

Public Document Pack

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A meeting of the **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 10 January 2019 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mrs P Plant (Vice-Chairman), Mr J Brown, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr S Lloyd-Williams, Mr K Martin, Mr S Morley and Mr P Wilding

AGENDA

- 1 **Chairman's Announcements**
Any apologies for absence will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 10)
To approve the minutes of the Corporate Governance and Audit Committee meeting held on 16 October 2018.
- 3 **Urgent items**
The Chairman will announce any urgent items that due to special circumstances are to be dealt with under the agenda item below relating to late items.
- 4 **Declarations of Interest**
Members and officers are reminded to make any declarations of disclosable pecuniary, personal and/or prejudicial interests they may have in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**
The procedure for submitting public questions in writing no later than 12:00 on 9 January 2019 is available upon request from Democratic Services (the contact details for which appear on the front page of this agenda).
- 6 **2018-19 Treasury Management half-year report**
The committee is requested to consider the 2018-19 mid-year review of treasury management activity and performance and provide comments to the Cabinet as necessary.
- 7 **Draft Treasury Management and Capital Strategies 2019-20** (Pages 11 - 69)
The Committee is requested to consider and recommend to the Cabinet and the Council for approval the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2019-20 and the Council's Capital Strategy for 2019-20 -2022-23.

- 8 **Budget Review Task and Finish Group feedback**
Mrs Tull and Mrs Belenger will provide an oral report on the outcomes from this review.
- 9 **Audit Follow Up, Positions Statements and Progress Report Audit Plan**
(Pages 71 - 86)
The Committee is requested to consider the Audit Follow Up and note the Position Statements and progress against the Audit Plan.
- 10 **Constitutional Amendment** (Pages 87 - 92)
The Committee is requested to note the amendments to the Constitution made by the Monitoring Officer in the period May 2013 to January 2019.
- 11 **Exclusion of the Press and Public**
There are no restricted items for consideration.
- 12 **Late items**
Consideration of any late items as follows:
- a) Items added to the agenda papers and made available for public inspection.
 - b) Items which the Chairman has agreed should be taken as matters of urgency by reason of special circumstances 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](#) 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.



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2 - East Pallant House on Tuesday 16 October 2018 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mrs P Plant (Vice-Chairman), Mr J Brown, Mrs N Graves, Mr F Hobbs, Mr S Lloyd-Williams, Mr K Martin and Mr P Wilding

Members not present: Mrs P Hardwick and Mr S Morley

In attendance by invitation: Mr K Suter (Ernst & Young LLP) and Mr J Jones (Ernst & Young LLP)

Officers present: Mrs H Belenger (Divisional Manager for Financial Services), Mr A Buckley (Corporate Improvement and Facilities Manager), Mr S Davies (Planning Obligations Monitoring and Implementation Officer), Mrs F Delahunty (Divisional Manager for Customer Services and Land Charges), Mrs K Dower (Principal Planning Officer (Infrastructure Planning)), Mr S James (Principal Auditor), Mr J Mildred (Divisional Manager for Corporate Services), Mr T Radcliffe (Human Resources Manager) and Mr W Townsend (Health and Safety Manager)

209 **Chairman's Announcements**

Apologies had been received from Mrs Hardwick and Mr Morley.

210 **Approval of Minutes**

The following amendments were requested:

- Minute 200 – the second line from the end of the page to read ‘at its last meeting’
- Minute 201 – resolution 3 to read ‘...that the details of non-financial S106 obligations...’

RESOLVED

That the minutes of the meeting held on 26 July 2018 were agreed and signed as a correct record subject to the amendments above.

Matters arising:

- Minute 199 - Under the subscription held by the council Mrs Belenger planned to circulate the ‘Audit Practical Guide’ to members of the Committee.

- Minute 202 – With regard to the Safety Advisory Group and partnership working Laurence Foord, Divisional Manager is the Chairman which ensures the partnership group receives the appropriate level of support. It is anticipated that an promotions and events officer post will be advertised in the next few weeks.

211 **Urgent items**

Mrs Tull explained that the Committee is required to appoint three members to the Budget Task and Finish Group which will take place in December. It was agreed that the membership would be decided under late items.

212 **Declarations of Interest**

There were no declarations of interest.

213 **Public Question Time**

There were no public questions.

214 **Annual Audit Letter 2017-18**

Mrs Tull welcomed Mr Jones and Mr Suter from Ernst and Young.

Mr Suter explained the purpose of the audit letter to provide a backwards looking audit summary for the public. He drew attention to the executive summary and confirmed that an unqualified value for money conclusion had been issued on 31 July 2018. He outlined plans for the council to make an early start on the audit process in May 2019 and acknowledged the support of Mrs Belenger and her team for agreeing to work to this earlier deadline. Mrs Belenger confirmed that this was an achievable target as the team had achieved early completion this year. Mr Suter then outlined the various sections of the audit letter drawing attention to new accounting standards outlined in section six; understanding the impact on the authority, and how this impact will be considered and addressed and accounted for over the coming months in preparation for the audit for 2018-19. He also outlined a new standard for leases due to come into practice in 2019/20 and explained that given the expectation that the new standard would be adopted it would be necessary to consider the council's current processes and records as part of this year's audit. With regard to section seven Mr Suter clarified that the audit fees were yet to be finalised and the additional fee was awaiting approval.

Mr Jones and Mr Suter responded to members questions explaining that the classification of assets remained uncertain and the management statutory override decision implementation remained unknown. With regard to stress testing of the accounts it is not a responsibility of Ernst and Young. Ernst and Young are responsible for the analysis of arrangements, consideration of value for money for the tax payer and looking at the budget and medium term strategy. With regard to the identification of risks no risks had been found over the last couple of years. It was also confirmed that the change in leases would only affect the council as a lessee.

RESOLVED

That the key issues arising from the work of the council's external auditors on the 2017-18 Accounts in the Annual Audit Letter from Ernst & Young LLP be noted.

Mrs Tull thanked Mr Jones and Mr Suter for attending the meeting.

215 Financial Strategy and Plan 2019-20

Mrs Belenger introduced the item and explained that this year's report would help prepare for the budget cycle process as it places a greater focus on the key financial principles and sets out how the issues and risks will be addressed. She clarified the requirement for the Committee to agree a minimum level of reserves and confirmed the recommendation from the Director of Corporate Services to maintain the minimum level of reserves at £6.3 million. Mrs Belenger explained that part of financial planning includes updating the five year Financial Strategy Model with the latest information and forecasts to ensure a robust process to ensure that the legal requirement to set a balanced budget is met. So far the Model had been updated with the Deficit Reduction programme showing £3.3 million of the £3.8 million approved in 2016 had been achieved so far. With regard to appendix 1 Mrs Belenger clarified changes had been made to the narrative and actions to take account of the changing landscape in which the council operates. She also confirmed that the council had been put forward to take part in a pilot of 75% business rates, the outcome of the bid would be announced in December at the same time as the provisional financial settlement.

Mrs Belenger responded to members questions. With regard to section 5.3 of the report officers remain in contact with West Sussex County Council (WSSCC). Any resulting impact on service delivery would be considered as part of the budget cycle. The Cabinet will receive the budget in February 2019. With regard to the council's reserves it would be unlikely that central Government would attempt to reclaim any of the funds as approximately £29 million has been put aside for specific purposes. It is however possible that if the funding regime from central Government changes this could impact the distribution of funding amongst the local authority tiers. If it was necessary the council, it is able to consider the use of New Homes Bonus funding to help in the short term to balance its revenue budget as this funding is not ring fenced. With regard to charging for services this should be in accordance with the Council's Fees & Charges policy, and the drive to act more commercially has been considered as senior officers have received commercial training. With regard to section 7 of the report sickness absence levels have been considered and action is being taken as the relevant policy documents and associated triggers are to be amended.

RECOMMENDED TO THE CABINET:

1. The updated key financial principles in Appendix 1, which underpin the council's aim to set balanced budgets without the use of reserves, except where necessary in the short term and;
2. In the short to medium term that the Council maintains a minimum level of reserves of £6.3m for general purposes.

Mr Townsend introduced the item. He explained that the annual report is a position statement looking back over the last financial year and making comparison with the last two financial years.

Mr Townsend confirmed that a number of business continuity health checks had taken place with managers to plan for incidents lasting three days and three days and beyond. Suggested changes were taken into account and the relevant documentation saved on the x drive and uploaded to an externally hosted website. A critical staff list continues to be maintained and holds the details of around 100 members of staff. The document is accessible if IT were lost. The IT team have also been researching cloud storage for key documents however at present these documents are held on the desktops of the appropriate members of staff. Mr Townsend confirmed that the loss of the server room at East Pallant House (EPH) remained a concern as it could take up to three months to reinstate the council's critical software. He clarified that software hosted offsite would not be effected. Current mitigation includes email continuity to provide staff with the ability to email each other, environmental monitoring of the server room (IT receive notification of any problems), security around the server room and a bespoke gas dosing system to reduce a fire quickly. Mr Townsend confirmed that senior managers were in the process of discussing the installation of a secondary server either at the Depot or at EPH if the main server was moved to the Depot.

Mr Townsend and Mrs Belenger responded to members questions relating to business continuity. It was confirmed that applications and data are backed up on daily basis on site and stored offsite weekly. As part of business continuity plans housing benefit payments and staff salaries would still be paid (this has been tested up to the point of not transferring the costs involved). Mr Wilding added that a PID to implement a second server is due to be discussed by the Cabinet at its meeting in either November or December. With regard to the power feed into the building it was confirmed that there is a back-up generator. If the council were to suffer a loss of the building staff would, where possible, be expected to work remotely. In addition space for 50 staff would be created at the Depot and the Estates team would work with the insurers to find suitable permanent accommodation. WSCC would also provide a face to face interview room and reception area within the city centre. With regard to wider county/country wide problems they would be addressed by a wider emergency planning network as the CDC environmental health team only cover incidents within the district. With regard to critical staff on leave, each member of staff has a deputy or deputies.

Following a number of questions regarding cloud storage Mr Wilding outlined plans for a new IT Task and Finish. He explained that the idea for the Group had been raised at the Overview and Scrutiny Committee and members would meet to address specific IT issues. Mrs Tull suggested Mr Lloyd-Williams and Mr Hobbs be considered due to their IT backgrounds.

Mr Townsend then outlined the health and safety update from the report. He explained that in 2017/18 the total number of accidents, incidents and near misses came to 92 which was down 9% on the previous two years. Mr Townsend emphasised that the Health and Safety team actively welcome reports of near

misses to help prevent future accidents. He confirmed that during the 2017/18 period the main cause of accidents had been trips, slips and falls with more incidents taking place for CCS staff. There were two RIDDOR's which Mr Townsend explained is to be expected due to the nature of the work at the Depot.

Mr Townsend then outlined the Safety Watch scheme which has been running for a year. He explained that the scheme acts as a monitoring system to ensure compliance with procedures. In the past year the Health and Safety team have visited every Depot crew at least once. Each crew received an instant summary report and was issued with a colour coded card to indicate their level of compliance (green = good, yellow = areas to improve and red = areas of non-compliance). Mr Townsend was pleased to report no red cards had been issued to date. The next step would be to extend the monitoring to the Grounds Maintenance staff.

Referring to section 6.5 of the report Mr Townsend explained that a variety of health and safety training had been carried out either by the internal Health and Safety team or by external trainers including sessions with the new Divisional Managers.

Mr Townsend responded to members questions relating to health and safety. He agreed to note concerns relating to the procedure for handling broken pass activated doors following an injury that had been reported. With regard to comparing results with other local authorities Mr Townsend explained that he is part of a Health and Safety Officers locality network where results are compared anecdotally on a quarterly basis. With regard to section 6.3 the animal injury was confirmed as a wasp sting.

RESOLVED

That the council's arrangements in place for monitoring and controlling the risks associated with health and safety and business continuity matters be noted.

The Committee took a short break.

217 S106 Annual Exceptions Report

Mr Davies introduced the report and was joined by Mrs Dower. Mr Davies explained that the report outlines expired S106 agreements or those within 24 months of expiry. The data in the appendix is extracted on a quarterly basis and shared with SLT. Mr Davies clarified that generally S106 agreements have a 10 year deadline however, if no deadline is specified at the time the agreement is signed then the council applies a five year notional date as the developer can seek to vary an agreement after 5 years. Referring to the appendix to the report he explained that the 'Allocated' column relates to projects which have been approved in accordance with the S106 protocol The 'Remaining & Unallocated' column represented monies where no project had been approved and it is these contributions that needed greatest focus to ensure they are spent by their deadline. The council only pays for a project once it has been delivered. A project can be in the process of delivery at the time of the deadline date which is acceptable and there are clauses within the S106 agreements to provide for this. Mr Davies confirmed that there were no overdue financial receipts.

Mrs Tull read a statement from Mr Oakley containing a number of questions including whether an invoice had been received for the Tangmere Parish Council allotment fencing and whether enforcement action would be taken on the Meadow Way site and the former Hanger Space site. Mr Davies confirmed that no invoice had been received but he understood that the project had been delivered and officers had chased the Parish Council for the invoice. With regard to the enforcement cases a site visit had taken place at the Meadow Way site the previous week with a detailed response and timescales for outstanding works expected from the developer shortly. Miller Homes are currently undertaking further works on the former Hanger Space site to rectify defects identified at a recent inspection and enforcement officers continue to monitor.

Mr Davies responded to members questions. With regard to enforcement of S106 agreements the council would be required to go to court to start enforcement procedures. With regard to unspent S106 money it was confirmed that any monies not spent by expiry need to be returned to the developer. It was also confirmed that the council's staff are in regular contact with staff at the South Downs National Park.

RESOLVED

That the contents of the report concerning section 106 agreements nearing their expenditure date (as set out in Appendix 1) be noted.

218 Complaints, Freedom of Information Requests and Data Protection Analysis - 2017/18

Mrs Delahunty introduced the item. She explained that the revised Complaints Scheme reflects recent changes in the council's management structure and seeks to amend the response time for stage 2 complaints to allow 15 days for more complex cases. Mrs Delahunty also outlined revisions to the Complainant Behaviour Scheme and the Call Recording Scheme. She confirmed that 160 complaints had been made to the council. Two of the complaints were upheld by the Ombudsman and had resulted in appropriate action being taken. With regard to Freedom of Information (FOI) requests the level of requests remains similar to last year although the number of housing requests increased following Grenfell Towers. Mrs Delahunty was pleased to inform the Committee that 105 written compliments were also received. She outlined plans for telephone compliments to be recorded in the coming year with figures made available for next year's report. With regard to General Data Protection Regulation (GDPR) 17 requests have been received from members of the public since the legislation went live.

Mrs Delahunty responded to members questions. With regard to the impact of the additional housing requests on officers time each request is logged and the contact centre monitor frequent requests and where possible place information on the website. With regard to not recording calls when a member of the public calls the contact centre they are informed that the call will be recorded but they can choose to hang up if they would prefer to submit their enquiry by email or letter. If bank details are required for a payment the contact centre operates software which automatically cuts the recording of that section of the call. Officers are unable to manually turn off a recording as additional software would be required. It was confirmed that no such request had been made in the last eight years. With regard to storage of recordings they are held for six months and then automatically deleted by IT unless they are in

use for an investigation and an extension has been granted by the council's Data Protection Officer.

RESOLVED

1. That the revised complaints scheme be agreed;
2. That the policy for the management of unreasonable complainant behaviour to support the revised complaints scheme and to follow best practice as per Local Government Ombudsman be agreed and;
3. That a call recording policy to support the complaints scheme and to comply with the GDPR be agreed.

219 Progress Report - Audit Plan

Mr James introduced the item. He was joined by Mr Buckley and Mr Radcliffe to discuss the Building Security Audit. Mr James explained that there had been a lack of continuity in the removal of security passes resulting in six main areas of improvement. Mr Buckley clarified that previously overall responsibility for the security passes had been held by one team and the day to day running with another. He confirmed that the areas of concern had now been addressed. Mr Radcliffe added that it had become an immediate urgent priority for the HR team to remove all expired passes from the system and that this has now been completed. Different coloured badges and lanyards are in the process of being issued for staff, contractors and visitors. All new staff passes will be time limited to three years.

Mr Buckley and Mr Radcliffe responded to members questions. With regard to concerns about the security passes complete control has been restored and new passes will be issued to existing staff with the appropriate time limits. Mr James confirmed the audit deadline for the resolution is 31 December 2018 and a follow up report will be undertaken in the new year. With regard to leavers returning passes an e-form should be completed by the relevant manager which includes a section to confirm the pass has been returned to HR. With regard to contractors passes they should be handed back to the customer services team at the end of the day and if not returned the appropriate manager should be contacted to resolve the issue. Following the elections non-returning members passes will be terminated. Security passes will be explained to all members during next year's induction sessions.

Mr James then explained that the follow up audit at the leisure centre had taken place. He drew attention to the annotated action plan in appendix 1.

Mr James was then joined by Mr Mildred. Mr James explained that the IT security audit had been deferred following the Shared Services project and to allow time to appoint a new IT Manager. No outstanding issues remain but the actions set would be monitored to ensure implementation.

Mr James and Mr Mildred responded to members questions. With regard to the past records of IT assets a historic record had not been maintained however a full record of the current assets has been completed and will be maintained going forwards. With regard to coding assets it was agreed that barcodes would be considered for the future.

Mr James then outlined the Southern Gateway Position Statement. He explained that audit would be keeping a watching brief over expenditure incurred.

Members had no further questions.

RESOLVED

That the Audit Reports, Follow Ups, Position Statement and progress against the audit plan be noted.

220 Strategic Risk Update

Mrs Belenger introduced the item. She highlighted the key changes on the strategic risk register in relation to the risk scores for CRR1 Financial resilience and CRR 145 Data Protection Act Breach of Data – Data Loss which had increased from risk scores of 4 to 6 since the Committee last reviewed the registers. In addition a new risk for Brexit had been added to the register. Mrs Belenger also highlighted that there were no high scoring risks for the programme board risk registers.

Mrs Belenger responded to members questions. With regard to whether climate change should be added in light of the recent Global Climate Action Summit, this issue would be considered at an operational level by the environmental protection team. The request that in light of the current status of the Brexit negotiations that the position and potential impact paper for Brexit should be completed as soon as possible and shared with members was noted. With regard to the Business Continuity arrangements for ICT and the options available different solutions could provide resilience at a cost without the need for the major investment for the in house solution that seem to be being considered. It was confirmed that the ICT manager, Andrew Forward, would be reviewing the options as part of the ICT strategy which is currently being drafted.

RESOLVED

That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks and both the high scoring programme board and organisational risks, and the mitigation actions in place be noted.

221 Late items

Mrs Tull sought nominations for the Budget Task and Finish Group.

RESOLVED

That Penny Plant, Tricia Tull and Peter Wilding be appointed to the Budget Task and Finish Group 2018.

The meeting ended at 12.12 pm

CHAIRMAN

Date:

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

10 January 2019

Draft Treasury Management and Capital Strategies 2019-20

1. Contacts

Report Author:

Mark Catlow, Group Accountant

Tel: 01243 521076 E-mail: mcatlow@chichester.gov.uk

2. Recommendation

- 2.1. **That the Committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2019-20.**
- 2.2. **That the Committee considers the Council's Capital Strategy for 2019-20 - 2022-23.**
- 2.3. **The Committee recommends these to Cabinet and Council for approval.**

3. Background

- 3.1. Local authorities' treasury management activities are prescribed by statute i.e. the Local Government Act 2003, and the regulations issued under that Act. This is where the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice derives its legal status.
- 3.2. The Prudential Code covering Treasury Management and Capital Finance (the Code) was updated in November 2017, closely followed by updated MHCLG Investment regulations in January 2018 (the Regulations). Both revisions particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income.
- 3.3. The Code also now requires all local authorities to produce a Capital Strategy. The intention is that this document will give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 3.4. The development of a Capital Strategy and expended horizon for the Council's Treasury and Investment Strategies seeks to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members
- 3.5. There is no change to the requirement that the documents referred to above in the recommendations are adopted by Full Council prior to the start of the financial year.

- 3.6. The draft Treasury and Investment Strategies presented at an appendix 2 to this report, and the draft Capital Strategy (appendix 3) as designed to comply with the new regulatory framework as described above.
- 3.7. Although every attempt has been made to reduce the technical content of this report, by its very nature the report is technical in parts and the glossary of terms in Annexe 5 to the Strategy should aid members understanding of some terms used in the report.

4. Outcomes to be achieved

- 4.1. The Treasury Management and Investment Strategies for 2019-20 and the Council's Capital Strategy for 2019-20 to 2022-23 are approved in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice and the MHCLG's investment Regulations.

5. Proposal

- 5.1. The draft Treasury Management Strategy, Investment Strategy and Capital Strategy are attached to this report and has been amended and updated for the Regulatory changes imposed at the start of 2018. These changes are outlined and an explanation provided in Appendix 1 to this report.
- 5.2. In particular, the Committee is requested to comment on whether the strategy represents an appropriate balance between risk management and cost effectiveness.

6. Estimated Interest rates

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

7. Alternatives that have been considered

- 7.1. The Treasury Strategy contains details of alternatives that have been considered. These are, briefly;

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

8. Resource and legal implications

- 8.1. The Council may be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the Investment Guidance. Acceptance

of the recommendations in this report would not only help avoid this risk, but would demonstrate that the Council's financial matters continue to be managed prudently

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

9. Consultation

- 9.1. In adhering to the CIPFA Code, the forthcoming financial year's Treasury Management Strategy, Investment Strategy and TMP's are required to be considered by those members charged with governance, before being considered by Cabinet and then Full Council for approval.

10. Community impact and corporate risks

- 10.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve.
- 10.2. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 4.

11. Other Implications

	Yes	No
Crime & Disorder:		✓
Climate Change:		✓
Human Rights and Equality Impact:		✓
Safeguarding:		✓
Other (Please specify): 1. Compliance with the Local Government Act 2003 2. Non-compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

12. Appendices

- 12.1. Appendix 1 – Summary of amendments between 2018-19 and 2019-20
- 12.2. Appendix 2- Treasury Management Policy Statement, Treasury Management Strategy Statement, Treasury Prudential Indicators and Annual Investment Strategy for 2019-20.
- 12.3. Appendix 3 – Capital Strategy 2019-20 to 2022-23
- 12.4. Appendix 4 - Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management.
- 12.5. Appendix 5 - Glossary

13. Background Papers

13.1. None.

Appendix 1 – Summary of amendments
between 2018-19 and 2019-20

Item	Page	Comment
Treasury Management Policy Statement	3	Unchanged
Treasury Management and Investment Strategy 2019-20		
- Treasury and Commercial Investments	5	Updated to reflect CIPFA and MHCLG guidance. The main change is to bring into the strategy commercial and service investments and to define each.
- Risk Appetite Statement	7	Unchanged
- Proportionality	7	New section required by updated MHCLG guidance. As the Council builds some commercial income into its base revenue budget, we are required to detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. We also must detail the local authority's contingency plans should it fail to achieve the expected net profit. The Guidance introduces a new requirement that in every local authority sets limits that cannot be exceeded for commercial income as a percentage of net service expenditure. After carefully considering this, officers do NOT consider it appropriate to set an upper limit on investment income the Council able to generate, since this could prevent the Council charging market rents or lending at market interest rates in order to not exceed the limit
Treasury Investments and Borrowing		
- BREXIT	9	New section, describes the Council's contingency plans for BREXIT.
- Investment Objective	9	Unchanged
- Counterparty limits	9	Increased slightly to reflect increased levels of funds under Treasury Management. New levels are set based on an expected average Treasury balance for 2019-20 of £60m. Previously limits were set here for specified and non-specified investments. This has been moved to the non-Treasury section in accordance with paragraph 21 of the MHCLG guidance which restricts the majority of the Regulations to non-Treasury investments and borrowing.

		<p>There are new sub-sections on ‘business model for holding investments’ (page 13) and ‘negative interest rates’ (page 13) to accommodate IFRS9 and possible economic scenarios.</p> <p>Added comment to confirm that, for pooled funds, no maximum period is set as they are intended to be for the long term.</p>
- Business model for holding investments	13	New section. Necessary statement to facilitate the application of IFRS9
- Negative Interest rates	13	New section. This covers the potential for any period of negative interest rates given the present economic uncertainty.
- Treasury Investment Limits	14	<p>Increased in line with the Counterparty limit changes, above.</p> <p>Increased total funds in Money Markets from £20m to £24m. This is based on £6m deposited across four funds. The Council has access to more than four money market funds to allow the best rate to be selected)</p> <p>Pooled funds (excluding LAPF). The limit is increased to allow for up to £35m in total to be invested in external pooled funds (£10m LAPF, £25m other external pooled funds).</p>
- Liquidity Management	15	Unchanged
- Borrowing	15	See comments on sections below
- Borrowing Sources	15	No changes to proposed borrowing sources
- Operational Boundary for External Debt	16	This limit represents the ‘day to day’ limit for borrowing. It is the amount that the Council does not expect to exceed in its normal course of business. It has been increased to allow for very short term cash-flow borrowing which, whilst not expected, is a normal part of Treasury Management. As a guide the Council collects more than £10m each month in local taxation and the possibility of this income not arriving must be factored into the Council’s Treasury strategy.
- Authorised Limit for External Debt	16	This limit has been increased to accommodate the risk that unknowns may occur, and reflecting the increase in the Operational boundary above.

Non-Treasury Investments	17	New section. The new MHCLG guidance considerably widens the definition of an investment. It now covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This new section covers these newly included investments.
- Commercial Investments	17	New Section This section is based on the Council's existing protocol on investment opportunities. It also includes an assessment of Fair Value as the new Guidance requires the Council to consider 'security' for the investment as equivalent to whether the current value of the property, if sold, would cover the original investment cost.
- Service investments	18	New Section This covers those loans and guarantees that the Council may provide as part of its wider Local Authority duties. The limits on these investments are considered to be the non-specified investment limits set out in the Strategy (see below)
- Non-Specified Investments	19	Revised section This concept used to apply to Treasury investments but now applies to non-Treasury investments. The Council's previous limit was £55m (total) and this has been reduced to £10m as maintain this at £55m appeared excessive since it no longer applies to Treasury Investments.
Risk exposure indicators	20	
- Treasury Management Indicators	20	Unchanged
Security and credit risk	20	Unchanged
Liquidity	20	Unchanged
Maturity Structure of Borrowing	21	Unchanged
Principal Sums Invested for Periods Longer than 364 days	21	Limit increased to allow for further investments in Pooled Funds.
Monitoring the Council's exposure to market and economic risk	21	New indicator proposed to reflect the changing risks relating to investments in external funds. TMP1 also updated to include this updated section.
- Non- Treasury Investments Indicators	22	New section. MHCLG requires the development of a suite of local indicators to allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions.

Other Items	23	Updated training and skills to cover commercial investments.
- Policy on Use of Financial Derivatives	22	Unchanged
- Investment of Money Borrowed in Advance of Need	23	Unchanged but reflects MHCLG guidance
- Investment training	23	Updated to reflect Property and Growth staff professional development activities.
- Investment Advisors	24	Updated to comment on professional advice in respect of Commercial property matters.
- Reporting	24	Updated to reflect the separate reporting routes for Treasury and non-Treasury investments.

Contents

Treasury Management Policy Statement	3
Treasury Management and Investment Strategy 2019-20	5
Treasury Investments.....	5
Risk Appetite Statement	7
Proportionality.....	7
Treasury Investments and Borrowing	8
BREXIT.....	9
Investment Objective	9
Counterparty limits	9
Business model for holding investments	13
2 nd European Union Markets in Financial Investments Directive	13
Negative interest rates	13
Other Options Considered	13
Treasury Investment Limits	14
Liquidity Management	15
Borrowing	15
Borrowing Sources	15
Operational Boundary for External Debt.....	16
Authorised Limit for External Debt.....	16
Non-Treasury Investments	18
Commercial Investments	18
Security.....	18
Liquidity	19
Service investments	19
Non-Specified Investments.....	20
Risk exposure indicators.....	21

Treasury Management Indicators.....	21
Security and credit risk.....	21
Maturity Structure of Borrowing	22
Principal Sums Invested for Periods Longer than 364 days.....	22
Monitoring the Council's exposure to market and economic risk.....	22
Non- Treasury Investments Indicators.....	23
Other Items	23
Policy on Use of Financial Derivatives.....	23
Investment of Money Borrowed in Advance of Need	24
Investment Training	24
Investment Advisers	25
Reporting.....	25
Treasury investments	25
Non-Treasury Investments	26
Appendix A – Economic and interest rate forecast – November/ December 2018.....	27

Appendix 2 - Treasury Management Strategy

Treasury Management Policy Statement, Treasury Management Strategy Statement and Annual Investment Strategy for 2018-19

Treasury Management Policy Statement

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

The Council defines treasury management as:

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

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

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

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

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

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

Treasury Management Strategy Statement

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

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

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

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

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

Treasury Management and Investment Strategy 2019-20

Treasury Investments

The Authority invests its money for three broad purposes:

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

As at December 2018, the Council held £67.7m of investments as set out in table 1 below

Table 1: Investment Portfolio Position – 31 December 2018.

Investments	£m	Annualised Return %*
Short term Investments (cash, call accounts, deposits)	37.0	0.73
Money Market Funds	6.3	0.58
Corporate Bonds	3.4	0.71
Total Liquid Investments	46.7	0.70
Medium and Long term Investments	3.0	1.65
Pooled funds – Local Authority Property Fund (LAPF)	10.0	4.81
Pooled Funds – Other	8.0	3.58
Total Treasury Financial Investments	67.7	1.70
Commercial Property Investments	7.5	6.7**
Service Investments	0.3	n/a

**returns are income only ** based on return against initial purchase cost*

These investments are expected to fall over the next few months due to the Council's ongoing capital programme and reduced local taxation receipts in February and March

2019. The Council's latest finalised resource projection indicates the following movements in resources, including funds available for investment, over the medium term.

*Table 2: Resource projection to 31 March 2023 (£m)**

	2018 Actual	2019	2020	2021	2022	2023
Reserves:						
• Earmarked and specific	6.0	3.6	1.3	0.1	-	-
• New Homes Bonus	11.1	13.1	12.8	12.6	12.3	12.1
• Asset Replacement	6.6	4.9	5.4	4.9	4.5	4.0
• Capital receipts reserve	0.1	0.6	2.5	5.6	6.3	6.4
• General Fund	14.9	10.1	10.4	10.6	10.8	11.0
Grants and contributions						
• Commuted payments (s.106)	6.4	5.3	5.1	5.0	5.0	5.0
• Disabled Facilities Grants	1.4	0.8	1.4	1.9	2.4	2.8
• General Grants	0.1	0.1	0.1	0.1	0.1	0.1
• Community Led Housing Grant	1.4	0.9	0.3	-	-	-
• Community Infrastructure Levy	5.0	4.5	2.7	1.2	-	-
Total Resources	53.0	43.9	42.0	42.0	41.4	41.4
Internal investments	35.0	25.9	24.0	24.0	23.4	23.4
External Investments	18.0	18.0	18.0	18.0	18.0	18.0
Total Investments	53.0	43.9	42.0	42.0	41.4	41.4
Capital financing requirement (CFR)	-	-	-	-	-	-
External Debt	-	-	-	-	-	-

Apart from a small lease liability for the Council's multi-function printer/copiers, the Council is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period.

The Council's operational and authorised debt ceilings are set out in tables 6 and 7 and are set at a level that will accommodate possible short-term working capital requirements only.

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

Risk Appetite Statement

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

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

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

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

Proportionality

The Council currently builds the following sources of income from investments into its base budget as these sources of income have demonstrated an ability to provide a constant, predictable return over the medium term. The figures are presented here are a proportion of net base budget rather than as a proportion of gross budget as set out in the Code to provide for consistency with the Council's 5 year strategic forecast.

Table 3: Proportionality of Investments (rounded to £x.xm)

	2018/19 Projected	2019/20 Budget	2020/21 Budget	2021/22 Budget
Net budget	13.0	12.1	11.6	11.7
Investment income				
- Treasury investments	0.9	1.0	1.1	1.1

- Commercial Properties	2.8	2.8	2.9	2.9
Proportion	28%	31%	34%	34%

In accordance with professional best practice the Council does not formally value rental income streams further than 12 months in advance. The figures above are estimates based on an average increase of 3% per year. Treasury investment income is inflated by estimated changes in the UK Base Rate as is based on a constant amount invested.

The Council does not consider it appropriate to set an upper limit on investment income it is able to generate, since this could prevent the Council charging market rents or lending at market interest rates in order to not exceed the limit.

To mitigate the risk on front line services should profit generating investments not achieve planned returns, the Council prepares its 5 year financial strategy in-line with a series of key principles. The key principles are set out in appendix 1 of the Council's financial strategy and are available online via the published papers for the Council's Corporate Governance Committee and Cabinet meetings in November and December.

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

Treasury Investments and Borrowing

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

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

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

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

The balance of treasury management investments is expected to fluctuate between £50m and £70m during the 2019/20 financial year. The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

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

BREXIT

This investment strategy recognises the ongoing uncertainty surrounding the UK's decision to leave the European Union. The timing of the reporting cycle for this strategy requires that the Council consider contingency plans for the eventuality of a hard BREXIT.

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

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

Investment Objective

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

Counterparty limits

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

Table 4: Approved Investment Counterparties

Sector Limits/ Credit Rating	Banks Unsecured¹ £30m	Banks Secured¹ Unlimited	Government Unlimited	Corporates £10m
UK Govt.	n/a	n/a	£ Unlimited 25 years	n/a
AAA	£3m 5 years	£6m 10 years	£6m 10 years	£3m 10 years
AA+	£3m 5 years	£6m 7 years	£6m 7 years	£3m 7 years
AA	£3m 4 years	£6m 5 years	£6m 5 years	£3m 5 years
AA-	£3m	£6m	£6m	£3m

	3 years	4 years	4 years	4 years
A+	£3m 2 years	£6m 3 years	£3m 3 years	£3m 3 years
A	£3m 13 months	£6m 2 years	£3m 2 years	£3m 2 years
A-	£3m 6 months	£6m 13 months	£3m 13 months	£3m 13 months
UK Local Authorities			£6m 10 Years	
None (excludes pooled funds)	£1m 6 months	n/a	n/a	n/a
Pooled Funds	£6m per money market fund (MMF), subject to a maximum of 2% of MMF fund value and a total limit of £24m across all MMF £6m per pooled investment fund, to a maximum of £25m (excludes the Local Authority Property Fund). £10m in the Local Authority Property Fund			

- *The limits above have been determined based on an average expected Treasury investment balance of £60m. Service and commercial investments will be subject to individual, separate risk assessment and are considered separately in this strategy.*
- *No maximum investment period is set for pooled funds as they are intended to be for the long term.*

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

Credit Rating

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

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

Banks Unsecured

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

Operational bank accounts

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

Banks Secured

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

Government

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

Corporates

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

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

Pooled Funds

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

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

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

Risk Assessment and Credit Ratings

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

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

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

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

Other Information on the Security of Investments

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the

maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions, and advice from the Council's Treasury advisor. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Business model for holding investments

Under the new IFRS9 accounting standard, the accounting for certain investments depends on the Council's 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash-flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

2nd European Union Markets in Financial Investments Directive

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

Negative interest rates

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Other Options Considered

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater

Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
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Treasury Investment Limits

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

The Council's uncommitted revenue reserves available to cover investment losses are forecast to be £27m on 31st March 2019. These uncommitted reserves include the following items; General Fund Balance, earmarked revenue reserves and New Homes Bonus, as set out in table 2.

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

Table 5: Treasury Investment Limits

	Cash limit
Any single organisation, except the UK Central Government and the LAPF	£6m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£6m per group
Pooled funds (excluding MMF and LAPF) under the same management	£6m per manager (other than the Local Authority Property Fund), to a maximum of £25m in total
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Unsecured investments with Building Societies	£6m in total
Loans to unrated corporates	£2m in total

	Cash limit
Money Market Funds	£6m per money market fund (MMF), subject to a maximum of 2% of individual MMF fund value and £24m in total
Property Funds (1)	£10m in total

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

Liquidity Management

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

Borrowing

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

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

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

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

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

Borrowing Sources

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

- PWLB and any successor body

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

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

- Leasing
- Hire purchase
- Sale and leaseback

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

Operational Boundary for External Debt

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

Table 6: Operational boundary for external debt

Operational Boundary	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	5	10	10	10
Other long-term liabilities	0	2	2	2
Total Debt	5	12	12	12

Authorised Limit for External Debt

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

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

Table 7: Authorised limit for external debt

Authorised Limit	2018/19	2019/20	2020/21	2021/22
-------------------------	----------------	----------------	----------------	----------------

	£m	£m	£m	£m
Borrowing	10	20	20	20
Other long-term liabilities	0	5	5	5
Total Debt	10	25	25	25

Non-Treasury Investments

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

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

Commercial Investments

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

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

The Council's investment opportunities protocol requires that:

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

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

Security

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

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

A fair value assessment for all commercial investments held by the Council has been undertaken within the last 12 months. Of the six properties owned by the Council for investment purposes, their total market value was assessed at £11.8m on 31 March 2018, approximately £0.6m above the total initial purchase cost.

Within this, three of the properties had a fair value that was below the initial purchase cost. The estimated unrealised loss for two is £30,000 each, equivalent to 2% of their fair value. For the final property, the unrealised loss is £210,000 or 5% of the purchase cost.

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

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

Liquidity

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

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

The Council also holds a minimum free cash balance of £5m at any one time.

Service investments

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

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

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

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

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

Non-Specified Investments

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

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

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

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

If the need arises to make a non-specified investment, this will comply with the investment upper limits both individually and cumulatively specified in this investment strategy in table 7, below.

Table 7: Non-Specified Investment Limits

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

Risk exposure indicators

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

Treasury Management Indicators

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

Security and credit risk

Table 8: Security risk indicators

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

Liquidity

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

Table 9: Liquidity risk indicators

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

Average days to maturity	Compare and explain against District Council average

Maturity Structure of Borrowing

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

Principal Sums Invested for Periods Longer than 364 days

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

Table 10: Limits on investment periods (£m)

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	50	50	50

Monitoring the Council's exposure to market and economic risk

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

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

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

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

For comparison, as at 31 March 2018, the position was as follows.

Table 11: Exposure to economic risk (£m)

	1% change in Interest rates £m	5% change in equity prices	5% change in property prices
Long term deposits (£3m)	0.07	-	-

Pooled funds (£17.5m)	0.15	0.07	0.46
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Non- Treasury Investments Indicators

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

Table 12: Non-Treasury investment risk indicators

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

Other Items

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

Policy on Use of Financial Derivatives

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

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

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

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

Investment of Money Borrowed in Advance of Need

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

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

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

Investment Training

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

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

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

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

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

Investment Advisers

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

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

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

Reporting

Treasury investments

The Council/Cabinet will receive as a minimum:

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

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

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

Non-Treasury Investments

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

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

Appendix A – Economic and interest rate forecast – November/December 2018

The following has been provided by Arlingclose Ltd

The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Underlying assumptions:

- Central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected

- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets

Capital Strategy 2019/20 to 2022/23

Contents

Introduction	2
Approval process	3
Our Assets	3
Capital Programme.....	4
Affordability	4
Other major future developments	6
Southern Gateway	6
Managing our assets	6
Asset Replacement.....	6
Treasury Management.....	7
Investments.....	7
Borrowing	8
Liabilities.....	9
Interest Rate Exposures	9
Impact on Council tax.....	9
Service investments	10
Commercial Activities	10
Other long-term liabilities	12
Knowledge and Skills	12

Introduction

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

Our Strategic Aims & Objectives

A new Corporate Plan was approved on 23 January 2018 and runs until 31 March 2021. The priorities set out in the new plan represent the challenges and opportunities facing Chichester District Council over the new plan period.

Our priorities are to:

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

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

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

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

Approval process

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

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

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

Cabinet is responsible for the acquisition, management, maintenance and disposal or letting of all Council properties together with review and implementation of the Council's Asset Management plan and this Capital Strategy.

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

Our Assets

The Council's asset base at 31 March 2018 was



Capital Programme

In 2018-19 the Council is planning to spend £13.9m on capital assets. This was part of an overall planned programme of £35.4m in the period 2018-19 to 2022-23, that includes the following major schemes

Table 1: Capital programme and major schemes 2018-19 to 2022-23 £m

Capital Expenditure	2018-19 Projected	2019-20	Later	Total
Total approved spend	13.9	6.0	15.5	35.4
Major schemes				
New Homes Bonus allocations	-	0.3	0.7	1.0
Disabled Facilities grants	2.0	0.8	2.7	5.5
Affordable and Community led Housing	2.7	1.1	1.4	5.2
Infrastructure Business plan: School Places	-	1.2	2.4	3.6
Infrastructure Business Plan: Sustainable Transport	-	0.5	0.4	0.9
Infrastructure Business Plan: Medical Centre West Chichester	-	1.3	-	1.3

Affordability

The Council recognises that, due to its nature, the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable. The Council's resource projection at December 2018 is shown below.

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

Resources 2019-20 to 2022-23	Total
Expected available resources as at 1 April 2019 (*)	19.7
New Resources expected in period	
- Capital receipts	8.2
- Revenue contributions	
o Asset replacements	5.2
o Interest receipts	0.8
- Other external income	
o Grants, contributions and CIL	11.1
o Other receipts	0.7
Available Resources	45.7

* "Expected available resources" is Total Reserves less Reserves set aside for a specific purpose

As table 2 indicates, the Council currently expects capital resources of £45.7m to be available. The total expected capital expenditure over the same period is shown below.

Table 3: Planned application of resources to capital projects (£m)

	2018/19 Expected	2019/20 Budget	Later	Total
External sources				
- Grants and contributions	2.6	1.0	2.9	6.5
- Section 106 contributions	1.1	0.2	0.1	1.4
- Community Led Housing Grant	0.7	0.4	0.3	1.4
Own resources				
- Revenue reserves and financing	8.5	1.3	5.6	15.4
- Capital receipts	0.1	1.3	1.3	1.4
- New Homes Bonus	0.4	0.2	0.8	
Community Infrastructure Levy	0.5	1.8	4.3	6.6
Debt	0.0	0.0	0.0	0.0
TOTAL	13.9	6.2	15.3	35.4
Expected total external debt	0.0	0.0	0.0	0.0
Expected capital financing requirement	0.0	0.0	0.0	0.0

Tables 2 and 3, taken together demonstrate that the Council currently expects to be able to fully fund its approved capital and asset replacement programmes from existing and expected resources. Fully funding our capital programme and asset replacement programme from our own resources means that the Council also expects to remain debt free over this period.

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

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

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

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

Other major future developments

The capital strategy recognises the impact of future projects not presently included in the Council's capital programme, but which have a potentially significant impact on Council resources. One such project is the Southern Gateway, as described below.

Southern Gateway

The Southern Gateway is the biggest regeneration project that the city has seen for decades. In November 2017 our councillors adopted the Southern Gateway Masterplan which sets out the basis on which the area can be comprehensively regenerated.

At the moment, the site includes several parcels of land:

- the bus station and depot
- Basin Road car park
- law courts
- part of the former Chichester Police Station playing field
- part of the former high school, and
- the Royal Mail depot buildings.

The project will involve transforming this mainly 30-acre brownfield area into a vibrant and attractive new southern quarter for the city of Chichester. It is the one of the biggest redevelopment projects undertaken in a generation within Chichester and the Council is working in partnership with West Sussex County Council and Homes England to bring this development forward.

The Council expects the opportunity will be taken to the market via an OJEU compliant process with a development partner being selected in 2019.

Managing our assets

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

Asset Replacement

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

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

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

Treasury Management

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

In addition its cash surplus balances, the Council has £7.5m of recently purchased property investments (at 30 September 2018) earning an average rate of return of 6.7%.

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

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

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

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

Investments

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

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

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

Table 4: Forecast treasury management investments in £m (31 March)

	2019	2020	2021	2022	2023
Near-term investments	25.9	24.0	24.0	23.4	23.4
Longer-term investments	18.0	18.0	18.0	18.0	18.0
TOTAL	43.9	42.0	42.0	41.4	41.4

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

Borrowing

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

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow to fund capital expenditure. The Council currently expects to have a zero CFR at 31 March 2019 and for this continue at zero throughout the period to 31 March 2023, although our projections below incorporate some potential for borrowing should the need arise.

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

Table 5: Proposed Operational and authorised limits for borrowing (£M)

	2019/20	2020/21	2021/22
Operational Boundary – borrowing	5	5	5
Operational Boundary– PFI and leases	2	2	2
Operational Boundary– total external debt	12	12	12
Authorised Limit – borrowing	20	20	20
Authorised Limit– PFI and leases	5	5	5
Authorised Limit– total external debt	25	25	25

Further details on borrowing are contained in the Council the treasury management strategy: <http://www.chichester.gov.uk/article/24169/Treasury-Management-Strategy>. The limits in this table are provisional until the 2019-20 strategy is approved by Full Council.

Liabilities

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

Further details on liabilities, contingent liabilities and guarantees are can be found in the Council's statement of accounts:

<http://www.chichester.gov.uk/statementofaccounts>

Interest Rate Exposures

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

Impact on Council tax

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

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

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

Service investments

The Council has made a very limited number of loans to assist local public services and residents, generally for housing renewal purposes. Some loans have been made to members of staff for transport purposes. Decisions on minor loans are made by the relevant service manager in consultation with the Director of Corporate Services.

The Council is presently developing proposals to support the provision of temporary housing in the District. If approved this will allow funds of up to £2.1m to be used to support specific local groups.

The total value of loans made by the Council to external third parties is disclosed on the Council's annual statement of accounts. Further details on service investments are within the Council's investment strategy, which is published with the Council's Treasury management strategy:

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

Commercial Activities

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

This income comprises rents and licence fees principally from 49 industrial units, 72 commercial and industrial ground leases, 41 shops, 13 offices and other lettings to sports, community and voluntary organisations.

Capital investment is likely to take 3 main forms.

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

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

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

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

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

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

To provide specific guidance on the enhanced scrutiny required, the Council has approved an investment opportunities protocol. The guidance includes requirements that:

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

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

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

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

Other long-term liabilities

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

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

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

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

The Council expects to hold £5.3m in s.106 contributions at 31 March 2019. These sums are held to pay for planning obligations but are potentially repayable if projects do not proceed as expected.

Knowledge and Skills

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

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

TREASURY MANAGEMENT PRACTICE NOTES

TMP 1 – RISK MANAGEMENT

General Statement

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

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

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

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

Overall approach

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

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

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

Credit and Counter party risk management

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

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

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

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

The Council ensures that its counter party lists and limits;

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

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

Monitoring Investment Counterparties

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

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

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

In considering credit rating, the lowest rating issued by three main agencies (above) is used, unless an investment-specific rating is available when this will be used.

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

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

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

Liquidity Risk Management

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

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

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

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

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

Interest rate risk management

This risk is the risk of fluctuations in interest rates creating unexpected and unbudgeted burdens on Council finances
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The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 (Reporting requirements and managing information arrangements).

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

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

To achieve this objective the following specific policies are followed:

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

Exchange rate Risk Management

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

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

Refinancing risk management

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

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

Monitoring the Council's exposure to market and economic risk (new section for 2019-20]

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments, although the effects on the Council of such movements are not considered to be material as the majority of sums invested are at fixed interest rates for short periods.

Of much more significance is the risk of property price movements and interest rate risk relating to the Council's investment in external pooled funds.

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

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

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

Appendix 5 – Treasury Management Glossary

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

Capital Financing Requirement (CFR)	The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLb) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CD's	Certificates of Deposits with banks and building societies
Capital Receipts	Money obtained on the sale of a capital asset.
Constant Net Asset Value (CNAV)	These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which mean that that any investment will not fluctuate in value
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty List	List of approved financial institutions with which the Council can place investments with.
Covered Bond	Covered bonds are debt securities backed by cash flows from mortgages or public sector loans. They are similar in many ways to asset-backed securities created in securitisation, but covered bond assets remain on the issuer's consolidated balance sheet (usually with an appropriate capital charge). The covered bonds continue as obligations of the issuer (often a bank); in essence, the investor has recourse against the issuer and the collateral, sometimes known as "dual recourse."
CPI	Consumer Price Index – the UK's main measure of inflation
Credit Rating:	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees
Department for Communities and Local Government (DCLG)	The DCLG is the UK Government department for Communities and Local Government in England. It was established in May 2006 and is the successor to the Office of the Deputy Prime Minister, established in 2001
Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the DMADF . All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.

Diversification /diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
European Investment Bank (EIB)	The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a "policy driven bank" whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as “the Fed”).
Floating rate notes (FRNs)	Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three-month Treasury bill or the three-month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.
FTSE 100 Index:	The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law.
General Fund	This includes most of the day-to-day spending and income of the Council
Gilts	Gilts are bonds issued by the UK Government. They take their name from ‘gilt-edged’: being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Gross Domestic Product (GDP)	Gross Domestic Product measures the value of goods and services produced with in a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy
IFRS	International Financial Reporting Standards.
LIBID	The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks). It is "the opposite" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). Whilst the British Bankers' Association set LIBOR rates, there is no correspondent official LIBID fixing.
LIBOR	The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British

	Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.
Maturity	The date when an investment or borrowing is repaid.
Maturity Structure / Profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by quarter or month-by-month basis.
Minimum Revenue Provision (MRP)	An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Money Market Funds (MMF)	<p>An open-end mutual fund which invests only in money markets. These funds invest in short term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends.</p> <ul style="list-style-type: none"> • Constant net asset value (CNAV) refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at €1/£1/\$1 and calculate their price to two decimal places known as "penny rounding". • Variable net asset value (VNAV) refers to funds which use mark-to-market accounting to value some of their assets. The NAV of these funds will vary by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received. <p>A new class of Money Market Fund will be introduced by the EU MMF reform process. Most CNAV funds will become Low Volatility NAV (LVNAV) funds. LVNAV MMFs are permitted to maintain a constant dealing NAV provided that certain criteria are met, including that the market NAV of the fund does not deviate from the dealing NAV by more than 20 basis points.</p>
Multilateral Development Banks	See Supranational Bonds below.
Municipal Bonds Agency	An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.
Non Specified Investment	Investments which fall outside the CLG Guidance for Specified investments (below).
Operational Boundary	This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the

	additional headroom included within the Authorised Limit.
Pooled Funds	A pooled investment is an investment in a large, professionally managed portfolio of assets with many other investors. As a result of this, the risk is reduced due to the wider spread of investments in the portfolio. They are also sometimes called 'collective investments'.
Property	Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators
Public Works Loans Board (PWLb)	This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Quantitative Easing (QE)	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It <i>"does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy"</i> . Source: Bank of England.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
RPI	Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the RPI index.
(Short) Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (Interest) with maturity durations of less than 365 days
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit

	rating
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services, initially published in 2003, subsequently updated in 2009 and 2011. CIPFA intend to update the Code again in 2018.
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Variable Net Asset Value (VNAV)	Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.
Yield	The measure of the return on an investment instrument.

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 10 January 2019

Audit Follow Up, Positions Statements and Progress Report Audit Plan

1. Contacts

Report Author:

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2. Recommendation

The committee is requested to consider the Audit Follow Up and note the Position Statements and progress against the Audit Plan.

3. Main Report

3.1. Car Parks Follow – Up

The audit review on the Car Parks Income was originally undertaken in August 2016 with a follow up report to Committee on the 29th March 2017. Since the last report, all of the car parking machines are now supported by the “Back Office” and as a consequence the reconciliation process has changed.

Internal Audit has reviewed the new process and to update and document any changes to the controls that had previously been identified.

Internal Audit looked at the following areas within the audit which were for cash, credit card and telephone income.

Reconciliations across the income streams identified in the scope are being undertaken, some are more complicated than others to perform. Improvements to the reconciliation process have been identified and are reported in the Action.

The format of this report is to raise exceptions only; areas highlighted where improvements should be made. All exception raised in this report have already been discussed and action agreed with the appropriate Service Managers and/or Divisional Managers.

Full Follow- up report can be found in appendix 1

3.2. IT GDPR Post Implementation – Position Statement

The General Data Protection Regulation came into effect from the 25th May 2018. The Council has made good progress for the change in Data Protection Legislation and whilst much work has been done there are elements that are work in progress.

Detailed in the report are the areas that Internal Audit have reviewed to date. It is planned that Internal Audit will test later in the year and report on the progress made.

Full position statement can be found in appendix 2

3.3. Business Continuity – Position Statement

A Business Continuity Audit was started in financial year 2016/17 in order to provide assurance that the Council have robust and reasonable Business Continuity Plans in place. Due to a review of the Business Impact Assessments by Zurich in 2016/17 and the work required as a result of this review, the audit was carried forward to the next financial year.

On recommencing the audit in 2017/18 the Business Continuity Plan health – checks were put on hold by John Ward (Director of Corporate Services) due to the restructure as per CMT minutes November 2017 and included within the 2018/19 audit plan.

Through documenting the process, the controls in place would provide the assurance that the Council have robust and reasonable Business Continuity Plans in place. However, due to the change in process the controls were in their infancy and therefore could not be tested. It is therefore recommended that testing on these controls is undertaken once they have been embedded.

Full position statement can be found in appendix 3

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. Car Parks – Follow Up
- 12.2. IT GDPR Post Implementation - Position Statement
- 12.3. Business Continuity – Position Statement
- 12.4. Progress Report – Audit Plan

13. Background Papers

13.1 None

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Internal Audit Summary Report

Car Parks Follow – Up Audit

**Ann Kirk
Auditor
October 2018**

Contents

Audit: Car Park Follow – Up
Auditors: Ann Kirk

If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction.....	3
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Chichester District Council
Internal Audit Report

2	Scope	3
3	Areas for Improvement.....	3
4	Agreed Actions	3
5	Action Plan – Appendix 1	4

1 Introduction

- 1.1 The audit review on the Car Park Income was originally undertaken in August 2016 with a follow up report to Committee on 29th March 2017. Since the last report, all of the car parking machines are now supported by the “Back Office” and as a consequence the reconciliation process has changed.
- 1.2 Internal Audit has reviewed the new process to update and document any changes to the controls that had previously been identified.

2 Scope

- 2.1 The following areas were looked at within the audit which were for cash, credit card and telephone income.
- To update the monthly reconciliation and review process
 - To check Car Parking Income had been correctly coded into Civica
 - To check the accuracy of invoices from G4S
- 2.2 The format of this report is to raise exceptions only; areas highlighted where improvements should be made. All exceptions raised in this report have already been discussed and actions agreed with the appropriate Service Managers and/or Divisional Managers.

3 Areas for Improvement

- 3.1 Reconciliations across the income streams identified in the scope are being undertaken, some reconciliations are more complicated than others to perform. Improvements to the reconciliation processes have been identified and are reported below in an Action Plan. This plan also shows agreed actions, the responsible officer and target dates.
- 3.2 In the case of some of the areas of improvement the service have already started to action the points which have been noted in the plan.

4 Agreed Actions

- 4.1 The agreed Action Plan can be seen at Appendix 1 to this report.
- 4.2 In order to prioritise actions required, a High, Medium and Low risk factor has been applied to identify issues raised as follows:

High – Significant areas of improvement to be addressed

Medium – Important areas of improvement to be addressed

Low – Minor areas of improvement to be addressed

5 Agreed Action Plan – Appendix 1

Key Financial System	Areas for Improvement	Priority	Agreed Actions	Responsible Officer	Target Date
Cash Collection G4S	Procedure Notes are updated where appropriate to reflect changes to the reconciliation process	Low	Agreed – Whilst procedure notes have been in place for some time the recent change in process for G4S income agreed in November 2018 will be amended in the procedure notes	Assistant Parking Services Manager (Operations)	December 2018
Cash Collection G4S	Monies within the holding account are journaled to the individual car parking cost centres.	High	Agreed - Reconciliations are undertaken weekly when there is no delay in information provided by G4S. Changes to G4S's processing operations has resulted in delays in information being submitted to CDC. All journaling is now up to date.	Assistant Parking Services Manager (Operations)	December 2018

Chichester District Council
Internal Audit Report

Credit Card income - SIX	The Service includes within their credit card payment reconciliation a check with the invoice provided by SIX.	Medium	Agreed	Assistant Parking Services Manager (Administration)	December 2018
Credit Card Income - Creditcall	That the Metric Report run from the back office is used within the Creditcall income reconciliation process and procedures are updated to reflect this.	Medium	Agreed – Reports will be run from the Metric System to provide an additional check and procedure notes will be updated	Administrative Assistant, Parking Services	December 2018
Telephone Payments - Chipside	On completion of the reconciliation for Chipside the amount journaled from the holding account to individual car parking codes is to exclude VAT, and those journals including VAT are corrected.	Medium	Agreed – The original procedures as agreed with Finance have now been amended to ensure that VAT is excluded when journaling	Assistant Parking Services Manager (Administration)	December 2018

Reconciliation Sign - Off	Reconciliations are currently signed off on a Reconciliation Spreadsheet by the Divisional Manager. Internal Audit recommends the reconciliation is formally signed off and kept with supporting evidence for completeness.	Medium	<p>Agreed – There are a number of income streams for parking and each one is reconciled and journaled out by the Parking Team. A spreadsheet is completed every month by the Divisional Manager – Place - to evidence that all income has been reconciled and journaled. Any queries are discussed with the officers.</p> <p>To comply with this additional recommendation the Divisional Manager – Place – will now send an email each month to the officers who deal with the reconciliation and journaling to confirm approval of the information or seek clarification on issues and will save the emails as evidence.</p>	Divisional Manager - Place	December 2018
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Internal Audit Position Statement

IT GDPR Post Implementation

Ann Kirk & Julie Ball
4th September 2018

Position Statement as at 4th September 2018

1 Introduction

1.1 The General Data Protection Regulation came in to effect from the 25th May 2018. The Council has made good progress for the change in Data Protection Legislation and whilst much work has been done there are elements that are work in progress.

2 Scope

2.1 To comply with GDPR the council need to embed 6 privacy principles within the council's operations and the audit focused on these principles. The principles give a top level overview of the areas covered by the new regulation.

3 Outcomes

3.1 Implementation of GDPR is a big project and therefore there are elements such as training that have been fully implemented and imbedded within the council while others such as appointment of a Deputy Data Protection Officer are still to be determined. Internal Audit have found the following to date:-

- Data Protection and Policies are in place but need to be reviewed which is to be undertaken by a new member of staff in Legal. This process is to look at improvements and remove duplicates across the council.
- Staff Training has been completed for all Members and Staff across the council.
- Data Protection audits schedule has been produced and audits were started to be carried out by the Data Protection Officer.
- The Divisional Manager for Democratic Services has been appointed as the council's Data Protection Officer and he has completed a relevant qualification so as to be "suitably qualified" as required by the GDPR to carry out that role.
- Privacy Impact Assessments are placed on the council's internet site.
- Data Processing Register is in place and is the responsibility of the Data Protection Officer who reviews this monthly.
- Data minimisation, pseudonymisation and transparency is a working progress as some systems are able to redact information and others require additional work.
- Legal are currently working with services who receive letters from companies with regards data handling this is an ongoing process.
- Data Breaches are reported via formal report by the Data Protection Officer, to the Chief Executive and Members and Director of Corporate Services and annual meeting are to be held with the PSN Compliance Officer.

3.2 Internal Audit will test later in this financial year and report on the progress made.



Internal Audit Position Statement

Business Continuity

Ann Kirk
October 2018

Position Statement as at October 2018

1. Introduction

- 1.1 A Business Continuity Audit was started in financial year 2016/17 in order to provide assurance that the Council have robust and reasonable Business Continuity Plans in place. Due to a review of the Business Impact Assessments by Zurich in 2016/17 and the work required as a result of this review, the audit was carried forward to the next financial year.
- 1.2 On recommencing the audit in 2017/18 the Business Continuity Plan health – checks were put on hold by John Ward (Director of Corporate Services) due to the restructure as per CMT minutes November 2017 and included within the 2018/19 audit plan.

2. Scope

- 2.1 The scope of the audit was to ensure the controls are working correctly and therefore assurance can be provided that the Council has robust and reasonable Business Continuity Plans in place in the event of a disruptive incident.

3. Outcome

- 3.1. Since the staff restructure the process for ensuring that Business Continuity Plans across the Council are completed was changed. The change was implemented from the 1st October 2018 when the old plans were archived and the reviewed plans were to be completed.
- 3.2 The process is now overseen by a single co-ordinator who reminds the Divisional Managers of their responsibility to renew plans and who uploads the plans onto Resilience Direct, an off-site hosted government system that is used for emergency planning purposes.
- 3.3 The process still uses the Council's Pentana system to ensure non-compliance is escalated through triggers to relevant individuals across the Council in doing so ensuring completion.
- 3.3 Through documenting the process, the controls in place would provide the assurance that the Council have robust and reasonable Business Continuity Plans in place. However, due to the change in process the controls were in their infancy and therefore could not be tested. It is therefore recommended that testing on these controls is undertaken once they have been embedded.

Progress Report – Audit Plan



Appendix 4

Audits	Auditor	No of Days	Position with Audit if commenced
Museum & TIC	Stephen James	3	Draft Report
HB Overpayments debt recovery	Julie Ball	5	This audit was brought forward from 2017/2018. Testing of HB Overpayments is scheduled to take place in the last quarter of 2018/2019.
2018/2019 Audit Plan			
Car Parks - Follow Up	Ann Kirk	0	Follow up completed
S106 and CIL (Follow Up)	Stephen James	8	This follow up was partially completed in 2017/2018 the remaining recommendation will be followed up during 2018/2019.
Use of Consultants (Southern Gateway only)	Sue Shipway	1	Position Statement issued
Personnel & Recruitment (Gifts and Hospitality Car Loans & Debts)	Ann Kirk/Julie Ball	0	Audit Completed
IT Inventory (Follow Up)	Sue Shipway	0	Audit Completed
Building Security	Sue Shipway	0	Audit Completed
Housing Applications	Louise Nothcott	10	
IT GDPR Post Implementation	Ann Kirk/Julie Ball	4	Position Statement issued
Income Generation (Financial Resilience and VFM)	Louise Northcott	19	
Grants Paid	Stephen James	10	
Business Continuity	Sue Shipway/Ann Kirk	4	Position statement issued
Key Financial Systems Report - 2017/2018	Sue Shipway	0	Audit Complete

Trade Waste	Ann Kirk/Julie Ball	8	
2018/2019 AGS	Stephen James	15	
PSIAS	Sue Shipway	4	
Inclusion in Key Financial Systems			
Creditors	Sue Shipway / Julie Ball / Ann Kirk / Stephen James	16	The Key Financial review work take place over the next twelve months, the first level of testing is currently being carried out.
Debtors	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Payroll	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
NNDR	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Treasury Management	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Fixed Assets	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Council Tax	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Bank Reconciliation	Sue Shipway / Julie Ball / Ann Kirk / Stephen James		
Other Audit Activities			
Key Financial Systems - As above	Sue Shipway / Julie Ball / Ann Kirk / Stephen James	16	
Planning and Control (Audit planning and review)	Stephen James / Sue Shipway	8	
Meeting / Discussions with EY	Stephen James / Sue Shipway	1	
Committee reports and representation	Stephen James / Sue Shipway	7	
Corporate Advice	Stephen James / Sue Shipway / Julie Ball	12	
2017/2018 AGS and Evidence	Stephen James	0	
Contingency	Stephen James / Sue Shipway / Ann Kirk / Julie Ball	19	
Public Sector Internal Audit Standard (PSIAS)	Stephen James / Sue Shipway	5	
Follow Ups	Stephen James / Sue Shipway / Ann Kirk / Julie Ball	12	

Chichester District Council

Corporate Governance and Audit Committee

10 January 2019

Constitutional Amendment

1. Contacts

Report Author:

Nicholas Bennett, Monitoring Officer (Divisional Manager Democratic Services)
Tel: 01243 534668 E-mail: NBennett@Chichester.gov.uk

2. Recommendation

- 2.1 That the committee note the amendments to the Constitution made by the Monitoring Officer in the period May 2013 to January 2019.**

3. Background

- 3.1 As part of the proper and effective management of the Constitution, a task and finish group was set up comprising members from all three groups, chaired by the Leader of the Council. This considered constitutional issues which have arisen since the major review of the Constitution in 2016.
- 3.2 The task and finish group received advice from the Monitoring Officer as to his powers to make “consequential” amendments to the Constitution. These changes are limited to those required to update the Constitution following structural changes or legal changes. The Group was content with this but directed the Monitoring Officer to provide a report on such changes to ensure they were entirely clear to members.

4. Outcomes to be achieved

- 4.1 To maintain member oversight of application of the use of Constitution amendment powers by the Monitoring Officer.

5. Schedule

- 5.1 The Monitoring Officer (MO) has powers under the Constitution to amend two types of matters without reference to others, being officer title changes (Changes to reflect recent job title changes have recently taken place for example) or changes which arise as the result of a change in Statute or regulation (For example when the Antic Social behaviour Act 2014 came into effect making changes to the basis of certain powers delegated to specific officers). The task and finish group considered that the Monitoring Officer powers are proportionate, sufficient and reasonable to the requirements of the Council.
- 5.2 The group noted the powers granted to the Monitoring officer and the ability, through Modern.Gov, for all members to review changes made by that officer. However, in order to improve transparency and visibility of the use of those delegated changes it

was felt by the group that some form of annual “headline” reporting of those changes would be useful.

- 5.3 As this is the first report since the task and finish group, the schedule attached shows all changes to the Constitution since it was fully revised in 2013.

6. Alternatives that have been considered

- 6.1 It is open to this Committee to have such reporting mechanisms as they prefer including not requiring any reports to be submitted, but the view of the Task and Finish group was that there would be benefits to member awareness of the operation of the Constitution through this reporting.

7. Resource and legal implications

- 7.1 None of the recommendations have an impact on finance, staffing, IT or property.

8. Consultation

- 8.1 There is no direct community or corporate impact from the recommendations of this report beyond those set out in the body of the report as to improved reporting.

9. Community impact and corporate risks

- 9.1 There is no direct community or corporate impact from the recommendations of this report beyond those set out in the body of the report as to improved reporting.

10. Other Implications

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

likely to result in a high risk includes (but is not limited to):		
<ul style="list-style-type: none"> • systematic and extensive processing activities and where decisions that have legal effects – or similarly significant effects – on individuals. • large scale processing of special categories of data or personal data relation to criminal convictions or offences. • Any larger scale processing of personal data that affects a large number of individuals; and involves a high risk to rights and freedoms e.g. based on the sensitivity of the processing activity. • large scale, systematic monitoring of public areas (including by CCTV). <p>Note - If a high risk is identified a Privacy Impact Assessment must be provided to the Data Protection Officer.</p>		
Other (Please specify): eg health and wellbeing		X

10. Appendices

10.1 A schedule of the changes to the constitution since 2013

11. Background Papers

Task and finish group meeting notes 3 July 2018

Task and finish group meeting notes 19 July 2018

Monitoring Officer notes to the Task and Finish Group

Appendix

The existing number of members sitting on individual committees was reviewed.

Following consideration of the workloads of each committee and impact of their decisions member numbers were agreed for recommendation to Full Council:

Name of Committee	Existing Numbers	Agreed Numbers
CGAC	10	8
Investigation & Disciplinary	5	5
Standards	7	7
Overview & Scrutiny	15	11
Licensing	15	10
Planning	15	13
Total		54

The Constitution

Summary of revisions

Revision Date	Summary of Changes
Council 21 May 2013	Full revision
Council 23 July 2013	Subsequent minor revisions where inconsistencies identified.
Council 4 March 2014	Revision to take account of new management structure by Monitoring Officer
Council 23 Sept 2014	Revision to the position of Deputy Leader; Revised Standing Order re public filming and recording of meetings; Delegation of neighbourhood planning functions. Reported to full Council.
Cabinet 4 December 2014	Amended to authorise the use of powers included in the Anti-Social Behaviour, Crime and Policing Act 2014 reported to Full Council.
Council 19 May 2015 and Cabinet 2 June 2015	Part 2 - New list of Cabinet portfolio holders. Part 3 - Delegation of byelaw action to all Heads of Service. Amended Terms of Reference of the Development Plan & Infrastructure Panel. Amended delegation of grants and concessions powers to Cabinet members
Cabinet 7 July 2015 and Council 14 July 2015	Part 3 - Deletion of the Executive Directors and Heads of Service Disciplinary Appeal Panel and Redundancy Appeal Panel and amendment of the Terms of Reference for the Appeals Committee. Amendment of the delegated powers of the Head of Housing & Environmental Services in respect of amenity land. Reported to full Council.
Council 26 January 2016	Part 6 – Revised Members’ Allowances Scheme from 1 April 2016 amended by Monitoring Officer following related report to full Council.
Council 19 July 2016	Review of all parts, with significant changes to Part 2 (Articles), Part 3 - Boundary Review Panel and Joint Employee Consultative Panel and delegated powers of staff; Part 4 – procedural Standing Orders, Call-in Procedure and Contract Standing Orders, Part 5 (guidance on gifts and hospitality and members’ contacts with staff), and Part 7 (management structure). For full report see: http://chichester.moderngov.co.uk/ieListDocuments.aspx?CId=132&MId=726&Ver=4
June 2017 Delegated Monitoring Officer amendments	Part 6 Scheme of Members’ Allowances – updated travel and subsistence allowances. amended by Monitoring Officer following related report to full Council
April 2018 Delegated Monitoring Officer amendments	Throughout document – amendments in line with new corporate structure and revised portfolio holder responsibilities by the Monitoring Officer Part 2 – Article 10 Officers – amendments in line with new corporate structure Part 3 Section 3 Delegated Powers of Employees – various amendments arising from Cabinet decisions and amended regulations. Part 5 Section 5.3 Code of Conduct for Employees – various amendments Part 5 Section 5.4 Protocol on Member/Employee Relations – various amendments Part 5 Section 5.6 Public Question Time information - amended Part 7 Management Structure – revisions in line with new corporate structure
June 2018	Part 3 – Joint Employee Consultative Panel – clarification of Staff Side

Delegated Monitoring	representative numbers and how a substitute can be appointed. Officer amendments of title also made in some cases by the Monitoring Officer.
January 2019	Report as to Constitution changes from relevant Task and Finish Group (chaired by the Leader of the Council supported by Group Leader and other Councilors) made. Changes to number of Councilors at various committees and sub committees, amendments to policy on member attendance, an annual report to Corporate Governance Committee on changes to the Constitution to be prepared, amendments to the approval process to Neighborhood planning regulations and amendment to ensure wide interpretation of the deputy S.151 Officer role.