hyde. These dwellings have planning permission and are expected to be completed by the end of June 2017. **Aug 2016:** These homes are now under contract with completions expected in summer 2017. **Oct 2016:** Completion of new homes and spend still expected Summer 2017.

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Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
D/11/01198/FUL	Selsey Tram - land at St George's Drive	St George's Drive	15-Aug-11	£74,495.07	£3,724.75	£70,770.32	£70,770.00	£0.00	14-May-18 *

**Proposed Development:** Selsey Tram, Donnington - Demolition of existing public house and erection of 22 no. residential units and convenience store (Class A1 use).

**Spending officer:** Linda Grange. **Projects identified:** **Feb 2016:** bids are being sought from registered provider partners. A report will go to Cabinet in May 2016 seeking approval to allocations. All to be used to partly fund the provision of 7 rented units at Malt House Cottages, W Wittering (£116,220 in total) as approved by Cabinet on 8th October 2013. **May 2015:** Project no longer proceeding, funds to be re-allocated. **Aug 2015:** RPs requested to submit bids for funding. No bids received. **Nov 2015:** RPs reviewing their funding positions in view of changes to government policy. RPs requested to consider grant requirements and to submit bids. Feb 2016: A report seeking approval to allocations will go to Cabinet in May 2016. **May 2016:** On 3rd May Cabinet approved the allocation of £70,000 towards the delivery of 2 affordable rented homes at Tozer Way, Chichester by Hyde. These dwellings have planning permission and are expected to be completed by the end of September 2017. **Aug 2016:** These homes are now under contract with completions expected in Summer 2017. **Oct 2016:** Completion of new homes and spend still expected Summer 2017.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
BI/07/05640/FUL	Longmeadow	Main Road	21-Jan-09	£61,814.61	£0.00	£61,814.61	£0.00	£0.00	12-Sep-18 *

**Proposed Development:** Erection of 28 no. dwellings, garages and ancillary roads comprising 5 no. detached house, 9 no. affordable cottages and flats, 13 no. two and three bedroom attached cottages and 1 no. mews cottage.

**Spending officer:** Linda Grange. **Projects identified:** **Feb 2016:** bids are being sought from registered provide partners. A report will go to Cabinet in May 2016 seeking approval to allocations. **May 2015:** Money received September 2013. Project to be identified. **Aug 2015:** RPs requested to submit bids for funding. No bids received. **Nov 2015:** RPs reviewing their funding positions in view of changes to government policy. RPs requested to consider grant requirements and to submit bids. **Feb 2016:** A report seeking approval to allocations will go to Cabinet in May 2016. **May 2016:** On 3rd May, Cabinet approved the allocation of £61,815 towards the delivery of 4 affordable rented homes at Exton Road, Chichester by Hyde. These dwellings already have planning permission and are expected to be completed by the end of June 2017. **Aug 2016:** These homes are now under contract with completions expected in Autumn 2017. **Oct 2016:** Completion of new homes and spend still expected Autumn 2017.

Leisure

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/05/00430/FUL	Shippams Factory (Roman Quarter) And Social Club	East Street	03-Mar-06	£84,212.00	£0.00	£54,212.00	£0.00	£30,000.00	20-Aug-18

**Proposed Development:** Comprehensive mixed-use redevelopment, comprising of retail and residential accommodation, together with associated car parking landscape and highway works (after demolition of existing factory and former social club building).

Phase N1: The social club site

Phase N2: Retail and residential block

Phase N3: Listed buildings

Phase N4: Inland residential block

Phase N5: Residential block facing East Walls

**Spending officer:** Sarah Peyman. **Projects identified:** No projects identified yet. **Feb 2016:** Further to a request for updates on all projects all local sports clubs are going to be contacted to ask for an update on their capital project proposals and timescales for delivery. The results from this will be used to identify the allocation of the sport and leisure facilities S106 money within Chichester. **May 2016:** No further update. **Aug 2016:** All organisations are to be approached during Sept for projects that they would like to be considered. **Oct 2016:** Spending officer to meet with Ian Baker in the Communities Team to progress this.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
WH/04/01070/FUL	Land West Of Devils Rush (former Apollo Garage site)	Stane Street	12-Jan-05	£20,000.00	£0.00	£13,330.00	£13,330.00	£6,670.00	15-Mar-17

**Proposed Development:** Residential development of 7 no. houses and 12 no. flats.

**Spending officer:** Sarah Peyman. **Projects identified:** Provision and maintenance of a bus shelter in Westhampnett. The Leisure payment £6,670 was for the provision of the bus shelter and the remaining balance is for maintenance. June 2015: Still no requirement to date for any maintenance. Aug 2015: As before, no further spend to date on maintenance. **Oct 2015:** no change. **Feb 2016:** No further spend to date on maintenance. **May 2016:** No further spend to date as no maintenance required. **Aug 2016:** No further spend. Spending officer having discussions with Steve Hansford and legal to consider the maintenance requirements and spend of this money. **Sept 2016:** Legal has confirmed that money can be transferred to Parish for ongoing maintenance but it would need to be spent on this bus shelter only and before the expiry date of March 17. **Oct 2016:** A survey is being completed on the shelter and then any resulting works will be completed prior to the expiry date. It is highly unlikely that all of the remaining money will be spent prior to the deadline so it will be returned to the developer. The spending officer will liaise with the Parish Council about the long term maintenance of the bus shelter but the Council will not be able to provide the funding for this.

Public Open Space

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/05/00430/FUL	Shippams Factory (Roman Quarter) And Social Club	East Street	03-Mar-06	£81,553.00	£0.00	£60,726.61	£0.00	£20,826.39	20-Aug-18

**Proposed Development:** Comprehensive mixed-use redevelopment, comprising of retail and residential accommodation, together with associated car parking landscape and highway works (after demolition of existing factory and former social club building).

- Phase N1: The social club site
- Phase N2: Retail and residential block
- Phase N3: Listed buildings
- Phase N4: Inland residential block
- Phase N5: Residential block facing East Walls

**Spending officer:** Sarah Peyman. **Projects identified:** Priory Park Play Area, Westgate Skate park and balance for Parks Improvement Programme. £11,370.31 spent on Priory Park Play area in 2011/12. £1,183.08 spent on Westgate Skate park in 2013/14. Balance available for the Parks Improvement Programme. **Feb 2016:** Contacted CCS to discuss projects and they are intending to use some S106 money to enhance the play provision at The Amphitheatre but they are awaiting English Heritage approval before they can progress this any further. Additional projects to enhance other areas of open space to be considered by the team. **May 2016:** During finance reconciliation, KT advised that £8,273 spent on improvements to Priory Park Entrance. Spending officer has emailed CCS to request an update and is awaiting a response. **Aug 2016:** Response received from CCS to effect that they are aware of funding. **Oct 2016:** Spending officer continues to liaise with CCS to identify projects within the timescales.

CCN/05/00430/FUL

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCW/06/02510/FUL	10-12 Fishbourne Road East	Fishbourne Road East	14-Sep-06	£3,137.80	£0.00	£86.80	£0.00	£3,051.00	06-Jul-17

**Proposed Development:** Proposed development of 17 no. residential units and associated works (mix schedule on layout plan).

**Spending officer:** Sarah Peyman. **Projects identified:** Balance remaining is for bulb planting equipment. **May 2013:** Meadow area and tree provided at Sherborne Road. (A scheme was approved under delegated powers following consultation with the Parklands Residents Association for planting, trees and bench seating). £2,040 was spent and the remainder was to provide benches and/or boulders. **Aug 2015:** Very small amount remaining. Currently liaising with Chichester Contract Services regarding potential use of the remaining budget. **Oct 2015:** No change. **Feb 2016:** No change. **May 2016:** No change. **Aug 2016:** Parklands Residents Association is to purchase some equipment for their bulb planting. Once purchased funding will be released. **Oct 2016:** Spending officer is waiting for the Parklands Residents Association to send in quotes for the bulb planting equipment.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
D/11/01198/FUL	Selsey Tram - land at St George's Drive	St George's Drive	15-Aug-11	£6,482.14	£324.11	£4,195.03	£0.00	£1,963.00	03-Apr-18 *

**Proposed Development:** Selsey Tram, Donnington - Demolition of existing public house and erection of 22 no. residential units and convenience store (Class A1 use).

**Spending officer:** Sarah Peyman. **Projects identified:** Donnington Parish playground improvements. Further projects to be identified. **May 2016:** 2 invoices paid to Donnington PC for playground improvements. Each payment £1,998.50. £1,963 allocated from this agreement and £2,034 allocated from 07/04732/FUL. **Mar 2016:** Spending officer emailed Parish on 24 Mar 2016 but also waiting on confirmation of playing fields signage for consideration for funding. **May 2016:** No further response from Parish Council. **July 2016:** Spending Officer in discussions with Parish Council re spend. It is likely it will now be used to part fund play park improvements. **Aug 2016:** The Parish Council organised a consultation day as part of their fund day during the summer to finalise details for the play park provision. Results awaited. **Oct 2016:** Spending officer is waiting for further details from the Parish. Spending officer will chase again.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
HT/07/01474/FUL	The Forge, South Harting	Elsted Road	11-Jul-07	£2,349.00	£0.00	£2,349.00	£0.00	£0.00	06-Mar-17 *

**Proposed Development:** Erection of 16 dwellings including the replacement of the forge with all associated landscaping and car parking.

**Spending officer:** Sarah Peyman. **Projects identified:** Awaiting project to be submitted by Parish Council. Money received March 2012. **Aug 2015:** Spending officer emailed Harting Parish Council at the end of May but still no response. Chased again for information relating to proposed spend. **Feb 2016:** Spending officer had further correspondence with Harting PC in December. Parish wished to use the funds for tree maintenance works but spending officer informed them that it had to be additionality and not for maintenance. Awaiting further project to be submitted for consideration. **May 2016:** No further response from Parish Council. Spending officer chased on 27 May 2016. **Aug 2016:** Spending officer has spoken with Cllr Andrew Shaxson who is working with the Parish Council to identify potential projects. **Oct 2016:** Spending officer has spoken with Cllr Shaxson and they will both meet with Hyde to discuss agreement for improvement works to one of their play areas.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
TG/12/02262/FUL	Land At Windmill Drive		27-Feb-13	£45,400.00	£0.00	£5,697.00	£0.00	£39,703.00	12-Nov-17 *

**Proposed Development:** Variation of approved layout by removal of on-site play area from public open space. DoV for 07/04577/FUL.

**Spending officer:** Sarah Peyman. **Projects identified:** Additional equipment at Tangmere Recreation Field. £22,713 spent on Tangmere Recreation Ground for extension of toddler play area in 2013/14. **Feb 2016:** Tangmere PC has a proposed scheme for additional equipment at Tangmere Recreation Field and this is currently being considered. **May 2016:** Proposed scheme has been agreed but spending officer is waiting for works to be completed prior to payment £10,795 outdoor gym and £6,500 shelter. **July 2016:** £16,990 spent on Tangmere Youth Shelter, grass matting and gym equipment. **Aug 2016:** No further updates from Parish Council regarding plans for spending remaining funds.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
TG/07/04577/FUL	West Sussex Fire Depot, Tangmere	City Fields Way	19-Dec-07	£87,000.00	£0.00	£5,225.15	£0.00	£81,774.85	09-Apr-18

**Proposed Development:** West Sussex Fire Depot. The erection of 102 dwellings together with 40 AH units, ancillary car parking, open space and landscaping.

**Spending officer:** Sarah Peyman. **Projects identified:** The Executive Board meeting on 30 Nov 2010 agreed £85,842 Section 106 funding for release to Tangmere Parish Council for the redevelopment of their Multi-Use Games Area. **Feb 2016:** Tangmere has a proposed scheme for additional equipment at Tangmere Recreation Field and this is currently being considered. **May 2016:** Spending officer has been in correspondence with Cllr Oakley re possible improvements to open space between Windmill and Churchwood Drives, such as replacement of fencing. **Aug 2016:** No further updates from Parish Council regarding plans for spending of the remaining funds. **Oct 2016:** Cllr Oakley has suggested that the money is used for equipment to maintain the cricket pitch. Spending officer has advised that a formal application would need to be made.

## Community Facilities

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CH/09/04314/OUT	Marshalls Site, Hambrook	Broad Road	17-Sep-10	£138,420.21	£6,921.01	£48,016.06	£48,016.06	£83,483.14	16-Jan-18

**Proposed Development:** Marshalls Site, Hambrook (Lion Park, Broad Oak): Redevelopment of former concrete products factory to a total of 86 dwellings (12 no. 1 bed flats, 18 no. 2 bed dwellings, 49 no. 3 bed dwellings and 7 no. 4 bed dwellings) and 2500sqm of B1 business employment use.

**Spending officer:** David Hyland. **Projects identified:** Refurbishment of Chidham and Hambrook village hall, to be managed in 3 phased projects. Project 1: The provision of a two floor extension providing a wheelchair lift giving those with impaired mobility access to the first floor. Also, additional storage, refurbished toilets, provision of disabled toilets and replacement emergency and access staircase. The Management Committee is currently fund raising for these works as this will be the next new project to start. (Estimated cost £190,000). CFA Project ID: 983. **May 2015:** £41,483.14 spend approved for new toilets. **Nov 2015:** 15 Sept 2015 payment of £35,000 made to Chidham and Hambrook Parish Council towards the toilet refurbishment at Chidham and Hambrook Village Hall. On 30 Sept 2015 an additional £6483.14 was paid towards the toilet refurbishment. **Feb 2016:** Hall refurbishment works progressing. **May 2016:** Refurbishment works have progressed to the next phase to install a lift, disabled toilet and new storage area. **July 2016:** Have requested £84k which was approved at June cabinet and works commenced on 27 June. Waiting for invoices. **Oct 2016:** £42k paid to Chidham & Hambrook PC. Balance of £48k still earmarked for hall.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/06/04244/FUL	Site D St Richards Hospital	East Field	22-Dec-06	£75,000.00	£0.00	£51,076.00	£51,076.00	£23,924.00	15-Aug-17

**Proposed Development:** Site 'D' St Richards Hospital. Erection of 100 no. residential dwellings, private and affordable, and all associated infrastructure.

**Spending officer:** David Hyland. **Projects identified:** Contributions will be required to enhance facilities in this area of Chichester, specifically for Graylingwell and Roussillon Park. **Nov 2015:** Estates Department has completed tender exercise for Changing facility at Northgate Toilets. Awaiting confirmation of balance of funding before seeking delegated authority to release funds (£20k had previously been approved in principle subject to detailed costings). **Dec 2015:** £23,924 spent on adult changing facility. **Feb 2016:** Swanfield Community Centre may need some funding to convert to a youth centre. **May 2016:** The spending officer is working with the Chichester Community Development Trust (CCDT) on this. They are currently consulting their community regarding their vision for future community use of Graylingwell Chapel. The remainder of this money is now ear-marked for this project. **July 2016:** The plan is still to use this money towards the Graylingwell Chapel. CCDT are consulting on the plans. **Oct 2016:** CCDT's public consultation is ongoing. No further update at this stage.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/05/01970/OUT	91-95 Broyle Road	Broyle Road	12-Sep-05	£18,716.00	£0.00	£9,358.00	£9,358.00	£9,358.00	27-Feb-18

**Proposed Development:** 91-95 Broyle Road, Chichester. Demolition of 92, 93 & 94 Broyle Road and erection of 9 houses and 14 flats.

**Spending officer:** David Hyland. **Projects identified:** Part of the contribution has been spent on the new partition for the North Hall community hall belonging to Chichester Baptist Church costing £9,358. The rest is allocated to St Michael's church hall where projects are under discussion for kitchen refurbishment. **Feb 2016:** discussions with hall ongoing. Shona Turner waiting quotes for updating kitchen. **May 2016:** Works are underway and Shona Turner is awaiting the invoices. **July 2016:** Shona Turner is chasing for the invoices. **Oct 2016:** Work has been done but invoices still have not been received as work hasn't been completed satisfactorily. Shona Turner will chase.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/09/02417/FUL	34 and 36 Hay Road, Chichester	Hay Road	21-Sep-09	£68,247.08	£3,411.91	£64,834.73	£0.00	£0.00	15-Jan-18 *

**Proposed Development:** 34 and 36 Hay Road, Chichester. Demolition of nos. 34 and 36 Hay Road and construction of 62 houses and apartments (37 open market and 25 affordable) together with associated access, parking and landscaping.

**Spending officer:** David Hyland. **Projects identified:** In discussion with local Resident's Association regarding a community centre. **Feb 2016:** the local aspirations for a community centre have now been exhausted and currently proposals are now for sports provision only. Shona Turner will now approach the nearest community buildings eg 5th Scout Hut with regards to using the contribution. **May 2016:** Shona Turner has emailed the 5th Scout Hut asking if there any projects or improvements to the Scout Hut which they would like. Response awaited. **July 2016:** In further discussion with Scout Hut re possible projects. **Oct 2016:** Shona Turner continues to be in contact with community buildings close to the development to identify possible projects.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
D/11/01198/FUL	Selsey Tram - land at St George's Drive	St George's Drive	15-Aug-11	£35,779.37	£1,788.97	£33,990.40	£33,990.40	£0.00	21-Aug-18 *

**Proposed Development:** Selsey Tram, Donnington - Demolition of existing public house and erection of 22 no. residential units and convenience store (Class A1 use).

**Spending officer:** David Hyland. **Projects identified:** All funds allocated to ongoing Donnington Parish Hall extension project, together with 12/04410/FUL Southfields Close and 07/04732/FUL Stockbridge Garage. **Mar 2015:** Community Facilities has requested payment of £398 to Donnington Parish Hall, towards tree removal forming part of the ground works for the major improvement/extension to the Parish Hall. The remainder, £1,392 is likely to contribute towards car park improvements. Community Facilities are awaiting for the quotes from suppliers for the works for these improvements. **Nov 2015:** Planning application in progress for works to Parish Hall (D/15/01274/FUL). **Feb 2016:** Planning application for works to Parish Hall refused. **Mar 2016:** Planning application resubmitted. Decision pending. **May 2016:** Planning application approved 29 Mar 2016 (valid for 3 years). Refurbishment to proceed. **July 2016:** Money is still ear marked for village hall extension. Waiting for next update from Parish Council. Shona Turner will visit site in next few months. **Oct 2016:** Shona Turner visited site on 8 August. Village Hall extension project is proceeding. It is hoped work will start in Jan 2017.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
HT/07/01474/FUL	The Forge, South Harting	Elsted Road	11-Jul-07	£12,992.00	£0.00	£5,057.04	£5,057.04	£7,934.96	06-Mar-17 *

**Proposed Development:** Erection of 16 dwellings including the replacement of the forge with all associated landscaping and car parking.

**Spending officer:** David Hyland. **Projects identified:** See updates below. **Aug 2012:** Spend 29/6/12 - £7,934.96 to Harting Parish Council for refurbishment of the kitchen at Harting Village Hall. **Nov 2012:** Officers will be writing to SHPC to confirm the timeline for the spend, and suggest considering alternative enhancements given the current status of the Henry Warren (Memorial Hall) - needs rebuilding and CDC grant has been withdrawn as not enough. **Feb 2016:** Shona Turner and David Hyland have met with Chair and other Parish Councillors to discuss options. They are aware of amount and timeframe and will revert to Shona Turner with ideas for spend asap. **May 2016:** Expecting updates on projects within next few weeks as part of the annual update exercise. **July 2016:** Spending officer in regular contact with Parish Council. Still awaiting specific projects. **Sept 2016:** The PC have been busy coming up with proposals for the use of New Homes Bonus monies awarded historically which has to be spent by the end of the calendar year, and that has been their priority. Spending officer has been discussing this AND the S106 underspend with the Parish Council, and is aware that there will be another request to follow – but comparatively the S106 has longer to run and the Parish Council needs to get one thing approved first before it knows what's next on the list. The spending officer will provide a more meaningful update for the next quarter. **Oct 2016:** The Parish Council is aware of the deadlines. The NHB money has been awarded and now the Parish Council will focus on the s106 projects. Shona Turner has spoken to Cllr Shaxson and the Parish Council is obtaining quotes to improve the access to the emergency exits and other improvements to these exits.

## Public Art

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
D/11/01198/FUL	Selsey Tram - land at St George's Drive	St George's Drive	15-Aug-11	£6,089.29	£304.46	£5,784.83	£0.00	£0.00	03-Apr-18 *

**Proposed Development:** Selsey Tram, Donnington - Demolition of existing public house and erection of 22 no. residential units and convenience store (Class A1 use).

**Spending officer:** Lone Le Vay. **Projects identified:** The possibility of this contribution with other S106 receipts, such as from Southfields Close to commission a reasonable sized art installation. If nothing is forthcoming it is proposed to involve the new residents of the development in the commissioning of a small piece of art for location within that development. **May 2016:** Spending officer has met with Donnington Parish Council and it is hoped to set up a commissioning group for both Selsey Tram and Southfields Close (D/12/04410/FUL). Ideas emerging are around signposting - canal path and playing field. Southfields Close units are now being occupied so spending officer will seek involvement of new residents. Proposal is to combine with the Southfields Close contribution to facilitate a more meaningful installation. **Aug 2016:** No update. **Oct 2016:** Spending officer has previously met with Parish Council but no one has come forward to participate in a commissioning group. Proposal is to draft an outline brief and circulate to the parish council and possibly leaflet new residents of both developments to seek volunteers to become involved. The brief will encapsulate initial ideas around signposting - canal path and playing field.

CCTV

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
PW/06/05235/FUL	Exchange House	Station Road	22-Jan-07	£6,694.49	£0.00	£701.49	£0.00	£5,993.00	08-Oct-17

**Proposed Development:** Use of property without complying with condition no.2 (provision of car parking spaces) of permission PW/00/02798/FUL.

**Spending officer:** Tania Murphy – CCTV/Car Parks. **Projects identified:** The agreement states that the allocation is to be used towards measures in the Petworth Parking Strategy at the discretion of the Council. £5000.00 received following enforcement action. Interest on the payment received 8 Oct 2012 - £1694.49. **Feb 2016:** The authority currently holds accreditation under the British Parking Association Safer Parking Award for the city car parks and would like to extend this to cover all rural car parks. A recent initial assessment of the car parks in Petworth has provided some indication of the works required to improve the visitor experience. These works include lining and signing improvements and will be undertaken before June 2016 using this allocated sum. **May 2016:** No change. Improvements to be undertaken before June 2016. **Aug 2016:** Lining works have been undertaken in Pound Street, and Sylvia Beaufoy car parks and further works are being undertaken to improve both car parks in line with the recommendations from the British Parking Association Park Mark assessment. Once the works are completed there will be no remaining budget. **Oct 2016:** The following works in Petworth car parks have been carried out: relining, works to benches and works to bollards. The works have come to £5,993, so there is a remaining balance of £701. There is a plan to undertake some further works in the car park so balance will be spent by the deadline.

Chi Harbour

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CH/09/04314/OUT	Marshalls Site, Hambrook	Broad Road	17-Sep-10	£56,704.93	£2,835.24	£53,858.68	£53,858.68	£11.00	16-Jan-18

**Proposed Development:** Marshalls Site, Hambrook (Lion Park, Broad Oak): Redevelopment of former concrete products factory to a total of 86 dwellings (12 no. 1 bed flats, 18 no. 2 bed dwellings, 49 no. 3 bed dwellings and 7 no. 4 bed dwellings) and 2500sqm of B1 business employment use.

**Spending officer:** Tom Day. **Projects identified:** Graylingwell and Roussillon Mitigation Project. **Oct 2016:** Since September 2014 the Graylingwell mitigation project has expanded to cover the Fishbourne / Nutbourne area, funded by three s106 agreements. The first two of these are now fully spent and this part of the work is now funded by the Marshalls site s106. Expenditure of £12,400 is allocated for 2016-17. Expenditure from this source will be increased in 2017-2018 (and correspondingly reduced from the Roussillon s106) to ensure that it is fully spent by the expiry date.

## Expiry Date prior to 17/10/2016

### Leisure

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
BX/10/05085/FUL	Land at Windmill Park	Halnaker	23-May-11	£28,537.00	£1,426.85	£27,110.15	£27,110.15	£0.00	04-Aug-16 *

**Proposed Development:** Erection of 31 no. residential dwellings with associated access, car parking, landscaping and highway works.

**Spending officer:** Sarah Peyman. **Projects identified:** Improvements to Boxgrove Parish Sports Pavilion. **Nov 2014:** A response from Boxgrove Parish Council is still awaited regarding prioritisation of their proposals and provision of 3 quotations for the works in order to obtain authorisation for the spend. **Feb 2015:** Boxgrove Parish Council state that they are looking to make improvements to their sports pavilion. May 2015: Spending officer emailed Parish Council on 19 May 2015. No response. **Aug 2015:** Update received from Parish Council at end of June stating that they still want to use the funds for the improvements to the sports pavilion but they are still currently at architect stage. **Feb 2016:** Boxgrove Parish Council is aware money has to be spent prior to Aug 2016 and will revert. **Mar 2016:** Shona Turner has spoken to Clerk and the Sports Pavilion is at now at the planning permission stage. **April 2016:** Spending officer spoke again with the Parish Council. Plans for the sports pavilion have been finalised and the quotes for the works are due back at the end of the month. **May 2016:** Clerk of Boxgrove meeting with Pavilion Committee with a view to putting together the application for funds from CDC. Spending officer chased Parish Clerk on 13 May 2016 and again on 25 May 2016. The Clerk is currently on leave until early June 2016. **June 2016:** Paul Over has approved the spend on enhancements to the sports pavilion. Next step is for spending officer to contact relevant Ward Members. **Aug 2016:** Spending officer has agreed funding subject to partnership funding being confirmed. **Oct 2016:** Spending officer chased Parish Council for an update. Works have not yet started. The Parish Council have responded to say that they have agreed to issue a 25 year lease to the sports pavilion which will enable partnership funding to be applied for and enable the project to be delivered.

## Public Open Space

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
BX/10/05085/FUL	Land at Windmill Park	Halnaker	23-May-11	£8,000.00	£400.00	£1,300.00	£0.00	£6,300.00	04-Aug-16 *

**Proposed Development:** Erection of 31 no. residential dwellings with associated access, car parking, landscaping and highway works.

**Spending officer:** Sarah Peyman. **Projects identified:** Equipment for parish play area. **Feb 2016:** Boxgrove Parish Council is aware money has to be spent prior to August 2016 and will revert. **May 2016:** Boxgrove Parish Council is collating quotes and pulling together its application for funds for new football goals. Spending officer chased parish clerk on 13 May 2016 and on 25 May 2016. The Clerk is currently on leave until early June 2016. **June 2016:** Paul Over has approved spend on cricket nets and football goals. Next step is for spending officer to contact relevant Ward Members. **Aug 2016:** Spending has been agreed for open access football and cricket facilities and the spending officer is waiting for the invoice from the Parish Council. Monitoring will be continued until the funding has been released to the Parish Council. **Oct 2016:** £6,300 has been paid to Parish Council for cricket nets and goals which have cost less than the spending officer envisaged. The spending officer is contacting Parish Council regarding spending the balance of £1,300.

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Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/05/00876/FUL	St Georges Hall	Cleveland Road	28-Nov-05	£3,051.00	£0.00	£806.75	£806.75	£2,244.25	02-Oct-11

**Proposed Development:** Demolition of redundant hall and construction of 7 no. one bedroom flats and 3 no. two bedroom flats.

**Spending officer:** Sarah Peyman. **Projects identified:** Installation of the lectern and interpretation board. **May 2015:** Graphic design services have been commissioned, and scheduled monument consent applied for, once obtained production will take place and panel fitted to City Walls lectern frame and installed. May 2015: Interpretation board produced and currently waiting for CCS to install. **Aug 2015:** Sign is with CCS waiting for installation. **Oct 2015:** No change. **Feb 2016:** Sign has been installed but waiting for costs from CCS. Spending officer chased on 19 Feb 2016. **May 2016:** Spending officer has emailed CCS but not received a response. Spending officer chased CCS again for confirmation of costs on 27 May 2016. **June 2016:** CCS has confirmed that £50 was spent on the project. Spending officer to revert to them re spending the balance. Can be spent on public open space facilities within Chichester District. 28 June 2016 new proposal for a bench at the Amphitheatre alongside the footpath at cost of £740, plus installation. Spend just needs to be confirmed by members. **Aug 2016:** Spend has been approved for a bench to be purchased and installed at the amphitheatre. Will continue to be monitored until funding has been released. **Oct 2016:** CCS have advised that the bench will be installed by the end of November.

# Agenda Item 13

## Chichester District Council

### CORPORATE GOVERNANCE & AUDIT COMMITTEE 24 November 2016

#### Corporate Health & Safety and Business Continuity Management – Progress Update

##### 1. Contacts

###### Report Author:

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##### 2. Recommendation

- 2.1 The committee is requested to consider this report which provides details of progress and current position of the Council's corporate health and safety and business continuity (BC) management arrangements and to raise any issues of concern.

##### 3. Background

- 3.1. This report provides an update on the current position of Business Continuity (BC) management arrangements within CDC.
- 3.2. This report also covers a brief overview of the Council's performance in relation to the health, safety and welfare of its staff and anybody else affected by its undertaking.

##### 4. Outcomes to be achieved

- 4.1. To ensure that Chichester District Council has a robust business continuity management system that is simple to use in the event of a business interruption.
- 4.2. To ensure that Chichester District Council is assessing its performance for Health and Safety adequately and concentrating its H&S resources in the correct areas to make improvements.

##### 5. Progress Report for Business Continuity (BC) Management

- 5.1. BC plans covering the first 3 days and over 3 days of there being a business interruption (written by the service teams) are stored on one of the Council's IT drives. This includes a list of all of the critical staff and their contact details. These documents are also stored on a system which is hosted off site, called Resilience Direct (a government website predominantly used for emergency planning and security information). The benefit of using this hosted system is that it would still be available for use in the event of us losing our own IT.
- 5.2. The existing Covalent software system is being used to remind Heads of Service to review their plans and the critical staff list on a 6-monthly basis. Key staff were identified and trained in the process for updating and uploading business continuity documents onto Covalent. This will also be used as an auditing tool,

i.e. to ensure that documents are being reviewed and updated in accordance with Council Policy.

- 5.3. A Business Continuity specialist from Zurich, the Council's Insurer, is in the process of assisting the Corporate H&S Manager with critically refreshing the Business Impact Assessments (BIA). This will lead to reducing the number of critical activities that have previously been identified through the BIA process with the aim of simplifying the business continuity plans.
- 5.4. Representatives from South Oxfordshire and the Vale of White Horse Council visited Chichester District Council to give a presentation on business continuity in relation to the major fire they suffered (resulting in the loss of over 80% of their office accommodation). One of the key points noted from the lessons they learnt was to keep business continuity plans simple and fluid. This will be the aim when refreshing the business continuity plans following the BIA refresh.

## 6. Health and Safety Management

Please note that the statistics within this report cover the period when the leisure centres were still operated and managed by the Council.

### 6.1 Total accidents for each year

Year	No of incidents
2013 – 2014	261
2014 – 2015	300
2015 - 2016	265

**The total number of accidents/incidents/near misses in the year 2015 – 2016 have decreased by almost 12% compared to the previous year.** Service areas are required to record and submit, to the Corporate H&S team, all accidents and incidents, including very minor accidents and near misses. These are all included in the accident statistics in this report. It is important for all accidents, incidents and near misses to be recorded and reported to the Corporate H&S team to enable trends to be identified that can prevent significant accidents or incidents occurring in the future.

It is important to note that 159 of the accidents are categorised as 'not in connection with the work activity' which means they are not as a result of failures of the Policy, organisation or management of the Council.

### 6.2 Total number of RIDDOR incidents for each year

Year	Total RIDDOR	>7 days absent	Public to hospital	Major	Dangerous Occurrence
2013 - 2014	4	3	0	0	1
2014 - 2015	4	3	1	0	0
2015 - 2016	5	4	0	1	0

RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulations) are certain categories of accidents that are reportable to the enforcing Authority - HSE (Health and Safety Executive). These include:

- deaths at work

- major injuries (broken bones etc.)
- over 7-day injuries (injuries that result in the person being unable to return to work within a 7-day period); and
- members of the public being taken from the scene to hospital due to an accident that was potentially caused by poor safety management or a physical defect with a building or equipment.

Our RIDDOR figure increased by 1 in 2015/16 compared with the previous 2 years. The number of RIDDOR's do not give cause for concern as the majority arise from over 7-day injuries caused by musculoskeletal injuries arising from bin collection activities which often take more than 7 days rest to recover. The 1 major RIDDOR accident involved the Facilities manager who broke his arm when trying to stop a vehicle that hadn't had the hand brake applied and was rolling out of the parking area at the North entrance of East Pallant House towards the gallery.

### 6.3 Incidents by injured person category for each year

Year	Staff	Public	Agency	Other	Total
2013 - 2014	92	160	7	2	261
2014 - 2015	109	184	5	2	300
2015 – 2016	71	181	7	6	265

Nearly all of the accidents to members of the public relate to Westgate, Bourne and Grange Leisure centres. Many of these relate to injuries suffered during sports activities (deemed not in connection with the work activity) and do not relate to deficiencies in health and safety management. **The number of accidents to staff have decreased over the last 3 years with the biggest decrease (35%) in the 2015 – 2016 period.**

### 6.4 Accident Type

Accident Type	2013 - 2014	2014 - 2015	2014 - 2015
Exposed to, or in contact with, a harmful substance	3	1	-
Fell from a height	-	4	5
Hit by a moving, flying or falling object	21	15	14
Hit by a moving vehicle	3	1	2
Hit something fixed or stationary	21	18	11
Injured by an animal	4	3	1
Injured while handling, lifting or carrying	21	23	17
Near Miss	12	21	18
Not in connection with work activity	151	178	159
Other kind of accident	3	2	3
Pre-existing medical condition	-	4	2
Slipped, tripped or fell on the same level	22	19	19
Contact with electrical discharge	-	1	-
Contact with sharps*	-	8	14**
Trapped by something collapsing	-	1	-
Contact with moving machinery or material being machined	-	1	-

\*new category as of 2014/15

\*\*8 of these accidents related to people cutting themselves on sharp objects at the leisure centres

## 6.5 Accident by location work/non work related

Location	2013 - 2014		2014 - 2015		2015 - 2016	
	Total number of incidents	Work related incidents	Total number of incidents	Work related incidents	Total number of incidents	Work related incidents
Cafe	2	0	4	1	4	1
Car Park	7	2	6	3	7	4
Changing Rooms	14	2	11	1	10	3
Dance Studio (Minerva)	1	0	5	0	9	2
Depot, Yard or Tip	14	14	14	13	6	4
External Building Feature	0	0	3	2	2	0
Gym	13	0	11	2	10	3
Health Suite	1	0	1	0	3	2
Internal Building Feature	0	0	6	6	4	4
Kitchen or Welfare Area	3	2	3	3	3	3
Office	13	11	4	4	4	4
Other	0	0	1	1	2	2
Parks & Open Spaces	7	5	9	5	5	4
Plant Room	0	0	1	1	0	0
Pool	70	8	70	6	73	18
Reception / Public Area	13	5	14	4	9	6
Roof / Loft	1	1	0	0	0	0
Skate Park	6	0	10	0	7	0
Sports Hall	39	3	63	8	62	3
Third Party Premises	5	5	6	5	5	3
Vehicle, Roadside or Round	48	47	56	55	40	40
Workshop	4	3	2	2	0	0
<b>Total</b>	<b>261</b>	<b>108</b>	<b>300</b>	<b>122</b>	<b>265</b>	<b>106</b>

**6.6** The statistics show that the annual total number of accidents/incidents has decreased in 2015 – 2016. We had previously seen an increase in accident/incidents in 2014 – 2015 compared with 2013 – 2014 and this was due to having an additional leisure facility opening that year, i.e. the Grange Centre (which accounted for an increase in the number of accidents/incidents ‘not in connection with the work activity’). Also, the Corporate H&S team had done a great deal of work in trying to encourage near miss reporting – the effect was a doubling in reported near misses. The purpose of encouraging near miss reporting is to identify trends that could prevent actual accidents/incidents occurring.

## 6.7 H&S Training Courses Delivered 2015 - 2016

Course Title	No. of staff trained
First Aid 2 Day Refresher Course	4
Risk Assessment	5
Risk Assessment Workshop	8
Working Near Water	12
Post Handling and Suspicious Packages	14
Fire Warden Training	7
Defibrillator Training	11
First Aid Workshop	6
First Aid at Work (3 Day)	2
Legionella Awareness Briefing	2
Ladder Safety	4
Emergency First Aid at Work Course	7
Conflict Mgt & Physical Intervention	31
NEBOSH Award in Health and Safety	13
Physical Intervention - VAR Team	9
Fire risk assessor training - in house	19
<b>Total No. of staff trained</b>	<b>154</b>

## 7. Resource and legal implications

- 7.1 There could be legal implications of not having a robust business continuity management system. If the Council is not adequately prepared for a business interruption then some of its statutory functions may not be capable of being performed.
- 7.2 There are legal implications of not complying with Health and Safety legislation, i.e. imprisonment of individuals, fines for the organisation and/or individuals.

## 8. Community impact and corporate risks

- 8.1. There is a corporate risk of not having a robust business continuity management system as there would be financial, reputational and legal implications of not being capable of continuing to provide a service to the public.
- 8.2. There is corporate risk of not complying with H&S legislation due to a risk of legal action against the Council. This is a financial risk to the Council through potential prosecution, fines, increase in civil claims, increased insurance premiums, risk of personal and/or corporate liability and reputation.

## 9. Other Implications

Are there any implications for the following?		
	Yes	No
<b>Crime &amp; Disorder:</b>		✓
<b>Climate Change:</b>		✓
<b>Human Rights and Equality Impact:</b>		✓

<b>Safeguarding:</b>		✓

**10. Appendices**

None.

# Agenda Item 14

## BUDGET REVIEW

### TERMS OF REFERENCE AND SCOPING

Review Topic	Budget 2016-17 outturn and variances
Membership (and Chairman)	3 members of Corporate Governance & Audit Committee and 3 members of Overview & Scrutiny Committee to be sought at their meetings in November 2016.
Terms of Reference	To consider the original budget for 2016-17 and compare this with the projected outturn. To consider the proposed variances on the 2017-18 budget. To comment on these in advance of Cabinet consideration of the Budget 2017-18 in February 2017.
Scope	5 Year Financial Model Statement of Resources 2016-17 to 2021-22 Projected Revenue Budget Variations 2016-17 and 2017-18.
Review Period	December 2016
Officer support	Mr J Ward, Mrs H Belenger, Mr D Cooper and Mrs B Jones
Frequency of Meetings	One meeting to be held in early December 2016
Report back to	OSC on 17 January 2017 and CGAC on 26 January 2017