

Public Document Pack

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 23 November 2017 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr G Hicks, Mr F Hobbs, Mr S Morley and Mr P Wilding

AGENDA

- 1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 9)
The committee is requested to approve the minutes of its ordinary meeting on 28 September 2017.
- 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 12:00pm the day before the meeting is available [here](#) or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).
- 6 **Annual Audit Letter 2016-17 - Ernst & Young LLP** (Pages 10 - 30)
Further to minute 147 of 28 September 2017 the committee is requested to consider and note the key issues arising from the work of the council's external auditors on the 2016-17 Accounts in the Annual Audit Letter from Ernst & Young LLP.
- 7 **Audit Progress Report 2017-18**
An oral report will be provided by Ernst & Young LLP on progress against the 2017-18 audit.
- 8 **Financial Strategy and Plan 2018-19** (Pages 31 - 48)
The committee is asked to consider the attached report and to make recommendations to Cabinet on the Council's five year financial strategy.
- 9 **Treasury Management 2017-18 Mid-Year Update** (Pages 49 - 59)
The committee is requested to consider this 2017-18 mid-year review of treasury management activity and performance and to provide comments to Cabinet as necessary.

- 10 **Strategic and Operational Risks 2017-18** (Pages 60 - 82)
The committee is requested to note the current strategic risk register, the high scoring programme board and organisational risks, the internal controls and mitigation actions in place to manage those risks 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)
- 11 **S106 Exceptions Report** (Pages 83 - 108)
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.
- 12 **Internal Audit - 2017-18 Audit Plan Progress** (Pages 109 - 112)
The committee is requested to consider and note the audit plan progress report.
- 13 **Budget Review 2017** (Page 113)
The committee is requested to consider and agree the Terms of Reference for this review and to nominate three members to contribute to this review.
- 14 **Exclusion of the Press and Public**
There are no restricted items for consideration. However, the document 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).

Agenda item 10 – Appendix 1b Strategic Risk Register Update - Information relating to cyber-attacks on 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.

- 15 **Late items**
The committee will consider any late items as follows:
- a) Items added to the agenda papers and made available for public inspection
 - b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

NOTES

1. The press and public may be excluded from the meeting during any item of business where it is likely that there would be disclosure of “exempt information” as defined in section 100A of and Schedule 12A to the Local Government Act 1972.
2. Restrictions have been introduced on the distribution of paper copies of supplementary information circulated separately from the agenda as follows:
 - a) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior

Officers receive paper copies of the supplements (including appendices).

- b) The press and public may view this information on the council's website here [here](#) unless they contain exempt information.
3. The open proceedings of this meeting will be audio recorded and the recording will be retained in accordance with the council's information and data policies. If a member of the public enters the committee room or makes a representation to the meeting, they will be deemed to have consented to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please liaise with the contact for this meeting at the front of this agenda.
4. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intention before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided.

Public Document Pack Agenda Item 2



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 28 September 2017 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown, Mrs P Hardwick, Mr G Hicks, Mr F Hobbs, Mr S Morley and Mr P Wilding

Members not present: Mr T Dempster and Mrs N Graves

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

Officers present: Mrs H Belenger (Accountancy Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr D Cooper (Group Accountant), Mrs F Delahunty (Customer Services Centre Manager), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Miss A Loaring (Partnerships Officer) and Mr J Todd (Corporate Fraud Officer)

142 **Chairman's Announcements**

The Chairman welcomed all to the meeting. Apologies had been received from Mrs Graves.

143 **Approval of Minutes**

The minutes of the previous meeting held on 29 June 2017 were considered and the following amendment agreed:

Minute 135, penultimate bullet point on page 5 should read "It was suggested that this should be picked up through the biannual **All Parishes Meeting** arranged by the authority."

Minute 135, first bullet point on page 5 – Mrs Dower confirmed that in this instance the appeal had been lost. Mrs Tull had requested Mrs Dower to ensure that the money was not returned to the developer until the site was vacated.

Minute 141 – Mr Bennett had responded to members with the total amount involved in the claim against Coinco International PLC.

RESOLVED

That subject to the above amendment the minutes of the meeting held on 29 June 2017 be agreed as a correct record.

144 **Urgent items**

There were no urgent items for consideration at this meeting.

145 **Declarations of Interest**

No interests were declared at this meeting.

146 **Public Question Time**

No public questions had been received.

147 **Audit Results Report 2016-17**

The committee considered the report included with the agenda.

Mr P King and Mr M Young from Ernst & Young LLP (EY) were in attendance.

Mr Young presented the report, taking members through the main sections in the Audit Results Report for the year ended 31 March 2017. The auditors intended to issue unqualified statements subject to receipt of the Letter of Representation from the Chairman of this committee and the Head of Finance & Governance Services.

Mr Young drew members' attention to one material matter arising. This related to the methodology used to value the three leisure centres as a result of the outsourcing of leisure services. In discussion between EY's valuers and the council's valuers the technical adjustment made by the council to the value of the leisure centres as a result of outsourcing was revised. This had resulted in an increase of £10m in the valuation of this property in the draft 2016-17 accounts and roughly what it had been in the prior year's accounts.

The planned audit fees set out in Appendix B remained as stated in the scale of fees. The early close of the 2017-2018 accounts would be a challenge however initial planning between the auditors and the finance team had been arranged in October 2017 to scope this out.

The committee made the following comments and received answers to questions as follows:

- The revised valuation of the leisure centres would have no impact on the contract between the council and the contractor, SLM. It was solely an adjustment in the accounts.
- Concern about the pension deficit of £4m and assumptions taken into account - Assumptions were set out in the financial statement. An EY consulting actuary reviews the work undertaken by the council's actuary and gives EY comfort that the assumptions made are within the appropriate range. This is then checked by EY's own internal actuary. There is a wide range of estimation uncertainty and this was listed in the notes. A triennial review of the West Sussex Local Government Pension Scheme looked at pension liability, assumptions made and performance in the market against a set of criteria. This council is one of the few in the county which is nearly fully funded; a deficit

of £4m is not a significant amount. A decrease in life expectancy, if it becomes a trend, would then be built into future assumptions. Even a small adjustment would produce large variations; in this case it would be expected to have a beneficial effect on the liability.

RESOLVED

That the Annual Results Report 2016-17 be noted.

148 Statement of Accounts 2016-17

The committee considered the report circulated with the agenda and the 2016-17 Statement of Accounts circulated in the supplementary agenda.

Mr Catlow presented the report. Mr Cooper was also in attendance.

A report considered by this committee in March 2017 had detailed the proposed revised presentation of the council's expenditure of its services within the Comprehensive Income and Expenditure Statement and the new Expenditure and Funding Analysis, as well as the existing accounting policies as a basis to prepare the council's 2016-17 financial statements.

The narrative in the financial statements was new. There were two changes in the council's asset base. The first of these related to changes in asset valuations and continued inflow of grant from central government (New Homes Bonus and Community Infrastructure Levy) which resulted in a short term increase in the cash reserves held by the council until plans to spend that money had fed through. The second related to the balances in the revenue accounts which reflect the summary of the main inflows and outflows in the revenue account and income statement.

A significant change this year was as a result of the contract with Sports & Leisure Management (SLM) to run the council's leisure centre services. The running costs of the centres had previously been shown within both the income and expenditure headings under the Commercial Services portfolio. From now on only the contract payment between the Council and SLM would appear under this heading. This had created a number of variances throughout the accounts.

Page 12 of the Statement of Accounts supplement showed the bottom line figures. It reconciled the net surplus or deficit in the revenue account at £6.4m to the actual bottom line change in the council's general fund, showing the unrestricted revenue reserves available to support council expenditure. The surplus for the year was £295,000.

The committee made the following comments and received answers to questions as follows:

- Concern at the high staff vacancy savings of £479,000 - This reflected an estimate of staff turnover and an increase in current vacancies waiting to be filled.
- The Commercial Board included Mr Dignum and other members of SLT supported by a Corporate Policy Officer.

- Concern regarding the large shortfall in Car Parks income – Car Parking income was difficult to predict and driven by weather conditions. The mid-year forecast had been favourable but did not continue through to the year end. Major refurbishment works in the multi-storey car park would also have closed down available spaces. A more conservative view had been taken this year. Targets and performance were now reviewed on a monthly basis and quarterly monitoring reports taken to the Senior Leadership Team (SLT).
- Concern at reduced insurance premiums for the leisure centres – Every year the insurances were reviewed in the insurance supplier to ensure that our assets were covered appropriately. Public liability insurance was expected to increase. The asset valuation of the leisure centres would not change our insurance cover necessarily. The council was obliged to ensure that the contractor had a fully functioning facility under the contract with SLM.
- The Hussey Collection was valued at £6.6m and appeared under Property Plant and Equipment in the accounts. Mrs Jones undertook to arrange a visit for new councillors to the Pallant House Gallery.

A trial run had been held this year to prepare for the tighter timescales next year. It was 90% successful with the shortfall being recognised and revised procedures in place. The committee can have comfort that appropriate actions would be taken and that there were adequate resources to carry out the finalisation of the accounts next year by the earlier date.

Mrs Belenger gave thanks to her team on delivering the accounts to the new deadlines and also to the external auditors for working with the team on the new process this year. The committee added its congratulations.

RESOLVED

- 1) That the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2017 be approved.
- 2) That the outturn position be noted.
- 3) That the Letter of Representation be authorised and given to the council's External Auditor.

149 2016-17 Annual Governance Statement and Corporate Governance Report

The committee considered the report circulated with the agenda.

Mr James presented the report.

The Annual Governance statement had been prepared following a review of the governance arrangements of the council to ensure that the core principles of corporate governance were being achieved. A review of the council's policies and procedures had taken place to gain assurance that appropriate governance arrangements were in place and were working satisfactorily. Some risks had been identified in the report - business continuity, cyber risks and non-achievement of recycling targets. Overall Mr James was satisfied that corporate governance, along

with supporting controls and procedures, were working effectively and were strong across the council.

The report on the Internal Audit section in Appendix 2 formed part of the Corporate Governance Statement. The service would have to comply with the Public Service Internal Audit Standard (PSIAS) and this council would be subject to a peer review by Hastings Borough Council before submission. Members should be assured that key controls were in place across the council and this was supported by the Internal Audit service which has the responsibility to review and independently report to the Council and to this committee.

The committee made the following comments and received answers to questions as follows:

- Concern re cyber security prevention and recovery processes – A multi-layered approach to security was in place to ensure that the council's IT systems were not accessed. As part of the Public Services Network (PSN) we regularly test and keep updated with security information and there is a robust approach to patching. Our insurers, Zurich, would be giving a presentation to officers shortly on IT security and the recent Wannacry virus which had affected the NHS and other large business.
- Concern that there was no reference to the General Data Protection Regulations (GDPR) in this report – There is currently a corporate working group in place to ensure that we comply with GDPR by the implementation date of May 2018. Mr N Bennett, the council's Monitoring Officer, had been nominated the Data Protection Officer and was leading this group. Every service department needed to complete a questionnaire detailing the data they held, why they held it and for how long and whether consent has been obtained from the data subject. A policy document was in development at present to comply with requirements by May 2018. Retention policies would be reviewed as part of this process. From an audit point of view, the council needed to demonstrate that a policy was in place and that consent had been obtained from data subjects to allow us to hold that data for that specific purpose. The data that members hold needed to be taken into account. Mrs Belenger undertook to raise this with the working group.
- Brexit could impact the 50% recycling target but officers were still working towards this target with WSCC and other partners.
- There were seven staff dismissals this year compared to six last year - the majority in Contract Services.
- Commuted sums of £352k – Mr James undertook to check this figure, which may not include the South Downs National Park, and respond to members.
- Online polls – Mr J Connor, Cabinet Member for Environment Services, who was in the audience, advised that in the past we had carried out online polls regarding satisfaction with the waste and recycling collections. Mr James commented that the last online poll that he was aware of was Wisborough Green Public Conveniences. Several small points and typos were identified for correction before the report was finalised.

RESOLVED

That, subject to incorporation of the suggested amendments, the committee's annual report on the Council's governance arrangements, including the 2016-17 Annual Governance Statement at Appendix 1, be agreed and signed by the Chairman.

RECOMMENDED TO COUNCIL

That the Corporate Governance & Audit Committee's annual report on the Council's governance arrangements, including the 2016-17 Annual Governance Statement, be noted.

150 Strategic Partnerships Review 2017

The committee considered the report circulated with the agenda.

Miss Loaring presented the report. The annual review of strategic partnerships was undertaken in liaison with services to identify all the partnerships they were involved with and removing from the list the smaller partnerships, networks and groups.

The committee made the following comments and received answers to questions as follows:

- Concern regarding continuing funding for the Manhood Peninsula Partnership – Mr Connor, as portfolio holder and a previous member of that group, was invited to speak on the matter. Following the withdrawal of partners' funding for this partnership there was a risk of its sustainability. The Partnerships Guidance advised that an independent review of a partnership was needed to ensure that it was delivering against its outcomes and was sustainable. If partners were withdrawing funding then it needed to be reviewed for its sustainability. Miss Loaring and Mrs Belenger undertook to take this matter up with the Head of Service.
- Statistics on thefts under the Safety Partnership – Miss Loaring undertook to check the context of the figure and respond to the committee.
- The joint priorities of the Safety Partnership should be to 'reduce' Child Sex Exploitation, etc. Street Community referred to rough sleepers.
- Cold alert – This was reaching 250 people which was an effective figure.

Members commended the depth of the report but were concerned that the report was not being given full consideration on the effectiveness of the partnerships. The committee's role was to look at the governance and risks of the partnerships, whereas the Overview and Scrutiny Committee's (OSC) role was to consider their effectiveness. Mrs Jones advised that the OSC annually considers the Chichester in Partnership projects to identify those which should be reviewed. The OSC also had a statutory role to review the Community Safety Partnership annually. Mrs Jones undertook to bring this report to the OSC's attention when setting its next work programme.

As a result of the above discussion members requested that the format of this report be adjusted to allow the committee to consider the governance arrangements and the exposure of the partnership to risks and the mitigation of those risks e.g. the funding the council is putting in and the risk to partners who are also funding the

partnership. Miss Loaring undertook to refocus the information under each partnership in liaison with Mrs Belenger.

RESOLVED

- 1) That the annual report on Strategic Partnerships be noted.
- 2) The committee was satisfied that the council's Strategic Partnerships have appropriate governance measures and risk monitoring procedures in place.

151 Complaints, Freedom of Information Requests and Data Protection Analysis Review 2016/17

The committee considered the report circulated with the agenda.

Mrs Delahunty presented the report.

The committee made the following comments and received answers to questions as follows:

- Freedom of Information (FOI) requests would no longer be chargeable. Frequently answered questions were put on the website for enquirers to self-serve.
- General Data Protection Regulations – This would come into force in May 2018. It was EU law and had been adopted by the Government.
- Data Protection Requests – There would no longer be a fee (was £10) and the response time had been reduced from 40 days to 20 days. The current fee was a good filter which had reduced the number of requests taken forward in the past. These requests for information included any information on a person held by the council including recorded telephone calls, emails, information on systems, etc.). Requests would be monitored through the Customer Services system as well as time spent on processing those requests. If it became too burdensome it would be reported to the Local Government Association (LGA). Online training would be provided to officers and members. Concerns had been shared with the pan West Sussex officers' group. The Housing Department currently received the most data protection requests.
- Is a policy on GDPR being developed? Mrs Belenger advised that individual systems software suppliers were working on solutions to this to allow searchable electronic data which could be redacted if required. The GDPR corporate project group was concentrating on the paper records held. A pragmatic view of what is reasonable in the circumstances needed to be taken.
- Public health funerals – These are commercial companies investigating inheritances.
- Compliments – This is a positive means of collecting information from customers. Written compliments were being recorded on social media but not those customers who compliment officers by phone. It was suggested that in business terms a simple click process was required for customers to say they are happy with the service. Mrs Delahunty undertook to investigate whether there was a survey tool to do this, as there was no text service in the council at present.

The committee was concerned at possible future demand for resourcing data protection requests should the volume be high. Mrs Belenger stated that the corporate project group would report to the January 2018 meeting of this committee on their proposals for implementation of these new regulations from May 2018. Mrs Belenger undertook to add this matter to the Corporate Risk Register.

RESOLVED

- 1) That the report be noted.
- 2) That a report be brought to the committee in November 2018 (six months on from the GDPR implementation date) with details on the volume and resourcing of data protection information requests received.

152 Fraud Report 2016-17

The committee considered the report circulated with the agenda.

Mr Todd presented the report.

The committee made the following comments and received answers to questions as follows:

- The Corporate Counter Fraud Officer was able to interview under caution which subsequently allows the Council to prosecute. He did not have the power of arrest.
- If the case went to prosecution the costs of clearing up fly tipping were included in the fixed penalty notice to fly tippers.
- Concern about chasing debts which may become more costly to the council and not in the interests of the public purse.
- We are constantly trying to get the messages of the Litter Strategy and Action Plan out to the public to deter fly tipping.
- Most of the Fraud Officer's fly tipping investigations involved 'professional' fly tippers e.g. builders, roofers, etc. There had been an increase in fly tipping when the county refuse centres began charging for disposing of waste.
- A new member of staff had been proposed to take on additional counter fraud work. A plan of work will come to the committee once the new member of staff was in place.

RESOLVED

- 1) That the committee notes its stewardship role in fighting fraud and protecting the public purse.
- 2) That the committee notes that the council will actively pursue potential frauds identified through ongoing investigations by the Corporate Counter Fraud Officer.

153 Internal Audit - Audit Plan Progress

The committee considered the report circulated with the agenda.

Mr James presented the report, advising that there were no audit reports for the committee to review at this meeting.

The committee made the following comments and received answers to questions as follows:

- Five audits had been deferred during the last financial year with three brought forward. The Museum audit had been deferred until Q4 as there was a service review underway at present and they were in the process of appointing a new Museum Manager. IT had been deferred due to the introduction of GDPR and the Leisure Centre Contract Management audit had been deferred to allow the new contractor to settle in.
- The annual report on Internal Audit at agenda item 8 stated that the reasons for deferral of audits had been reported to this committee orally, however members were not satisfied that the reasons were sufficiently communicated. The committee therefore requested that this information be provided in the audit plan progress report in adequate detail in future.

The Shared Services review had identified that the average standard number of internal audit days at Horsham, Arun and Chichester would be 400, compared to 560 days previously operated at Chichester. Following the decision not to go ahead with Shared Services the internal audit service had therefore been required to achieve a cost saving target resulting in a reduction to 400 days. Mr James was concerned that in his professional opinion 400 days may not be enough to give sufficient assurance to the committee. Mrs Belenger advised that changes to the internal audit team and the 400 days were approved by the Strategic Leadership Team for 2017-18, but discussions would take place with EY to establish the level of internal audit support required in the accounts finalisation process, and the risk areas that the team would in future be directed to in order to ensure the internal audit work plan adequately reflected available resourcing and high risk areas. (Post meeting note: The audit plan approved by the committee is 420 days, not 400 as referred to during the meeting.)

RESOLVED

- 1) That the Audit Plan progress report be noted.
- 2) That the reasons for deferrals of audits be adequately informed in the audit plan progress report.
- 3) That pressures within the audit process be noted and request further confirmation at the next meeting as to whether those pressures have been alleviated.

The meeting ended at 11.59 am

CHAIRMAN

Date:

Chichester District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Agenda Item 6

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.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 (updated September 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 2017.

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 2017 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. 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 reported to the 28 September 2017 meeting of the Corporate Governance and Audit Committee.
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 Code of Audit Practice.	Our certificate was issued on 28 September 2017.

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 2016/17 Audit Results Report to the 28 September 2017 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 2016/17 audit work has been undertaken in accordance with our Audit Plan and is conducted in accordance with the National Audit Office's 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 2016/17 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 your Whole of Government Accounts return. The Council is below the specified audit threshold. 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 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 28 September 2017 meeting of the Corporate Governance and Audit Committee.

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

Significant Risk	Conclusion
<p>Management override of controls</p> <p>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.</p>	<p>We completed our planned procedures and identified no errors, omissions or inappropriate transactions.</p> <p>Our testing identified no indication of either management bias or the override of controls.</p>

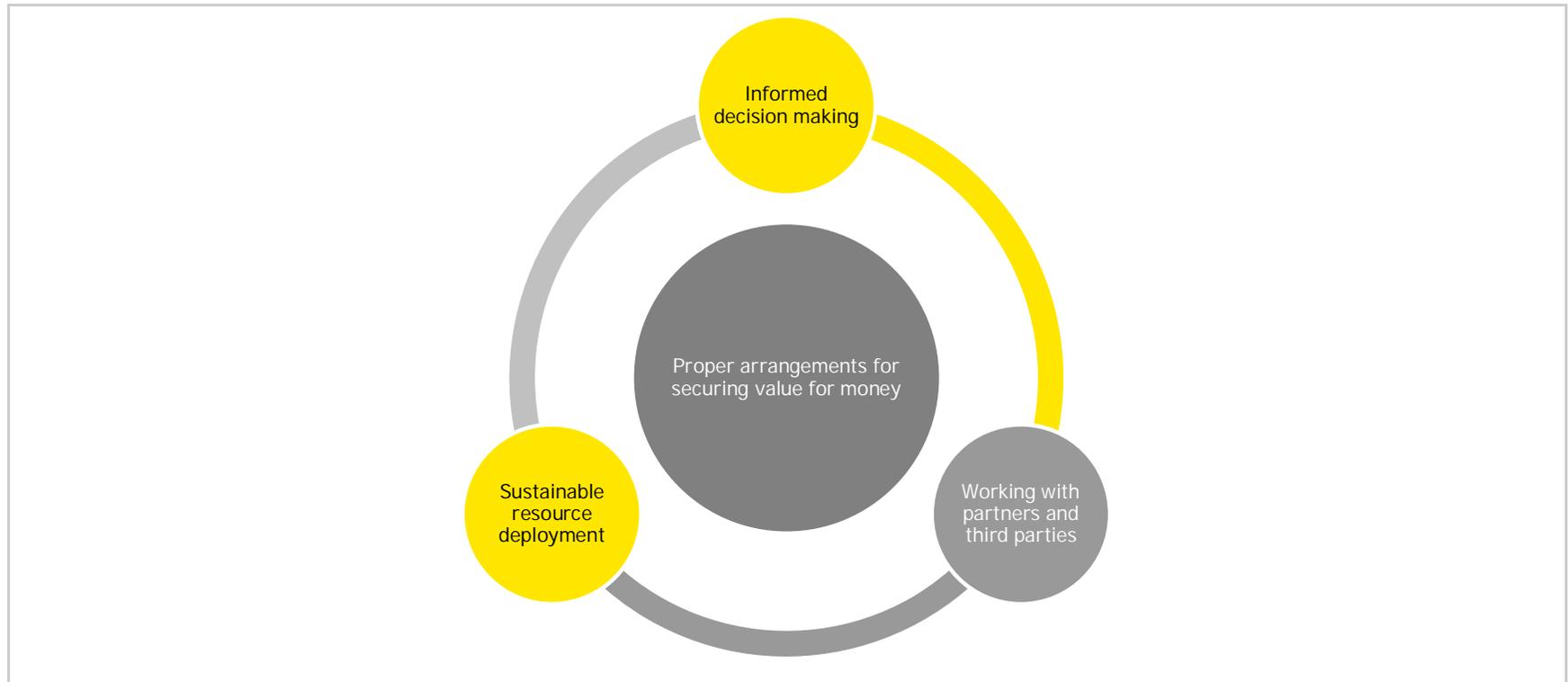
Value for Money

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. 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 did not identify any issues that require statutory reporting under Section 24 of the Local Audit and Accountability Act 2014.

Objections Received

We did not receive any objections to the 2016/17 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 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
<p>Earlier statutory deadline for production and audit of the financial statements from 2017/18</p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • issued a thought piece on early closedown; • as part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and • presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. <p>We will continue to work together collaboratively to ensure none of the observations in Sections 6 or 7 impact our ability to deliver to these timescales.</p> <p>We have held an initial meeting with management in October 2017 to commence planning for the 2017/18 audit.</p>

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 November 2017

Financial Strategy and Plan 2018-19

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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 2018-19 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 due to a number of uncertainties and risks within the financial strategy model.**
- 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. The Council has an approved deficit reduction plan and took up the government's four year funding offer in the 2017-18 budget cycle to help provide some degree of certainty. However, the outcome after the snap general election in 2017 and Parliament working towards the country's exit from the European Union in 2019 are events that are having a broad impact on the economic climate both nationally and locally. In addition with the recent Bank of England Base Rate rise to 0.50% in November and continued inflationary pressures in the economy this could affect consumer spending, which is a significant driver in the UK economy.

4.2. Since much of the Council's income is related to the state of the economy in the form of retained business rates, fees and charges, this raises some challenges when forward planning. The Council, therefore, has to maintain a prudent and robust approach to its medium term financial plan, in order to manage service delivery with increasing costs, whilst also addressing continuing reductions in available government resource.

4.3. **The 2018-19 Settlement**

The 2017 spending review is not expected until 22 November, after this report will have been published, and so officers will therefore provide any relevant update at the meeting. Due to the Council's acceptance of the multi-year settlement offer, the 2018-19 settlement in relation to those specific funding sources included in that arrangement are already known. Any changes in responsibilities or the government's need to take account of future events will be announced in the provisional settlement in late December.

4.4. One event of interest will be in relation to the announcement of the successful pilot scheme bidders for the 100% localisation of business rates for 2018-19. The Council were part of the West Sussex bid submitted to the Department of Communities and Local Government (DCLG) to participate in the pilot scheme, following the authority granted to officers by Cabinet at its October meeting. The outcome of the bidding process will be announced as part of the draft funding allocations in late December.

4.5. The Government have yet to confirm the referenda principles for excessive council tax increases for shire authorities, but have consulted on the option of either a 2% increase 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. If confirmed, this means that this authority will be able to increase council tax in 2018-19 by either 2% (which will generate additional income of approximately £156,000), or take up the option of a implementing a £5 increase (which will generate a further £104,000 of income). The higher increase of £5 has been assumed in the 5 year model for 2018-19, but the final decision will be made by the Council once the settlement has been confirmed. Also since the Government set these referenda thresholds annually, the five year model assumes a 2% per annum increase for 2019-20 and beyond.

4.6. **Beyond 2018-19**

The Government's fiscal policy after the 2017 general election has perhaps become less clear recently. However, it is still anticipated that the past significant funding reductions for local government is a trend that will continue for the foreseeable future, as the Government tries to address particular pressures in other demand led services in both local government and the National Health Service. It should be noted that 2018-19 is the third year of the multi-year settlement arrangement.

- 4.7. Whilst it is still anticipated that the Government will implement full localisation of business rates (Non-Domestic rates or NDR), there are some early indications that this might be later than the widely anticipated date of 2020, when the current funding settlements are due to end. Even with the full localisation of business rates, the scheme 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.
- 4.8. The 100% Business Rate Pilot for 2018-19 is only for one year, and it is unclear from the Government whether the new pilots agreed would continue after the pilot year, even if the full implementation of the localisation of business rates is delayed. However, it should be noted that if the West Sussex pilot bid is successful then the assumed additional income of £23m will be pooled, so there is no impact on the 5 year model.
- 4.9. If the bid is unsuccessful, the Council has indicated that its preference is that the existing pooling arrangement with the other councils; Arun, Adur, Worthing and West Sussex County Council should continue to be operated in 2018-19. 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 2017-18 is forecast to retain £3m. 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.
- 4.10. The Government continues to consult and refine the operation of the New Homes Bonus scheme (NHB). As part of the 2017-18 settlement announcement the Government decided to reduce the number of years for previous housing gains from 6 to 5 years in 2017-18, and then to 4 years from 2018-19, and set a national minimum baseline for housing growth at 0.4% as an incentive for councils to deliver more homes. Below this level no NHB is paid, and the Government also retained the option to making adjustments in 2018-19 and future years if necessary. It would appear that the Government is considering the allocation mechanism and how to ensure that authorities are planning effectively for new homes from 2018-19. At present the Council, in line with one of its key financial principles does not use NHB funding to balance its revenue budget.
- 4.11. The 5 year financial model (Appendix 2) has been updated to reflect the officers' best estimates of what may occur in 2018-19 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. This model will be kept under review so that the Council has time to respond should the situation, and government funding, deteriorate faster than currently predicted.

- 4.12. The four year funding offer that the Government announced alongside the 2016-17 settlement has been built into the 5 year model, and covers the period 2016-17 to 2019-20. Officers have therefore had to make assumptions beyond that period.
- 4.13. The Council has completed a number of investment and asset realisation opportunities in 2017-18 using the specific reserve available and will continue to add to this reserve any expected surplus from budget forecasts, so new opportunities can be pursued by the Estates Service in the future. This helps reduce the Council's dependency on central government funding, benefits the economy and brings community benefits.
- 4.14. As part of the treasury management and investment strategies the council has invested £10m in the Local Authority Property fund and a further £8m in mixed asset bonds during 2017-18. These pooled investments in property and mixed asset bonds offer greater diversity and are backed by assets providing security over the longer term. Whilst they offer 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 compared to traditional Treasury Management cash deposits which currently generate less than 1%. The income received from these investments is reflected in the revenue budget to assist with the deficit reduction plan and are expected to realise over £660,000 per annum.
- 4.15. 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.
- 4.16. **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 £16.4m 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.** Inflationary pressures are growing in the economy, as the current rate is above 3% such that the Bank of England raised the Base Rate by 0.25% in November 2017, the first rise for 10 years. 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 of 1% in the past few years. While the current Government has allowed for certain areas of the public sector to

have slightly higher pay settlements, this is not across all sectors. So 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 2% increase per annum. 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 pay review project is currently underway to address the pay structure at the Council, with £300,000 built into the 5 year model.

- **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 which will largely fall on local councils in future rather than on the national pool. Also in April 2017 a new valuation list came into effect, and so the extent of potential appeals and any provision required is an unquantifiable risk. Whilst the localisation of NDR may present an opportunity to retain more growth all of the other associated risks are likely to remain.
- **The localisation of Council Tax Reduction (CTR).** Currently, expenditure on this continues to fall since the original budget was set in 2016-17. 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 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. The criteria to apply for 2018-19 have yet to be confirmed, paragraph 4.5 sets out the assumptions applied in the 5 year model.
- **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. The Council’s updated discretionary housing payments policy for 2018-19 was approved by Cabinet in October 2017, to enable officers in the Benefits and Housing services to work together to ensure council’s 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 2018-19, but due to this funding source not supporting the revenue budget its impact is more on the future resources available for investment in one off expenditure rather than ongoing costs. The situation may become clearer after the Chancellor’s autumn statement on 22 November.

- **Amended Waste Regulations and increased recycling targets.** New and tougher recycling targets and the need to separate out types of recycle 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 grants are to be fully funded from council tax as the earmarked reserves were exhausted in 2017-18.
 - **Political environment.** The ongoing negotiations about the country's exit from the EU and the impact on the Council remain unclear. It is therefore too early to determine exactly how the withdrawal from the EU will impact on the Council. This will have to be continually reviewed and any impacts reflected in the financial model as and when they are known.
- 4.17. 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 2016 the Council approved a further savings plan which sets out targets to deliver further savings / additional income of £3.8m. As savings are realised these are built in the Council's base budget and the 5 year financial model reflects the targets yet to be achieved as part of its plans. 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 a localised CTR in a way that has protected claimants.
- 4.18. The 5 year financial model (Appendix 2) has been updated to reflect current assumptions including government funding reductions and council tax projections, as well as projected costs and planned efficiencies. This includes provision for new cost pressures and bids for growth linked to the Council's corporate plan objectives; including housing, planning and the environment, amounting to £360k in 2018-19. These bids will be firmed up during the budget process and reported as part of the budget report to Cabinet in February 2018. It was also considered prudent to build in a contingency of £250k against the planned savings.
- 4.19. The model demonstrates a balanced budget over the next 5 years subject to delivery of the deficit reduction plan agreed in September 2016 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 2018 to set the 2018-19 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, and are recommended for continued use.

6.2 Treasury Management

6.2.1 The Council is required to agree its treasury management policy annually, and 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 the property fund and the mixed asset bonds enables the council to invest balances in long term funds which provide a predictable return that is being 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 a vital tool for 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 2018-19 the Council Tax levels will be recommended by Cabinet at their February 2018 meeting for Council to consider at the March 2018 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 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

Crime & Disorder:		None
Climate Change:		None
Human Rights and Equality Impact:		None
Safeguarding:		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
Key Financial Principles		
<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. The “Deficit Reduction Strategy” was approved by full council September 2016. 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 & 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 eight years 2010-11 to 2017-18 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 2018-19 and beyond should be balanced.</p> <p>The Resources Allocation statement has been updated to reflect the current capital</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>programme and is attached as Appendix 3. The Corporate Governance and Audit Committee (CGAC) will be asked to consider the appropriateness of the minimum level of reserves at their meeting in November. Their recommendations will be made available to the Cabinet meeting.</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. Following changes to the Treasury Management policy in 2017 which permitted long term investments to a property fund and other specific vehicles whose returns are less volatile; the Council currently has £10m invested in a Local Authority Property fund and a further £8m in mixed asset bonds generating returns of approximately 4.5% and 3% respectively. Both these investment vehicles provide a more predictable rate of return and so this investment income was identified as part of the deficit</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>reduction strategy to assist with funding the revenue budget without creating volatility and risk.</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 20187. The 5 year financial model takes into account income from historic investment decisions such as Barnfield Drive, Plot 21 Terminus Road 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, 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>Essential services that experience an increase in demand will be recognised and supported. However, where there is an on-going reduction in demand beyond one year they should be reviewed in order to realign resource</p>

	Prioritising the Council's services will enable scarce resources to be directed to areas of need and priority over the medium term.	allocation.
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.	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 & 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.	Service managers need to consider their fees & 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.
7. Continue to review the Council's costs in order to find further savings.	<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 managers should normally be considering the best, most cost effective procurement methods in their service areas.</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>8. Match Council Tax increases to a realistic and affordable base budget.</p>	<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 2017-18 the requirement to hold a referendum for council tax increases over 2% was relaxed again 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 yet to confirm that the same rules will apply for 2018-19 but a £5 increase is assumed in the 5 year financial model for next year only. As the decision regarding the referendum limits is taken annually, and so the model assumes just 2% each year from 2019-20 onwards.</p>	
<p>9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community.</p>	<p>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.</p>	<p>Where appropriate we should commission services with other service providers and pool our budgets to provide more effective and efficient outcomes for the customer.</p>
<p>10. New Homes Bonus (NHB) This should be allocated annually, and only committed once received.</p>	<p>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.</p> <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</p>	<p>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>

	<p>national average council tax, and is paid for the following four years from 2018-19, split 20% to the County Council and 80% to the Housing authority, i.e. CDC. The payment term has reduced from 6 years to 5 years in in 2017-18</p> <p>It was flagged in previous years that there is a risk that NHB will be amended further, as the Government has indicated that it is reviewing the scheme to try to increase the number of houses that are built. The view that NHB should not, therefore, be relied upon long term to resolve our budget position, and should only be committed after it is received, so 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 2017 spending review. The grants and concessions panel review 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 was 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, unless the West Sussex 100% pilot bid for localisation of business rates for 2018-19 was successful and so supersedes the old pooling arrangement</p>	<p>The existing pooling arrangement will continue into 2018-19 unless the council opts out of this arrangement or the 2018-19 100% pilot bid was accepted by the Department of Communities and Local Government (DCLG). Once the draft settlement has been announced this will indicate which NDR arrangement the council will operate. The Council does have an option to withdraw from the existing pool, however, until NDR is fully localised it would remain beneficial to retain the current pooling arrangements.</p>

Resources and Capital Programme Principles		
<p>1. Capital receipts, reserves and interest on investments (other than property investment) will primarily be available for 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>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 property related income and mixed asset bonds, diverted to support the capital programme.</p>	<p>Temporary sources of funding should not be relied upon to fund recurring revenue costs. Budget managers embarking on new projects that involve 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 £8.2m.</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>Routine monitoring of the capital schemes and the overall resources position will continue to ensure the capital programme remains affordable.</p> <p>All earmarked reserves 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>

	<p>Although the Resources Statement indicates £8.2m 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>	
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5 Year Financial Model

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Budget (including NHB)	12,363	11,766	12,489	12,534	12,769	13,279
NHB (assumed to reduce beyond 2016/17)	3,075	2,390	2,360	1,870	1,600	1,600
Budget (excluding NHB)	9,288	9,376	10,129	10,664	11,169	11,679
<i>(expenditure less fees from income)</i>						
Funding:						
Revenue Support Grant	(189)	-	-	-	-	-
Rural Grant	(152)	(117)	(152)	-	-	-
RSG Transition Grant	(93)	-	-	-	-	-
Retained Business Rates (National Non-Domestic Rates or NNDR)	(994)	(2,170)	(2,250)	(2,300)	(2,370)	(2,370)
NNDR tariff adjustment	-	-	620	620	620	620
Total Government Settlement (excluding NHB)	(1,428)	(2,287)	(1,782)	(1,680)	(1,750)	(1,750)
Council Tax	(7,860)	(8,116)	(8,360)	(8,609)	(8,868)	(9,132)
Council Tax Freeze Grant	-	-	-	-	-	-
Council Taxbase Growth (@ 1%)	-	(80)	(80)	(85)	(85)	(90)
Deficit after Gov. Funding & Council Tax	-	(1,107)	(93)	290	466	707
Policy Decisions						
Increased Recycling Targets		-	-	-	800	800
Grants funding (putting grants into base after reserve exhausted)		-	-	175	175	175
CFT & PHG - Remove 2017-18 top up to reserve for 2017-18 funding		(156)	(156)	(156)	(156)	(156)
CFT & PHG - Grant funding 2018-19 & beyond		318	318	318	318	318
Staffing cost pressures		300	300	300	300	300
Treasury Management - Pooled Funds Income		(240)	(240)	(240)	(240)	(240)
Highways Cleansing (A27 & A&B roads in district)		30	30	30	30	30
Cost Pressures & Bids for Growth		360	394	354	354	354
Deficit after policy & cost pressures	-	(495)	553	1,071	2,047	2,288
Planned Savings						
Business Improvement Board (excluding Support Costs)		(120)	(236)	(246)	(256)	(266)
- Support costs (updated with R&B PID savings)		(244)	(378)	(461)	(461)	(461)
Commercial Board (excluding Leisure)		(579)	(884)	(1,077)	(1,127)	(1,177)
- Westgate - (balance of savings in addition to £571k in 17/18)		(342)	(415)	(391)	(348)	(348)
Succession Planning		(109)	(109)	(231)	(231)	(231)
Contingency against Planned Savings		250	250	250	250	250
Withdrawal of Parish CTR grant		(24)	(66)	(100)	(100)	(100)
Total Planned Savings	-	(1,168)	(1,838)	(2,256)	(2,273)	(2,333)
Projected surplus transferred to Investment Opportunities Reserve	-	(1,663)	(1,285)	(1,184)	(225)	(44)

Statement of Resources 2017-18 to 2021-22

Position as at September 2017

Position as at	Sep 2017
	£m
Reserves at April 2017	43.5
Contribution to Asset Replacement Fund	6.2
Repayment of SLM advance	1.1
Less Commitments:	
- Revenue Budget Support	-1.3
- Provision for one-off costs of future service reductions	-1.0
- Cultural Grants	-0.2
- Housing Reserve	-0.8
- Minimum level of reserves	-5.0
- Other Earmarked Funding (incl. 17/18 NHBS £3.1m)	-19.9
Non committed reserves	22.6
New Resources	
o Right to Buy (RTB) receipts	0.4
o Asset Sales	7.8
o Interest on Investments	1.0
o New Homes Bonus Scheme	3.1
Other Reserves (grants, s106, revenue contributions etc)	14.3
Available Resources	49.2
Current Capital & Projects Programme	-33.8
Current Asset Replacement Programme	-7.2
Uncommitted Resource	8.2

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 November 2017

Treasury Management – 2017-18 Mid-year update

1. Contacts

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2. Recommendation

- 2.1. That the committee considers this 2017-18 mid-year review of treasury management activity and performance and provides comments to the Cabinet as necessary.**

3. Background

- 3.1. 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 2017.
- 3.2. The Authority's Treasury Management Strategy for 2017/18 was approved by full Council on 7 March 2017 and is available on the Council's internet site.
- 3.3. 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. It also highlights to Members relevant regulatory changes that will impact on the Council's next Treasury Management Strategy.

4. Outcomes to be achieved

- 4.1. This report demonstrates treasury management activities conducted to date during 2017-18 were in accordance with the Council's Treasury Management Strategy and achieved an appropriate return given the Council's expressed risk appetite.
- 4.2. The Committee are asked to consider this report and raise any concerns or comments for consideration by the Cabinet on 5 December.

5. Treasury Management

- 5.1. The Council continues to manage significant resources as part of its treasury management function as shown in Exhibit 1, below.

Exhibit 1: Movement in treasury funds

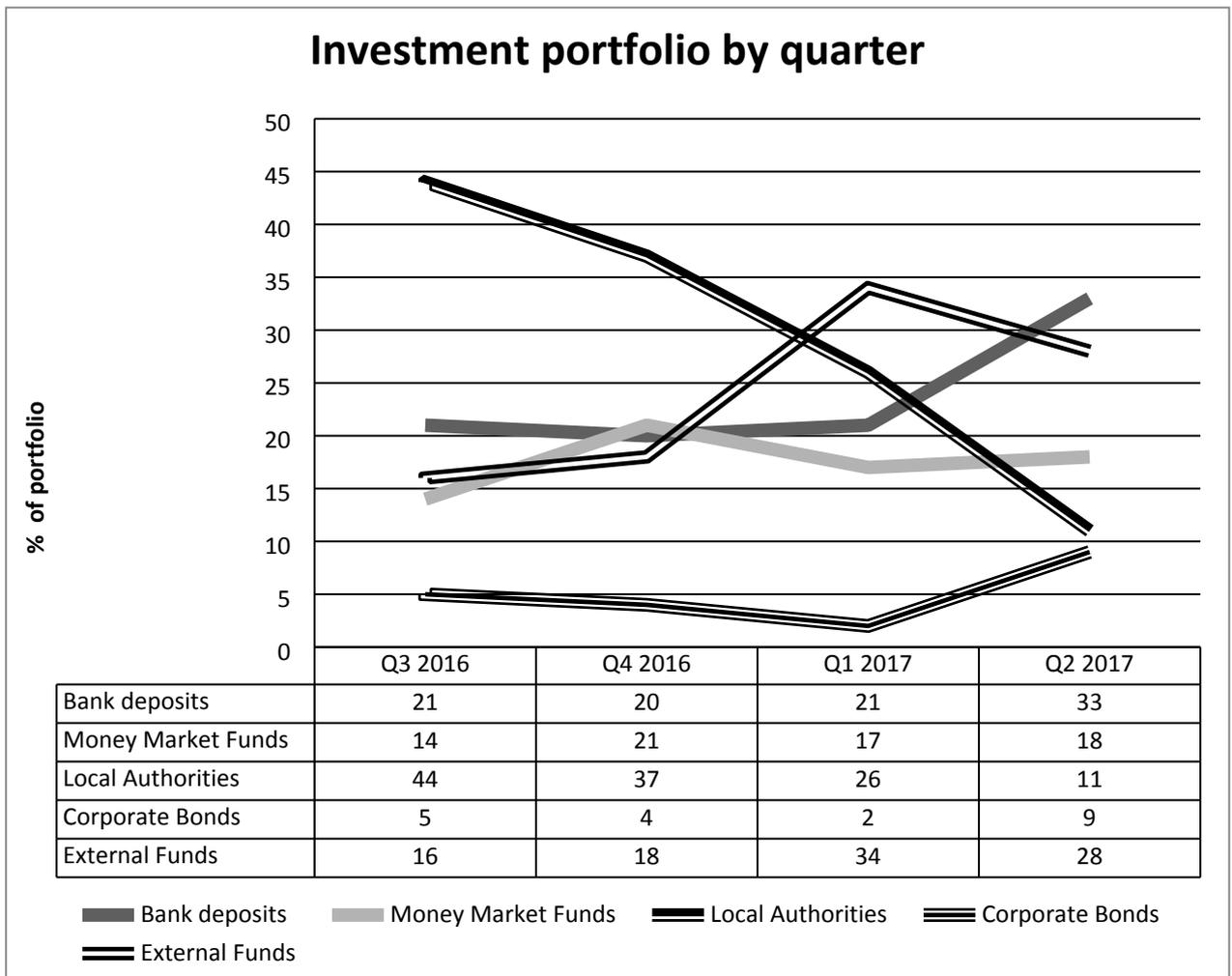
Investments £000	Balance 01/04/2017	Movement	Balance 30/06/2017	Movement	Balance 30/09/17
Short term Investments	24,305	(5,805)	18,500	3,500	22,000
Money Market Funds	11,000	(2,550)	8,450	2,800	11,250
Corporate Bonds	2,020	(1,020)	1,000	4,460	5,460
Total liquid investments	37,325	(9,375)	27,950	10,760	38,710
Long term Investments	5,000	-	5,000	-	5,000
Local Authority Property fund	10,000	-	10,000	-	10,000
Pooled funds:					
- Columbia		2,650	2,650	-	2,650
- M&G Securities		1,650	1,650	-	1,650
- Investec		3,650	3,650	-	3,650
TOTAL INVESTMENTS	52,325	7,950	50,900	10,760	61,660

Short term investments include any investments that had an original period over greater than 1 year, but which will mature during 2017-18.

5.2. The movement in investments is as a result of:

- Investments in short-term corporate bonds where returns exceeded available money market rates and where they meet our counterparty lending criteria
- New long-term investments in three external pooled funds made during the first half-year.

5.3. The graph below shows the movement in various asset classes over the past year. The main drivers of change being the investments in the Local Authority property Fund and other external funds starting February 2016, and a corresponding reduction in funds deposited with other Local Authorities over that same period.



6. Borrowing

- 6.1. The Authority does not expect to undertake any borrowing in 2017/18.
- 6.2. The Council is not currently approved for the reduced 'certainty' rate available from the Public Works Loan Board as it requires a three year forecast of expected borrowing.
- 6.3. Officers, will as part of the budget process, consider the Council's capital programme and the options to finance this expenditure. If the Council decides to borrow, and successfully applies for the PWLB certainty rate. This will be available for PWLB borrowing from November 2018.

7. Investment Activity Benchmarking

- 6.4. 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	Qtr3 16-17	Qtr4 16-17	Qtr 1 17-18	Qtr 2 17-18	Non-met District average	Rating
Average Credit Score (time-weighted)	4.01	4.07	4.18	4.27	4.28	AMBER
Average Credit Rating (time weighted)	AA-	AA-	AA-	AA-	AA-	GREEN
Proportion Exposed to Bail-in (%)	40	48	54	60	65	GREEN

- 6.5. The increase in average time weighted credit score over the period (4.18 to 4.28) since 31 June 2017 is driven by three investments in Corporate Bonds during Q2. Risk associated with these investments is managed by restricting the maximum amount and duration that investments can be made for.
- 6.6. Whilst this is as a result of active management of the portfolio within the Treasury Strategy, the indicator has been re-categorised as 'Amber' (from Green) to reflect the importance of security in our approach to Treasury Management.

Liquidity

Measure	Qtr3 16-17	Qtr4 16-17	Qtr 1 17-18	Qtr 2 17-18	Non-met districts (average)	Rating
Proportion available within 7 days (%)	21	24	17	18	38	GREEN
Proportion available within 100 days (%)	52	47	48	38	61	GREEN
Average days to maturity	176	174	177	161	108	GREEN

- 6.7. The relatively low proportion of funds available within 7 days reflects 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.
- 6.8. The relatively high average days to maturity figure reflects a number of longer term investments which generate additional returns for the Council's general fund. The Council's ability to commit funds to such long-term investments reflects both the size of funds available for treasury management and also the integration of this with medium and long term financial forecasting undertaken by the Council.

- 6.9. As this position results from an active decision by the Council, the overall risk has been re-categorised as Green (from Amber).

Return

Measure	Qtr3 16-17	Qtr4 16-17	Qtr 1 17-18	Qtr2 17-18	Non-met districts (average)	Rating
Internal investment return %	0.73	0.68	0.65	0.52	0.51	GREEN
External funds – income return %	4.31	4.50	4.35	4.38	3.56	GREEN
External funds – capital gains/losses %	(8.00)	(3.77)	(0.81)	2.19	0.99	GREEN
Total treasury Investments – income return %	1.29	1.37	1.93	1.62	1.12	GREEN
Property – income return % (1)	9.09	9.09	9.09	9.09		

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

- 6.10. The overall internal investment return on internal treasury investments continues to exceed the benchmark measure. This quarter showed the first overall capital growth in the Council's pooled and property funds and as a result the indicator has been re-categorised as Green (from Red)
- 6.11. The overall internal investment return on treasury investments has exceeded the target return for the year (0.55%), until the effects of last summer's base rate cut worked its way through into returns from September onwards.
- 6.12. The return for the previous four quarters on our investment in the Local Authority Property Fund is shown below

	Dividend £	Dividend % (p.a.)
October – December 2017	105,239	4.2
January 2017 – March 2017	105,216	4.2
April - June 2017	109,243	4.4
July - September 2017	123,123	4.8
Total for 12 months to September	442,821	4.5

- 6.13. The return on our investments with external pooled funds is as follows

	Balance £	Return % (p.a.)
Investec	3,650,000	4.55
Columbia Threadneedle	2,650,000	3.55
M&G	1,650,000	No data yet*

*M&G dividends are paid half-yearly

8. Treasury management activity

6.14. The following exceptions have been recorded between April and September. Each was reported as soon as identified to the Council's S.151 officer.

July 2017

- £2m was invested with National Counties Building Society. This amount exceeded the limit for unsecured building society deposits (£1m). The Council's Treasury system alerted officers to this exception but unfortunately the deal had already been confirmed with the broker and the Council was committed to honour it. The deposit was repaid in full on 13 October 2017.
- The Council's bank account was overdrawn by £54,000 overnight as a redemption requested from Standard Life did not arrive until the following day.

September 2017

- The limit on unsecured investments (£20m) was exceeded by £1m for 7 days. It is not possible to monitor this via the Council's Treasury management system and a reminder has been given to officers to conduct a manual check on this limit going forward.

7. Other Treasury Management Indicators

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

7.2. **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 during the year were:

	2017-18	2018-19	2019-20
Upper limit on fixed interest rate exposure	£28m/40%	£24m/40%	£22m/40%
Actual (30 September 2017)	£5m/8%		
Upper limit on variable interest rate exposure	£70m/100%	£60m/100%	£55m/100%
Actual	£38.7m/63%*		

**The residual amount is invested in asset classes where returns are based on dividend distributions rather than interest rates*

7.3. 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.

7.4. **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 actual principal sum

expected to be invested to final maturities beyond 31 March 2018 is shown below.

	2017-18	2018-19	2019-20
Limit on principal invested beyond year end	£35m	£30m	£25m
Actual (30 September 2017)	£23.9m	£20.9m	£23m

8. Investment Briefings

- 8.1. A workshop 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 scheduled for 8 December.

9. Regulatory update

The second Markets in Financial Instruments Directive (MiFID II)

- 9.1. Local authorities are currently treated by regulated financial services firms as professional clients who can “opt down” to be treated as retail clients instead. But from 3rd January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can “opt up” to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments.
- 9.2. To opt up to professional status, the authority must have an investment balance of at least £10 million, and the person authorised to make investment decisions on behalf of the authority must have at least one year’s relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.
- 9.3. The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. The Council has declined to opt down to retail client status in the past as the costs were thought to outweigh the benefits.
- 9.4. The authority meets the conditions to opt up to professional status and intends to do so in order to maintain their current MiFID status.

CIPFA Prudential and Treasury Management Codes

- 9.5. The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full Council which will cover the basics of the capital programme and treasury management.
- 9.6. Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties, to come into the definition of “investments” as well as loans made or shares brought for service purposes.
- 9.7. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council.
- 9.8. There are also plans to drop or alter some of the current treasury management indicators.

European Money Market Reform

- 9.9. The EU has been concerned about aspects of the present money market for some time and has recently issued regulations that will be implemented over the next 18 months until January 2019.
- 9.10. In short, the regulations mean that the majority of available Money Market Funds (MMF) will elect to become Low Volatility NAV during 2018. In ‘normal’ market circumstances, LVNAV should operate in the same way as our present funds, but under very stressed market conditions, it is possible that the value of funds invested in MMF will change.
- 9.11. At present the Council uses MMF for liquidity management. There are limited (and narrowing) options for other liquidity deposits other than the DMO or overnight deposits with banks and LVNAV funds will still offer benefits of diversification, security and liquidity.

10. Resource and legal implications

- 10.1. 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.

11. Other Implications

Crime & Disorder	None
Climate Change	None
Human Rights and Equality Impact	None
Safeguarding and Early Help	None

12. Appendices

Appendix 1 – Economic and credit commentary prepared by Arlingclose

Appendix 2 - Benchmarking definitions

Appendix 1: Economic and credit commentary prepared by Arlingclose

Provided by Arlingclose

Economic background: The major external influence on the Authority's treasury management going forward will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast: Following the Bank of England's decision on 2 November 2017 to increase Bank Rate by 0.25 percentage points to 0.5%, Arlingclose's updated central forecast is for the base rate to remain at this level until December 2020, with equal upside and downside risk.

Appendix 2 – 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.

Agenda Item 10

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 November 2017

Strategic Risk Update

1. Contacts

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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 high scoring programme board and organisational risks, and the mitigation actions in place, and raises any issues or concerns.**

3. Background

- 3.1. In accordance with the governance arrangements as set out in the Council's 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 outcome of their review is then reported to this Committee, which last received an update on the risk registers on 30 March 2017.
- 3.2. It should be noted that the Corporate Management Team (CMT) review the Council's risk registers on a quarterly basis; reviews were undertaken in July and October 2017.

4. Outcomes to be achieved

- 4.1. The Strategic, Programme Board Risk and Organisational 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 was considered by the relevant risk owner prior to the reviews by CMT and SRG.
- 5.2. SRG considered the updated risk register, with its discussion 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:

LIKELIHOOD				
	8			
		1, 145	9, 97	
			88	68
IMPACT				

Key to Risk Numbers:

1 = Financial Resilience, 8 = Skills, Capability/Capacity, 9 = Business Continuity, 68 = Health & Safety, 88 = Recycling Target, 97 = Cyber Risk, 145 = Breach of Data Protection Act

- 5.4. Since the last report to the Committee in March 2017, the only strategic risk whose risk score has changed is **CRR 88 Recycling Target of 50% by 2020**, which has reduced from a score of 4 to a risk score of 3. This change took place in the first quarterly review in June. All other current risks the scores have remained unchanged since the risk register was last reported to members.
- 5.5. Appendix 1 (a) and (b) reflect the following recommendations made by SRG:
- a. **CRR 8 Skills/Capability/Capacity:** That a section of the risk description be deleted as follows '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, reputation damage and potential litigation'.
 - b. **CRR 68 Health & Safety:** That a new internal control describing the fire safety assessment work carried by officers for Council's buildings and property be added to this risk.
 - c. **CRR 97 Cyber Risk Attack:** Remove the first sentence 'Not in ICT control and management' from the internal control 'Physical access door controllers and CCTV' and reword this internal control to state that physical access is controlled.
 - d. **CRR 145 Data Protection Act Breach:** That the title is changed to include reference to the General Data Protection Regulations (GDPR) and that a new internal control for Payment Card Industry Data Security Standard (PCI DSS) compliance is added.
- 5.6. CMT removed risk **CRR 98 Devolution of Public Services** from the risk register as this option is not currently being pursued.

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 Programme Boards is currently high scoring; PBR 08 Business Improvement Board - Insufficient resources to deliver projects. Appendix 2 sets out the associated mitigation plans for this high scoring risk. All other risks on the Programme Board registers have risk scores lower than 6.

7. Update on the Organisational Risk Register

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

8. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change:		X
Human Rights and Equality Impact:		X
Safeguarding:		X

9. Appendices

- 9.1. Appendix 1(a) – Strategic Risk Register
- 9.2. Appendix 1(b) – Strategic Risk Register (Exempt Information – paragraph 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: 13 October 2017



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

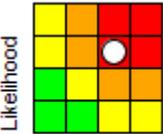
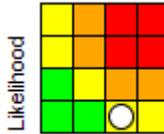
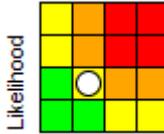
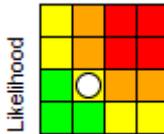
Controlled

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	John Ward	9	4	4	3	31-Mar-2018	Good
	CRR 08	Skills / Capability / Capacity	Paul Over	3	3	3	2	31-Mar-2018	Good
	CRR 09	Business Continuity	John Ward	9	6	6	3	31-Mar-2018	Good
	CRR 68	Health and Safety	John Ward	9	4	4	4	31-Mar-2018	Good
	CRR 97	Cyber Risk Attack Across ICT Estate	Paul Over	6	6	6	6	31-Mar-2018	Good
	CRR 145	Data Protection Act Breach - Loss of Data	Paul Over	4	4	4	4	31-Mar-2018	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	Steve Carvell	6	3	3	3	01-Jan-2020	Improving

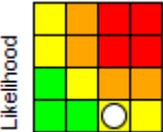
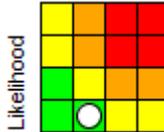
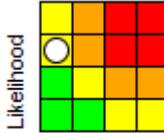
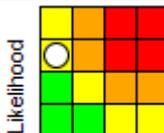
Management Controlled

CRR 01	Financial Resilience	Management	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.
<p>Risk Description:</p> <ul style="list-style-type: none"> - 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 (e.g. Brexit and localisation of business rates.) <p>SLT Risk Owner: Diane Shepherd Responsible Officer: John Ward.</p>			
Original and Target Risk Assessment			
Page 64	Original Risk Date	31-Jul-2012	
	Original Risk Score	9	
	Target Risk Date	31-Mar-2018	
	Target Risk Score	3	
Current and Previous Quarter Risk Assessment			
Current Assessment Previous Quarter Assessment	29-Sep-2017		4
	15-Jun-2017		4
Internal Controls			Current Status
Five Year Financial Model	1. Monitor and update the 5 year financial model as required and review with CMT.		Good

Appendix 1 (a)

and Deficit Reduction Plan	<ol style="list-style-type: none"> 2. Assess against progress on Deficit Reduction Plan and savings targets. 3. Monitor income volatility in relation to use of NHB (Policy approved) and localisation of both Council Tax Reduction scheme & NNDR. 	
Income Streams	<ol style="list-style-type: none"> 1. Monitor income performance and review with CMT so remedial action can be taken. 2. Heads of Services and budget managers monitor income monthly from budget monitoring reports. 3. Service managers to assess fee setting for services in accordance with Fees & Charging Policy, and react when if income reductions occur. 4. Putting money in place to achieve better returns. 5. The application of the investment opportunities policy and the use of the investment opportunities reserve to generate new income streams to support the revenue budget. 	Good
Reconciliation of Income	<ol style="list-style-type: none"> 1. Monthly reconciliations by services. 2. Non-compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan. 3. Support given by Accountancy Services when setting up new income streams and reconciliation processes. 	Improving
Control of Expenditure	<ol style="list-style-type: none"> 1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations. 2. Quarterly monitoring of major variances by CMT. 	Good
Page 65 Financial Strategy Principles	<ol style="list-style-type: none"> 1. All key decisions of the Council should relate back to the Corporate Plan. 2. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period. 3. Over the next 5 years maintain a position of non-dependency on reserves. 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. 5. Review costs in response to changes in service demand. 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. 7. Continue to review the Council's costs in order to find further savings. 8. Match Council Tax increases to a realistic and affordable base budget. 9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community. 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. 11. Localisation of Business Rates. The decision to pool our business rates should be reviewed annually after receipt of government draft settlement to that the Council is in the best financial position. The Section 151 Officer continues to review the risks and opportunities that will emanate from the 100% localisation of business rates. 	Good
Revenue and Capital Programme Principle	<ol style="list-style-type: none"> 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. 2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the 	Good

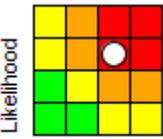
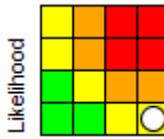
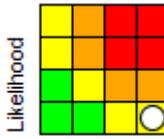
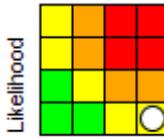
	<p>Council can remain flexible and is able to respond to a changing local government environment.</p> <p>3. Borrowing could be used for capital schemes or "invest to save" projects providing the cost of servicing the debt is contained within the revenue savings/income the project generates. The payback period for invest to save projects should be shorter than the life of the asset.</p>	
Treasury Management	1. Generate better returns with the Treasury Management Strategy and the Investment Protocol and the Council's view of risk and increased diversity.	Good
Latest Position Statement		
23 Oct 2017	<p>Deficit reduction plan approved, and accepted by DCLG as evidence to secure 4 year funding agreement. Financial targets to be monitored through the programme boards, as the council continues to set balanced budgets, non-reliance on NHB and other temporary funding, and has a forward funded 25 year asset replacement fund.</p> <p>The audited 2016-17 outturn showed an underspend of £295k.</p> <p>The Council's 5 year Financial Model has been updated for the joint Cabinet & CMT strategy day on 30 October in preparation for the 2018-19 budget cycle. The 5 year model is showing a surplus and Council will consider new growth items as part of the 18-19 budget. A bid has been submitted to DCLG to be a Pilot area for 100% localisation of business rates. If successful the county area should retain an additional £23m of business rate growth. This will be allocated for economy related projects across the county area.</p>	

CRR 08	Skills / Capability / Capacity	Management	Controlled	
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.	
<p>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 which could lead to service failure, reputational damage and potential litigation. SLT Risk Owner: Paul Over. Responsible Officer: Jane Dodsworth / Tim Radcliffe.</p>				
Original and Target Risk Assessment				
Original Risk Date	31-Jul-2012		Target Risk Date	
Original Risk Score	3		31-Mar-2018	
			Target Risk Score	
			2	
				
Current and Previous Quarter Risk Assessment				
Page 67	Current Assessment	14-Sep-2017		3
		Previous Quarter Assessment	05-Jun-2017	
Internal Controls			Current Status	
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.		Good	

Appendix 1 (a)

	<ul style="list-style-type: none"> 3. Strategic training needs identified using Belbin or equivalent. 4. Possible use of 360 degree appraisals. 	
Training Plan and Budget	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 1. Staff survey to be undertaken regularly. 	Improving
Strategic Leadership Team & Heads of Service	<ul style="list-style-type: none"> 1. Specific training programme delivered to SLT & HoS to address core competencies. 2. Succession plan currently being put into place. 	Good
Measuring Staff Turnover by Significant Groups	<ul style="list-style-type: none"> 1. SLT to review turnover statistics and the reasons. 	Good
Latest Position Statement		
22 Sep 2017	<p>Apprenticeship Levy came into effect 1.4.17.</p> <p>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 in July.</p> <p>Generally staff turnover is low at the council, but certain services, such as planning are experiencing some difficulties in recruiting to any vacant posts and this situation is being kept under review.</p>	

	<ul style="list-style-type: none"> 7. Audit of Plans in high risk service areas. 8. Effective backup of data. 	
BC Management Strategy	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 2017	<p>Whilst the internal controls are good for business continuity, the risk score is always likely to continue to remain the same because the impact is serious and the likelihood is possible rather than unlikely. The main reason for this is the continuing cyber-attack threats that organisation continue to get. We have good mitigation against cyber-attacks; however there remains a risk. Physical controls against loss of IT or building are good and would be 'unlikely' and less of a risk.</p> <p>Business continuity plans are in place – they're currently being audited by the Corp. H&S team.</p> <p>There is mitigation in place for the loss of IT.</p>	

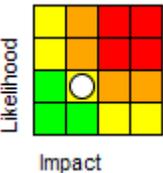
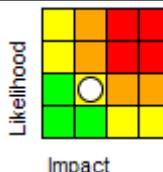
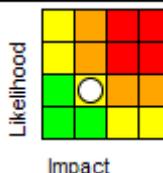
CRR 68	Health and Safety	Management	Controlled		
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.		
<p>Risk Description: Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation</p> <p>SLT Risk Owner: Diane Shepherd.</p> <p>Responsible Officer: John Ward.</p>					
Original and Target Risk Assessment					
Original Risk Date	03-Sep-2013		Target Risk Date	31-Mar-2018	
Original Risk Score	9		Target Risk Score	4	
Current and Previous Quarter Risk Assessment					
Page 71	Current Assessment	13-Sep-2017			4
		Previous Quarter Assessment	15-Jun-2017		
Internal Controls					Current Status
H&S policies & procedures	<p>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:</p> <ol style="list-style-type: none"> 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 				Good

Appendix 1 (a)

	<p>etc..</p> <ol style="list-style-type: none"> 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. 	
Training Programme & Competencies	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Written policy available. 2. Regular testing and monitoring to demonstrate compliance. 	Good
Quarterly service meetings for high risk service areas	<ol style="list-style-type: none"> 1. CCS - Quarterly insurance & H&S meetings with Director & Head of Contract Services with insurance, H&S 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. 	Good
IT testing	<ol style="list-style-type: none"> 1. Annual testing of all electrical equipment carried out by qualified contractor. 	Good
Safety Committee	<ol style="list-style-type: none"> 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 JECP. 	Good
Caution Alert Register (CAR)	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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

Appendix 1 (a)

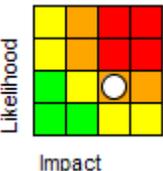
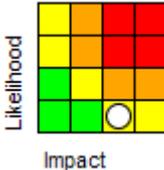
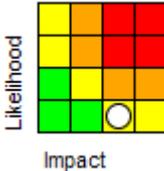
Contract Management	<ol style="list-style-type: none"> 1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification. 2. The contractor manager must ensure that their contractor adheres to H&S legislation 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. 	Good
Fire Safety	<ol style="list-style-type: none"> 1. Fire Safety assessments carried out on a regular basis for all council buildings and properties to identify any necessary remedial action. 2. Quarterly review meetings held with relevant officers and senior managers. 3. Liaising with residential tenants who live in the mixed commercial/residential premises owned by the Council in relation to fire safety. 4. Multi agency plans in place as part of Sussex wide emergency management response. 	Good
Latest Position Statement		
<p>12 Oct 2017</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 73</p>	<p>The consequences of a serious accident or incident at work have the potential to be 'major', i.e. death of a member of staff, contractor or member of the public. Therefore the severity in the risk score is always going to be high. However, due to the operation of an effective H&S management system there are good controls in place to reduce the likelihood of such an incident. Despite having good systems and procedures in place, CCS remains the highest risk operation within the Council due to the nature of the work. H&S compliance of CDC's biggest contractor, SLM, is due to be checked through a programme of audits to be carried out by the Corp. H&S team.</p> <p>Policies, procedures and guidance are all in place and are continually reviewed and refreshed by the Corp. H&S team to ensure they legally comply and remain fit for purpose.</p>	

CRR 145	Data Protection Act Breach/General Data Protection Regulations (GDPR) – Loss of Data		Management	Controlled
			Corporate Links	
Failure to keep all personal data secure leading to a breach of the Data Protection Act and GDPR (effective on 25 May 2018), resulting in fines and reputational risk.				
SLT Risk Owner: Paul Over				
Responsible Officers: Jane Dodsworth/Nick Bennett				
Original and Target Risk Assessment				
Original Risk Date	16-Mar-2017		Target Risk Date	31-Mar-2018
Original Risk Score	4		Target Risk Score	4
Current and Previous Quarter Risk Assessment				
Page 74 Current Assessment Previous Quarter Assessment	14-Sep-2017			4
	05-Jun-2017			4
Internal Controls				Current Status
Data protection Officer	Head of Business Improvement Services is designated Data Protection Officer providing advice to officers, advising on safe sharing of data between agencies, overseeing data subject access requests and liaison with Information Commissioners Office in the event of customer complaint or security breach.			Good
Protocols and Policy in place	Data Protection Policy is in place to provide advice and guidance for staff and customers. Internal protocols and processes are in place to manage/limit risk of data loss.			Good
Staff Training	Data Protection training is provided to all new staff and Members. Staff online training is available to allow staff to refresh their knowledge.			Improving

Appendix 1 (a)

Data backed up	All electronic data is backed up daily and securely stored off-site.	Good
Secure devices	All staff laptops are encrypted to secure data. All mobile phones are provided with secure application to protect data. Dual authentication in place for remote access to data.	Good
PSN Compliance	The authority is certified in accordance with the requirements of the Public Services Network requirements for provision of a secure network.	Good
Safe transfer of personal data	Personal and sensitive data shared with other government agencies is transferred via GCSX secure email accounts.	Good
Safe destruction of confidential documents	All hard copies of confidential papers are shredded prior to disposal.	Good
PCI DSS	To comply with the Payment Card Industry Data Security Standard (PCI DSS), and achieve the standard. Ensure that all payment card providers used by council services to collect payments have achieved this industry standard.	Improving
GDPR	Cross services working project group working towards ensuring compliance to the new regulations for May 2018.	Improving
Latest Position Statement		
Sep 2017	General Data Protection Regulations (GDPR) come into effect on 25 May 2018 replacing the Data Protection Act. Corporate project team in place to manage transition to new regulations.	

Management Control Pending

CRR 88	Non Achievement of Recycling Target of 50% by 2020	Management		Control Pending	
		Corporate Links			
The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage.					
SLT Risk Owner: Steve Carvell Responsible Officer: Rod Darton					
Original and Target Risk Assessment					
Original Risk Date	28-Nov-2014			Target Risk Date	01-Jan-2020
Original Risk Score	6			Target Risk Score	3
Current and Previous Quarter Risk Assessment					
Current Assessment Previous Quarter Assessment	25-Sep-2017			3	
	31-May-2017			3	
Internal Controls				Current Status	
Initiatives to increase amount of recycling		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. 2. A Waste & Recycling Panel has been established to drive forward initiatives and improvements.			Improving

Latest Position Statement

25 Sep 2017

Recycling rate has increased slightly but significant further improvement would be needed to hit the 50%.

The target is embedded within national legislation, but it is uncertain whether a financial penalty would be applied.

Document is Restricted

Programme Board Risks Report

High Scoring Programme Board Risks - Mitigation Actions

Business Improvement Board									
Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	PBR 08	Business Improvement PB - Failure to have sufficient resources to deliver projects	Jane Dodsworth	4	6	6	4	31-Mar-2018	Improving
Projects currently on target. ICT fully staffed. Review to commence to review skill sets following ICT service review									

Corporate Risk Register - Organisational Risks

High Scoring Organisational Risks - Mitigation Actions

Housing & Environment Services

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	Louise Rudziak	4	6	6	4	31-Mar-2018	Improving

Report to Cabinet in October 2017 regarding Discretionary Housing Payments Policy has confirmed the budget of £142k and also planned for any future need through the budget process. Housing continues to work with Registered Providers to mitigate the effects and plan for the roll out of Universal Credit. An additional Housing Interventions Officer and a Housing Welfare Officer have been recruited paid for by the Flexible Homelessness Support grant.

Planning Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 18	Planning - Case workload too high	Andrew Frost	6	8	8	4	31-Mar-2018	Improving

DM case loads are currently high and temporary assistance is being provided by agency staff and some staffing adjustment between teams. Following a recent review additional staff have been agreed and it is intended that recruitment will take place as soon as possible.

The Southern Gateway Master in addition to the timetable for the Local Plan Review is currently resulting in very high workloads for the Policy team.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 116	Planning - Neighbourhood Plans (NP) work reaches unmanageable levels	Andrew Frost	8	6	6	2	31-Mar-2018	Improving

NP workloads combined with officer post currently vacant. It is hoped that this post would be filled over the coming months. Work on neighbourhood plan was still being supported but this had a knock on effect on the local plan review. Consultancy would be considered if the NP post could not be filled and temporary staff resource has been secured to help with the local plan workload. Risk score 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 120	Planning - Failure to achieve income targets in approved budget	Andrew Frost	4	4	6	4	31-Mar-2018	Improving

Development Management application fee income looks likely to be significantly below budget. This is being monitored via quarterly monitoring.

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 November 2017

S106 Exceptions Report Annual Report

1. Contacts

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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. Section 6 of this report identifies the 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 only makes reference to financial contributions. 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. To provide clarity in the way money obtained from S106 agreements is monitored and spent.
- 4.2. To ensure 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.

5. The updated position on those contributions received that will reach their target expenditure by end of October 2019

- 5.1. This report outlines those contributions that need additional monitoring. The first section of Appendix 1 identifies 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 CCN/05/00430/FUL Shippams Factory where £130 is left over from the art installation in the Roman Quarter and which will need to be returned to the developer. Officers have written to them and await their instructions for disposal.

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 2019.

6. Outstanding receipts

6.1. At the time of writing all contributions reaching their triggers have been paid, and there are no outstanding receipts.

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. Chichester District Council staff 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 onto 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 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
Crime & Disorder:		✓
Climate Change:		✓
Human Rights and Equality Impact:		✓
Safeguarding		✓
Other (Please specify):		✓

11. Appendices

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

12. Background Papers

- 12.1. None.

Appendix 4 - 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 31/10/2017

Affordable Housing

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCE/06/03992/FUL	79, 81 and 91 Spitalfield Lane	Spitalfield Lane	23-Jan-07	£324,000.00	£0.00	£324,000.00	£324,000.00	£0.00	25-Nov-18

Proposed Development: Spitalfield Lane. The re-development of the Site with 42 sheltered apartments for the elderly (category 2) lodge manager's accommodation, car parking, access and landscaping.

Spending officer: Linda Grange. May 2016: On 3rd May Cabinet approved the allocation of £105,000 towards the delivery of 6 affordable rented homes at Flatt Road Nutbourne, £39,000 towards the delivery of 4 affordable rented homes at Exton Road, Chichester and £180,000 towards the delivery of 9 rented affordable homes at Woodfield Park, Southbourne. All projects already have planning permission Hyde are working towards a delivery of all dwellings by the end of March 2018. Aug 2016: These homes are now under contract with completions phased from spring 2017 to spring 2018. Feb 17: Flatt road expected completion and spend March 17, Exton Nov 17 and Woodfield March 18. May 17:

Due to on-site issues Flatt road completion and spend now expected in July 17, Exton Rd in Jan 18 and Woodfield Park in March 18. Aug 17: Flatt Rd completion expected Sept 17, Exton Rd and Woodfield Park in March 18 with spending shortly after. October 17: Flatt Rd completed Aug 17, grant will be paid once Hyde submit necessary documentation, including nominations agreement (we are awaiting their completion). Exton Rd and Woodfield Park completions expected in March 18, with spending shortly after.

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	£759.17	£759.17	£375,240.83	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 site05/00430*

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. Feb 17: All remaining funds will be spent by end of March 17. May 17: The Rural Enabler's post is now funded from the base budget. The remaining £2,032 will be spent on Housing Enabling shortly. Aug 17: Remaining funds being spent on promotion of enabling initiatives. OCT 17 Further funds spent on promotion leaving a balance of £759.17 which will be spent ahead of expiry.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/12/00106/FUL	The Regnum Club	45A South Street	01-Nov-12	£43,420.18	£2,171.01	£41,249.17	£6,840.00	£0.00	28-Feb-19 *

Proposed Development: Change of use and redevelopment of the existing buildings, providing 9 no. residential flats.

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, project yet 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 £6,840 towards the delivery of 6 affordable rented homes at Sherlock Avenue, Chichester by Hyde. These dwellings already have planning permission and are expected to be completed by the end of December 2017. Aug 2016: These homes are now under contract with completions expected in Summer 2017. Feb 17: Completion and spend expected April 17. May 17: Completion and spend expected Sept. 17 due to adjustment in overall building programme for Hyde's garage sites. Aug 17: Small change to programme due to Highways delay on highway crossover; completion of units and spend is now expected December 17. October 17: Position unchanged spend expected by Dec 17.

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. 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. Feb 17: Completion and spend expected July 17. May 17: due to adjustments in Hyde's garage programme completion of units at Tozer Way and spend now expected Aug 17. Aug 17: On programme for August completion and spend expected September 17. October 17: units completed and grant can be paid when Hyde submit necessary documentation, including nominations agreement (we are awaiting their completion).

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
HN/12/02692/FUL	Land at Northmark	Foxbridge Drive	22-Mar-13	£17,211.00	£860.55	£16,350.45	£16,350.45	£0.00	07-Jan-19 *

Proposed Development: Erection of 18 dwellings (including 7 affordable dwellings).

Spending officer: Linda Grange. May 2016: On 3rd May, Cabinet approved the allocation of £16,350 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. 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. Feb 17: Completion and spend expected Nov 17. May 17: Completion of Exton Road units and spend now expected in Jan 18 due to change to Hyde's garage programme. Aug 17: Small change to programme due to utility companies' delays on new electrical substation; completion of units and spend is now expected March 18. October 17: position unchanged with spend still expected in March 18

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	£61,814.61	£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 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. Feb 17: Completion and spend expected Nov 17. May 17: Due to adjustments in Hyde's overall building programme for garage sites completion of the Exton Rd site and spend of the remaining funds is now expected in Jan 18. Aug 17: Small change to programme due to utility companies' delays on new electrical substation; completion of units and spend is now expected March 18. October 17: position unchanged with spend still expected in March 18

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	£50,951.00	£8,124.00	£33,261.00	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 05/00430*

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. Feb 2017: A number of organisations have submitted proposals for consideration. Sussex Otters request for £1,545 for a hydraulic bed has been approved. The remaining clubs are doing further work on obtaining quotes and approvals for the works. May 2017 Works continuing with a number of sports clubs to finalise their applications for funding which will fully utilise this funding ahead of expiry. Aug 17: £5,250 has been awarded to Chichester Knights Basketball for set up equipment including backboards, balls and kit. £1,341 has also been awarded to Everyone Active for balanceability bikes to develop a learn to cycle programme for pre-school and primary aged children together with £2874 for an inflatable tumble run. Further projects from Falcons Softball, Chichester Bowmen and Everyone Active are currently being developed and requests for approval are expected shortly. OCT 17: Basketball & Softball in progress and awaiting invoices to release funds. Archery club are submitting Community Asset Fund application and approached Woodger trust for partnership funding and awaiting response. Discussions also taking place with Chichester City Colts regarding adaptations to the Jubilee toilets to provide toilets, storage and changing facilities for football at New Park Rd.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/10/02034/FUL	The Heritage	Winden Avenue	28-Feb-13	£30,409.83	£1,520.49	£28,889.34	£1,545.00	£0.00	28-Feb-19 *

Proposed Development: Proposed development of 92 no. dwellings comprising 36 no. open market dwellings (14 no. 1 bed apartments and 15 no. 2 bed apartments and 7 no. houses) and 56 no. supported housing apartments (42 no. 1 bed apartments and 14 no. 2 bed apartments) with associated communal spaces, new landscaped public courtyard and communal garden.

Spending officer: Sarah Peyman. Projects identified: None. Money received Feb 2014. 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 for projects to be considered during September. Feb 2017: A number of organisations have submitted proposals for consideration. Sussex Otters request for £1,545 for a hydraulic bed has been approved. The remaining clubs are doing further work on obtaining quotes and approvals for the works. May 2017 Works continuing with a number of sports clubs to finalise their applications for funding. Aug 17: No further update OCT 17: Awaiting quotes from Chichester hockey club for improvements to pitch floodlights.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
EWB/12/02461/FUL	Land North East Of Beech Avenue	Beech Avenue	04-Jun-13	£45,574.53	£2,278.73	£43,295.80	£0.00	£0.00	21-May-19

Proposed Development: Construction of 50 residential dwellings, new vehicular access, open space and other ancillary works.

Spending officer: Sarah Peyman. Projects identified: Tennis Courts, new MUGA provision and outdoor gym equipment? Money received May 2014. Feb 2016: Working with the Parish Council regarding a number of proposals for Beech Avenue including the potential for tennis courts and new MUGA provision and outdoor gym equipment. May 2016: Works are to commence on a teen shelter at the beginning of June. An outdoor gym has also been proposed. Aug 2016: works have commenced. Spending officer is waiting for completion before release of funding. Feb 2017: The teen shelter has been completed and quotes are being obtained for an outdoor gym at Beech Avenue. In addition the Parish is currently considering increasing the height of the fencing on the MUGA in an attempt to reduce the number of balls being kicked into the community building. This is estimated to cost £20-25k but quotes are being obtained. May 2017 Still awaiting quotes from the Parish. Aug 17: Parish are currently obtaining quotes for both the outdoor gym and MUGA fencing. OCT 17 as before and chased for update on 13/10

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
MI/04/04113/FUL	78 Petersfield Road	Petersfield Road	18-Feb-05	£3,118.80	£0.00	£3,118.80	£0.00	£0.00	30-Jun-19 *

Proposed Development: Land adjacent to 78 Petersfield Road, Midhurst, West Sussex, GU29 9JR.
Construction of 21 no. dwellings and assoc infrastructure

Spending officer: Sarah Peyman. Projects identified: Money to be spent on projects to improve and increase facilities for children and young people within Midhurst. May 2016: Spending officer has queried whether or not this is open space or leisure money. Aug 2016: S106 officer has checked agreement and it refers to leisure contribution (play area). Spending officer advised accordingly. Feb 2017: The parish council would like the funds to be ring-fenced for Carron Lane where they would like to upgrade the skate park, games area and play equipment. Specific details will be available in the next few months. May 2017 Waiting on further information from the parish council. Aug 17: No further update OCT 17: Midhurst TC has commissioned a survey of the use and further needs of the park with the results expected in Nov/Dec

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	£25,000.00	£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 site05/00430*

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. Feb 2017: Emailed CCS for an update on proposed projects for the City. May 2017 It is proposed to use £25k of these funds for new black metal bow top fencing at Priory Park. We are waiting for a timescale for the works. Aug 17; PP has been granted and railings are scheduled for installation in early September after the School holidays. OCT 17: Spending officer arranging a further meeting with CCS to discuss potential projects

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/07/04483/FUL	Byten, South Pallant	South Pallant	31-Mar-08	£170.00	£0.00	£170.00	£170.00	£0.00	08-Jul-19

Proposed Development: Byten, South Pallant. Remodeling of existing building and construction of 2 bed apartment over access way.

Associated planning refs:

CC/07/04727/FUL - 1-5 Theatre Lane

CC/07/04483/FUL - Byten, South Pallant

CC/07/04532/FUL - 10 South Pallant

Spending officer: Sarah Peyman. Projects identified: New project to be considered due to Priory Park masterplan not being progressed. Feb 2016: Spending officer 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: Spending officer has emailed CCS but received no response. Aug 2016: Spending officer has received a response from CCS. They are aware of the funding but unfortunately this project has moved down the priority list. Feb 2017: Emailed CCS for an update on proposed projects for the City. May 2017 No Further update. Aug 17: No further update OCT 17: Spending officer is arranging a meeting with CCS to discuss potential projects. OCT 17: £170 spend approved for tree to be planted in Cawley Prior with work being carried out by Chichester Contract Services

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/07/04532/FUL	10 South Pallant	South Pallant	31-Mar-08	£1,017.00	£0.00	£217.00	£217.00	£800.00	08-Jul-19

Proposed Development: 10 South Pallant. Change of use and alteration to 6 no. apartments.

Associated planning refs:

CC/07/04727/FUL - 1-5 Theatre Lane

CC/07/04483/FUL - Byten, South Pallant

CC/07/04532/FUL - 10 South Pallant

Spending officer: Sarah Peyman. Projects identified: New project to be considered due to Priory Park masterplan not being progressed. 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: Spending officer has emailed CCS but has not received a response. Aug 2016: Spending officer has received a response from CCS. They are aware of the funding but unfortunately this project has moved down the priority list. Feb 2017: Emailed CCS for an update on proposed projects for the City. May 2017 No Further update. Aug17: No further update. OCT 17: Spending officer is arranging a meeting with CCS to discuss potential projects. OCT 17: Spend of £217 approved for planting of Wildflower plugs in South Walls with work to be carried out by Chichester contract services

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/07/04727/FUL	1-5 Theatre Lane	Theatre Lane	31-Mar-08	£847.00	£0.00	£847.00	£847.00	£0.00	08-Jul-19

Proposed Development: Theatre Lane. Demolition of existing building and erection of 5 no. 3 bed townhouses.

Associated planning refs:

CC/07/04727/FUL - 1-5 Theatre Lane
 CC/07/04483/FUL - Byten, South Pallant
 CC/07/04532/FUL - 10 South Pallant

Spending officer: Sarah Peyman. Projects identified: New project to be considered due to Priory Park masterplan not being progressed. Feb 2016: Spending officer: 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: Spending officer has emailed CCS but has not received a response. Aug 2016: Spending officer has received a response from CCS. They are aware of the funding but unfortunately this project has moved down the priority list. Feb 2017: Emailed CCS for an update on proposed projects for the City. May 2017 No Further update. Aug 17: no further update OCT 17: Spending officer is arranging a meeting with CCS to discuss potential projects OCT 17 Spend of £847 approved for Wildflower plugs, new shrubs and planting on South Walls with works to be undertaken by Chichester Contract Services

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/10/02034/FUL	The Heritage	Winden Avenue	28-Feb-13	£9,034.96	£451.75	£8,583.21	£0.00	£0.00	28-Feb-19 *

Proposed Development: Proposed development of 92 no. dwellings comprising 36 no. open market dwellings (14 no. 1 bed apartments and 15 no. 2 bed apartments and 7 no. houses) and 56 no. supported housing apartments (42 no. 1 bed apartments and 14 no. 2 bed apartments) with associated communal spaces, new landscaped public courtyard and communal garden.

Spending officer: Sarah Peyman. Projects identified: None. Money received Feb 2014. 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: Spending officer has emailed CCS but has received no response. Aug 2016: Spending officer has received a response from CCS. They are aware of the funding but unfortunately this project has moved down the priority list. Feb 2017: Emailed CCS for an update on proposed projects for the City. May 2017 This money is proposed to be used towards play equipment at the Amphitheatre. Aug 17: . Amphitheatre play project has been put on hold due to English Heritage requirements and limited resources. OCT 17; Spending officer is arranging a meeting with CCS to discuss potential projects

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
D/11761198/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. Feb 2017: emailed parish and awaiting response from parish clerk. May 2017 parish have just provided a proposal to spend funds on the sports pitch at Wiston Rd Aug 17: No further update OCT 17: Spending officer is awaiting a response from Parish Clerk to chaser email sent 13/10

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	£2,380.43	£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. Feb 2017: Emailed the parish clerk and they are currently getting information together and will forward details asap. May 2017 All remaining funds from this development have been approved for installation of metal fencing around the open space at Churchwood Drive. Aug 17: No further update OCT 17 Tangmere PC allocated £2380.43 for metal fence around allotments and spending officer is seeking an update on timescale for works.

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	£1,013.18	£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. Feb 2017: Emailed the parish clerk and they are currently getting information together and will forward details asap. May 2017 A further £1,013.18 from this development has been approved for installation of metal fencing around the open space at Churchwood Drive. Aug 17: No further update OCT 17: Awaiting outcome of aTangmere PC finance meeting on 17/10 when potential projects were on the agenda for discussion.

Community Facilities

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCS/10/02034/FUL	The Heritage	Winden Avenue	28-Feb-13	£58,509.58	£2,925.48	£55,584.10	£0.00	£0.00	28-Feb-19 *

Proposed Development: Proposed development of 92 no. dwellings comprising 36 no. open market dwellings (14 no. 1 bed apartments and 15 no. 2 bed apartments and 7 no. houses) and 56 no. supported housing apartments (42 no. 1 bed apartments and 14 no. 2 bed apartments) with associated communal spaces, new landscaped public courtyard and communal garden.

Spending officer: David Hyland. Projects identified: In discussion with various Village Halls in proximity to the site. Redevelopment of New Park Centre is a possibility. Money received Feb 2014. Feb 2016: David Hyland attended New Park AGM in January and they indicated that they were working towards further redevelopment of the New Park Centre and this could be used for this. May 2016: Further to AGM, New Park Centre are proceeding with stage 2 of their redevelopment. Currently waiting for further information. Money is now earmarked for this project. July 2016: This may now be allocated to the Guides. Oct 2016: Shona Turner continues to be in contact with community buildings close to the development to identify possible projects. Spending officer: Feb 2017 Shona Turner continues to contact community buildings close to the development regarding their projects.

May 2017 New Park have yet to devise any firm plans for enhancements. The Regnum Guide Hall has recently had some structural damage which is being repaired, but Shona will be contacting the Guides to determine other improvements. August 2017 - Contact has been made with the Guides and unfortunately, a proposal to acquire additional land for the Guide Hall has been declined so they are subsequently putting together a proposal to improve the flooring at the Hall. OCT 17: Met with Pat Ware at the Guide Hall for the official opening of their new kitchen (NHB funding); they have been waiting to complete their kitchen refurbishment before progressing with their next project of the flooring which should be imminent.

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. Feb 2017 Shona Turner continues to contact community buildings close to the development regarding their projects. May 2017 Scouts and Guides have been given deadlines to come forward with suitable projects otherwise the funding will be offered to other groups. August 2017 – The Scouts are looking into upgrading the lean to at the back of the Scout Hut into a more substantial structure which will include a shower and a wet room. We have also met with the Whyke Community Orchard volunteers regarding improving the Orchard with an information/ noticeboard and an additional bench. We are waiting on quotes and full details for both projects. Oct 17: Have received an update from the Scouts, Dave Philips, Group Scout Leader, has a meeting with a builder next week to discuss proposed works. They are also seeking advice on whether proposed works are within permitted development rights or if a planning application is required. Have received some of the quotes from Whyke Community Orchard volunteers and are just waiting for the final ones for the pathway before submitting a request for the spend.

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. Feb 2017 Waiting to hear from Village Hall, Shona Turner to contact in the next few weeks May 2017 There have been some changes with the Hall Management Committee and contact is now directly with the Parochial Church Council. We understand that tenders have been received for the proposed extension but no subsequent contact regarding costs. August 2017 – With all the changes at the Hall Management Committee at Donnington Parish Hall, we met with the new Vicar (25/7/17) who wanted to explain the situation and to gain a better understanding on the S106 process. We await further feedback on the project. OCT 17 Have recently been notified of the new changes with the Hall Management Committee and that the Parochial Church Council will be more involved with this project. We will be contacting the PCC and Vicar in due course.

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
WH/04/03947/OUT	Goodwood Estate Gravel Pit Site	Westhampnett	17-Mar-05	£98,712.00	£0.00	£98,712.00	£98,712.00	£0.00	20-Nov-18

Proposed Development: Goodwood Estate Gravel Pit Site, Westhampnett. Outline permission for the construction of a minimum of 30 dwellings per HA (net) and full permission for formation of a surface water drainage facility. Assoc apps:

WH/05/00305/FUL - surface land water drainage facility

WH/07/02735/REM - section 98 agreement Bellway / Southern Water

WH/07/02738/REM - reserve matters approval for 114 residential dwellings in response to planning application WH/04/03947/OUT

The section 106 Agreement is on the outline application (this one)

Spending officer: David Hyland. Projects identified: The Communities payment is being held for Westhampnett's ongoing project to build a village hall - this is the same for all other Westhampnett planning applications. Feb 2016: the Communities Team have recently commented positively on the applicants "scheme" of on-site provision re the Maudlin site and if approved would request the release of monies. May 2016: Maudlin site (WH/12/02360/OUT) now at DOC stage so it is looking more likely that the village hall will be built. Contributions will not be released until the village hall has been built. July 2016: No change. Oct 2016: No change. Feb 2017 – no change May 2017 Developer of Maudlin Nursery site chased by Planning in regard to lack of progress regarding new build Hall. Advised that they are communicating with Parish Council regarding a way forward. August 2017 – David met with the Chairman and other members of the Parish Council (24/7/17). They are currently waiting on a DoV and are hopeful that they will be able to go out to tender in the next 3 months. If this occurs, a report will be submitted to Cabinet in the forward plan – October 2017. OCT 17: The DoV is currently with our Legal Dept.

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: Shona Turner. 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.

11 May 2017: David Hyland and Shona Turner have meeting with Parish Council next week and will be able to discuss this further. August 2017 – Met with Parish Clerk in May, possible projects were discuss and the Parish Council are keen to explore artistic signage around the Parish, particularly near the development to the play area OCT 17: Update from PC: The matter is on the agenda for the Parish Council's November meeting although they have previously discussed this and have a few ideas.

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	£20,304.61	£20,304.61	£33,565.07	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. August 2017: 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 from this particular s106 agreement has been increased in 2017-2018 to £41,000 (and correspondingly reduced from the Roussillon s106) to ensure that it is fully spent by the expiry date. Transfers are now quarterly and £12,740.94 has been spent in this FY

Parish/ Planning Ref	Name/No	Street	S106 Date	Received £	5% Fee £	Remaining £	Allocated £	Spent £	Expires
CCN/08/03533/OUT	Graylingwell Hospital	College Lane	18-Aug-09	£322,500.00	£16,125.00	£21,525.87	£21,525.87	£284,849.13	10-Oct-19

Proposed Development: A hybrid outline application for the comprehensive phased residential and mixed use regeneration and change of use for 750 market and affordable dwellings, care home, commercial accommodation within use classes B1, A1, A2, A3, A4, A5, D1, community facilities including use classes D1 and D2. A combined heat and power energy centre, car parking, public open space, sports pitches, art and culture strategy, landscaping, vehicular access and earthworks. Phase 1 fully detailed application for 110 new dwellings, a temporary sales centre/sports changing room to be converted to changing rooms and cafe later, 251sq m energy centre, associated SUDS and landscaping relating to the heart space.

September 2015 - Current hybrid outline application (14/01018/OUT) for balance of site remaining to be developed. Now includes Kingsmead Avenue site. This will attract a new S106 carrying forward the existing obligations with amended triggers. March 2016: A reserved matters application (CC/15/00936/REM) for 160 dwellings against the original outline application (this one) to develop Phase 4 has been approved. June 2016: Development of Phase 4 about to commence.

Spending officer: Tom Day. Projects identified: Graylingwell & Roussillon Mitigation Project. Progress on the mitigation project is monitored jointly with the Manhood Wildlife and Heritage Group through monthly Service Level Agreement meetings and is on track to spend the remaining sum before the expiration date of Oct 2019. For 2017-18 a budget requirement of £23,000 has been set to spend up the majority of the remaining funds.

Expiry Date prior to 31/10/2017

Affordable Housing

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. Feb 17: Completion and spend expected Nov. 17. May 17: Due to adjustments in Hyde's overall building programme for garage sites completion of the Exton site and spend of the remaining funds is now expected in Jan 18. Aug 17: Small change to programme due to utility companies' delays on new electrical substation; completion of units and spend is now expected March 18. Oct 17: No change with spend expected March 18.

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. Feb 2017: Planning permission has been awarded for the scheme and I am now waiting for a timescale for the project delivery from the parish council. May 2017 Parish advise they have applied for grants to Sports England, WSCC and inert (a quarry company in Boxgrove who have a community funding scheme). Delivery will depend upon outcome of these applications. Aug 17: No further update Oct 17 No change

Public Open Space

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	£186.00	£0.00	£2,163.00	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. Feb 2017: Approval for use of the remaining funds has been given to the parish for the purchase and installation of picnic benches. May 2017 Project completed and funds passed to the parish. Oct 17 Contacting Parish for potential project for spend of small balance remaining.

Public Art

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	£25,000.00	£0.00	£130.00	£0.00	£24,870.00	07-Jun-15

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 site05/00430*

Phase N2: Retail and residential block

Phase N3: Listed buildings

Phase N4: Inland residential block

Phase N5: Residential block facing East Walls

Spending officer: Shona Turner. Spent on Public Art Installation at the Roman Quarter only £305 remaining. May 2016: Small amount of money left over from commission which was completed a few years ago. No longer a need to monitor.OCT 2017: This is due to be returned to the developer and we await disposal instructions..

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 23 November 2017

Progress Report – Audit Plan

1. Contacts

Report Author:

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendation

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

3. Main Report

3.1. There are no reports currently ready for this committee.

3.2. The Audit progress report at appendix 1 details the position with individual audits.

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

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

12. Appendices

12.1. Appendix 1 - Progress Report, Audit Plan

13. Background Papers

13.1 None

Progress Report – Audit Plan



As at 31st October 2017

Appendix 1

Audits Brought Forward from 2016-17	Auditor	No of Days	Days Remaining	Position with Audit
Museum/TIC	Stephen James	20	17	Audit deferred awaiting the outcome of the review of management delivery options
Information Technology (GDPR/Data Security)	Stephen James	15	15	Planning
Leisure Centres - Contract Management	Sue Shipway	15	6	Ongoing
2017/2018 - Audit Plan				
Income Management	Julie Ball	15	0	Draft Report
Section 106/CIL - Follow Up	Stephen James	15	15	
Trade and Green Waste	Sue Shipway/Julie Ball	15	0	Incorporated in Income Management Report
Customer Services Centre	Stephen James	15	15	
Building Control & Facilities Management	Julie Ball	20	0	Draft Report
Debt Recovery	Julie Ball	20	19	Planning complete
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Key Financial Systems - See below for details	Sue Shipway / Julie Ball / Stephen James	110	37	Ongoing
Planning and Control (Planning and Reviews)	Stephen James / Sue Shipway	15	2	Ongoing
Meetings / Discussions with EY	Stephen James / Sue Shipway	2	1	Monitoring Role and progress report
Committee Reports & Representation	Stephen James / Sue Shipway	15	7	Ongoing
Corporate Advice	Sue Shipway / Julie Ball / Stephen James	9	8	Ongoing
Contingency	Sue Shipway / Julie Ball / Stephen James	64	58	Analysed separately
Follow UPS	Sue Shipway / Julie Ball / Stephen James	10	2	Ongoing
Public Sector Internal Audit Standard (PSIAS)	Sue Shipway	20	8	Ongoing

Completed Audits				
AGS and Evidence	Stephen James/Sue Shipway	20	0	Report Completed
Contract Management	Ann Kirk/Julie Ball	2	0	Report Completed
Key Financial Systems - 2016-17	Sue Shipway	15	0	Report Completed
Fixed Asset Register (Transfer to Civica)	Sue Shipway	5	0	Completed-No issues arising

Deferred/ Removed to reduce				
Budgetary Control	N/A	15		Delegated responsibility and monitored by Finance
Business Continuity	Julie Ball	5	4	Ongoing
Contracts/Procurement	Anne Kirk	10		Completed in 2016-17 (see above)
Westward House	N/A	10		Income already covered by Income Management
Inclusion in Key Financial Systems 2017-18				
Creditors	Sue Shipway / Julie Ball / Stephen James			
Debtors	Sue Shipway / Julie Ball / Stephen James			
Payroll	Sue Shipway / Julie Ball / Stephen James			
NNDR	Sue Shipway / Julie Ball / Stephen James			
Treasury Management	Sue Shipway / Julie Ball / Stephen James	110	36	Ongoing
Fixed Assets	Sue Shipway / Julie Ball / Stephen James			
Council Tax	Sue Shipway / Julie Ball / Stephen James			
Bank Reconciliation	Sue Shipway / Julie Ball / Stephen James			
Budgetary Control	Sue Shipway / Julie Ball / Stephen James			

BUDGET REVIEW

TERMS OF REFERENCE AND SCOPING

Review Topic	Budget 2018-19
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 2017.
Terms of Reference	To consider the proposed variances on the 2018-19 budget. To comment on these in advance of Cabinet consideration of the Budget 2018-19 in February 2018.
Scope	5 Year Financial Model Statement of Resources 2017-18 to 2022-23 Projected Revenue Budget Variations 2018-19.
Review Period	December 2017
Officer support	Mr J Ward, Mr D Cooper, Mrs H Belenger and Miss L Higenbottam
Frequency of Meetings	One meeting to be held on 12 December 2017
Report back to	OSC on 16 January 2018 and CGAC on 25 January 2018