

FAREHAM

BOROUGH COUNCIL

AGENDA

AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 26 November 2018

Time: 6.00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor J E Butts (Chairman)

Councillor S D Martin (Vice-Chairman)

Councillors P J Davies

T Davies

Mrs T L Ellis

Mrs C Heneghan

J G Kelly

Deputies: J S Forrest



1. Apologies

2. Minutes (Pages 5 - 8)

To confirm as a correct record the Minutes of the Audit and Governance Committee meeting held on the 17 September 2018.

3. Chairman's Announcements

4. Declarations of Interest and Disclosures of Advice or Directions

To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

5. Deputations

To receive any deputations of which notice has been lodged.

6. Business Continuity (Pages 9 - 42)

To consider a report by the Head of Building repairs and Maintenance Service on the Council's Business Continuity arrangements.

7. Treasury Management Progress Report (Pages 43 - 74)

To consider a report by the Director of Finance and Resources on the progress and implementation of the Treasury Management Strategy for 2018/19.

8. Constitution Updates Annual Report (Pages 75 - 86)

To consider an annual report by the Monitoring Officer reviewing amendments to the Council's Constitution.

9. Internal Audit Progress Report (Pages 87 - 106)

To consider a quarterly report by the Head of Finance and Audit on the findings arising from the latest internal audit work to be finalised and the progress being made on delivering the internal audit plan 2018/19.

10. Review of Work Programme and Training Plan (Pages 107 - 110)

To consider a report by the Head of Finance and Audit on a review of the Work Programme for 2018/19.



P GRIMWOOD
Chief Executive Officer

Civic Offices
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01 July 2020

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FAREHAM

BOROUGH COUNCIL

Minutes of the Audit and Governance Committee (to be confirmed at the next meeting)

Date: Monday, 17 September 2018

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor J E Butts (Chairman)

Councillor S D Martin (Vice-Chairman)

Councillors: P J Davies, T Davies, Mrs T L Ellis, Mrs C Heneghan and
J G Kelly

**Also
Present:**



1. APOLOGIES

There were no apologies of absence at this meeting.

2. MINUTES

RESOLVED that the Minutes of the Audit and Governance Committee meeting held on the 23 July 2018 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced that on behalf of the Audit and Governance Committee Members he wanted to offer condolences to the two Members of the Committee who have recently been bereaved.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

There were no declarations of interest made at this meeting.

5. DEPUTATIONS

There were no deputations made at this meeting.

6. EXTERNAL AUDIT ANNUAL LETTER

The Committee considered a report by the Director of Finance and Resources on the External Auditors (Ernst & Youngs LLP) Annual Audit Letter, which summarises the findings from the 2017/18 audit.

RESOLVED that the Committee notes the contents of the report.

7. ANNUAL OVERVIEW OF COMPLAINTS AGAINST THE COUNCIL

The Committee considered a report by the Director of Finance and Resources on an annual overview of the complaints made to the Local Government and Social Care Ombudsman, the Housing Ombudsman Service and any complaints received in respect of breaches of the Code of Conduct for Members.

RESOLVED that the Committee notes the contents of the report.

8. RISK MANAGEMENT MONITORING REPORT

The Committee considered a six-monthly report from the Head of Finance and Audit on the evidence that had been compiled as proof that the Risk Management Policy which was approved by the Committee in March 2017, is operating in practise.

RESOLVED that the Committee reviewed the report as a source of evidence that the current Risk Management Policy is operating in practice.

9. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report by the Head of Finance and Audit on the assurances arising from the latest Internal Audit work and updating Members on the progress being made with the delivery of the audit plans.

Members expressed concern over the slow progress being made with the audits in the 2018/19 plan. The Chairman requested that effort be made to improve the advancement of this year's plan by the 26 November 2018 Audit and Governance Committee meeting.

RESOLVED that the Committee notes the progress and the findings arising from the Internal Audit work.

10. REVIEW OF WORK PROGRAMME 2018/19

The Committee considered a report by the Head of Finance and Audit on a review of the Work Programme for 2018/19.

The Head of Finance and Audit addressed the Committee to confirm that following the Committee's approval at the 12 March 2018 meeting to bring the Review of the Constitution as an annual report for Members, this will be added to the 26 November 2018 meeting.

RESOLVED that with the addition of item – Review of the Constitution being added to the 26 November 2018 meeting, the Committee approve the Work Programme for 2018/19.

(The meeting started at 6.00 pm
and ended at 6.35 pm).

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 26 November 2018

Report of: Head of Building Repairs and Maintenance Service

Subject: BUSINESS CONTINUITY

SUMMARY

Councils are required, by law, to maintain adequate business continuity arrangements to ensure their critical services are maintained during and following any disruption that impacts upon service delivery.

The Committee has received previous reports that provided updates on the work that has been undertaken, progress that has been made and the arrangements that are in place for responding to and managing any disruption. This report provides a further update for members of the work that has been undertaken.

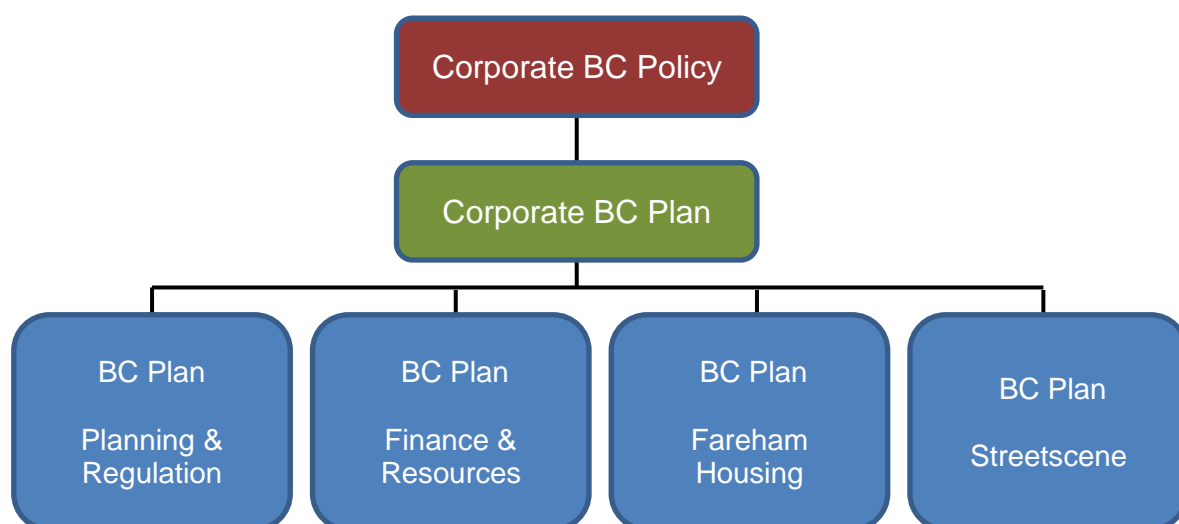
Part of this process has also involved a review of the Business Continuity Policy, which sets out the framework for the development, implementation, testing and review of the Council's Business Continuity Plans (BCP).

RECOMMENDATION

It is recommended that the Committee note the progress to date and the ongoing work that is being undertaken in the development and implementation of the Council's business continuity arrangements.

INTRODUCTION

1. Business Continuity Management (BCM) is the strategic and tactical capability of an organisation to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level. Business continuity can be effective in dealing with both sudden 'rapid-onset' (e.g. fires) and gradual 'rising tide' (e.g. flu pandemic) incidents.
2. Fareham Borough Council (FBC) has a duty¹ to ensure that a Business Continuity Management System (BCMS) is in place comprising of Business Continuity Plans (BCP) within each Director's service areas which, in the event of any major disruption of day-to-day activity, will aid and inform service recovery.
3. FBC's current BC arrangements come in the form of the FBC BCM Policy and a large number of service/departmental BCPs. Recent organisational changes have resulted in the current suite of Business Continuity Plans becoming out-of-date and unmaintained as restructure and redesign has taken place across the organisation. The majority of service/departmental BCPs were last updated in late 2014 - early 2015.
4. A revised approach developed by the Head of Building Repairs and Maintenance Service and Emergency Preparedness, Resilience & Response Officers, who provide support to FBC through a Deed of Agreement (with Southampton City Council), is outlined below. The aim is to streamline the BC process, bringing it in line with current corporate structures and aligning the documentation closely to ISO22301 (the International Standard for BCM). See proposed BCM structure below.



¹ [Civil Contingencies Act 2004 s.2 \(1\)\(c\)](#)

Corporate Business Continuity Policy

5. The Corporate BC Policy defines the Business Continuity Management Programme strategy for FBC. It is a strategic document that sets out priorities, management structures, and roles and responsibilities to ensure an appropriate response to any disruption. The revised policy along with revised BC plans was presented to the Chief Executives Management Team in July 2018 and subsequently approved by them. This policy will be maintained and reviewed by the Emergency Planning Team on a three-yearly basis.

Corporate Business Continuity Plan

6. The Corporate BC Plan defines FBC's response to a significant disruption to service delivery. This plan covers the high-level corporate response to an incident and gives an overview of the critical services for each Director's service areas. This plan will be maintained and reviewed by the Emergency Planning Team on a three-yearly basis or following an incident that requires changes to the plan to be made.

Business Continuity Plans

7. BCPs will define the response to a significant disruptive event that impacts on day-to-day activities for each Director's service areas within the current corporate structure. This varies from the previous approach where there may have been multiple plans per directorate, covering the different departments. The maintenance of these plans varied in quality and currency across the organisation. With the Emergency Planning Team taking on the bulk of the work with regards to writing and maintaining plans, and significantly reducing the number of plans, this will ensure demands made upon Directors, Heads of Service and their managers are kept to a minimum. Each service area Head of Service will be asked to support the Emergency Planning Team with the updates to the plans relevant to their areas. This will also allow central management of and greater consistency of plans across the authority.

Implementation

8. The Emergency Planning Team will gather all existing Business Continuity Plans and transfer the information within the new directorate-level template, updating where possible. Each Director their Heads of Service, and other managers within their teams will then be asked to participate in a workshop to work through the initial draft of their Business Continuity Plan (combining previous departmental plans where appropriate) where the Emergency Planning Team will ensure that the information within is correct, the Plan understood, and identifying areas where further information is required. The first draft of the plans and the workshops will be held at the end of November and beginning of December 2018.

9. The Emergency Planning Team will then produce a second draft BCP for each Head of Service; this will be presented to the Service Director for final amendment and sign-off. These plans will be reviewed on a three-yearly basis or following an incident that requires changes to the plan to be made. It is anticipated that these plans will be completed by March 2019.
10. The inclusion of local authorities in the CCA recognises the role they have to play, both in direct operational response and in support of the 'blue light' emergency services during emergencies, which impact on their communities.
11. The duty to plan for business continuity ensures that the authority can continue to provide its critical services when it is involved in an emergency response and also when any of those critical services are faced with a disruptive challenge, for example, a power cut affecting the Civic Offices.
12. The process of business continuity planning, in simple terms, involves the following steps:
 - Identify the risks faced, and the impacts of those risks;
 - Identify the critical services the authority provides; and
 - Make plans to ensure those critical services are resilient to the risks faced.
13. Good business continuity planning requires a detailed understanding of the services provided, and the resources required to deliver those services. It should therefore be viewed as a process which enhances everyday business, as well as one which provides emergency procedures.
14. Business Continuity is not a one-off process; it is an ongoing process which should account for changes to statutory responsibilities, service delivery, restructuring, and the risk assessment. The process needs to be reviewed and tested regularly to ensure plans are fit for purpose when activation is required.

RISK ASSESSMENT

15. There are no significant risk considerations in relation to this report

CONCLUSION

16. Following an update to each of the Director level BCPs, a test of the Corporate BC Plan will be carried out using a cyber threat scenario table-top exercise which will link to the planned Local Resilience Forum exercise (summer 2019).

17. To enable a consistent review of the BCPs it is proposed that a short workshop will be held with each Director their Heads of Service and relevant managers annually working through different scenarios to ensure all areas of the BCP are reviewed within the three-year cycle. This is proposed to begin in 2020.

APPENDICES – APPENDIX A – Corporate Business Continuity Policy

APPENDIX B – Corporate Business Continuity Plan

Background Papers: None

Reference Papers: None

Enquiries:

For further information on this report please contact Kevin Wright. (Ext 4359)

Corporate Business Continuity Policy

Fareham Borough Council

Version 1.0 August 2018

<https://collaborate.resilience.gov.uk/RDService/home/139350/Business-Continuity>

Foreword

Business Continuity Management is a vital component of risk management, an integral part of corporate governance. The Civil Contingencies Act 2004 requires local authorities to maintain Business Continuity Plans, to ensure that following a serious disruption, services can be provided to the community.

This document, in conjunction with the Fareham Borough Council Corporate Business Continuity Plan, defines a structure within which, during periods of serious disruption, from which a coordinated Business Continuity response can be activated, managed and recovered.

This plan supersedes the former FBC Business Continuity Policy.

Document Control

Plan version	Date	Remark(s)	Reviewer(s)
v0.1	May 2018	Initial draft for Emergency Planning consultation	CCL
v0.2	May 2018	Initial draft review	KWR
v0.3	June 2018	Draft review incorporating comments	CCL
V1.0	August 2018	Plan Published	JP

The next scheduled review of this plan is February 2020

In order to ensure that this document is maintained correctly all proposed amendments must be brought to the attention of the Emergency Planning Team via the e-mail address below, who has responsibility for Emergency Planning and Business Continuity.

(Email: kwright@fareham.gov.uk or jpoulter@fareham.gov.uk)

The Portsmouth and Southampton Emergency Preparedness, Resilience and Response Team (EPRRT) will decide whether such amendments consist of **contact detail amendments**, **minor amendments** or **major amendments** to the plan.

- **Contact detail amendments** will be added urgently to the Contact Directory, which will ensure the correct people are contacted upon plan activation. These

details will then be added to plans during the next annual re-issue of the document.

- **Minor amendments** do not impact significantly on the effectiveness of the plan and will be incorporated into the next annual re-issue of the document.
- **Major amendments** impact significantly on the effectiveness of the plan and will result in a new plan version being issued 'in-year' and the existing electronic and *primary* paper copies will be replaced by the EPRRT. Any *additional* copies (see Distribution section) will be replaced by the relevant plan owner or delegated team.

Glossary

BCM	Business Continuity Management
BCMS	Business Continuity Management System
BCP	Business Continuity Plan
CCA	Civil Contingencies Act 2004
CCMT	Corporate Crisis Management Team
CXMT	Chief Executive's Management Team
DCMT	Directorate Crisis Management Team
DoA	Deed of Agreement
DR	Disaster Recovery
EPRRT	Emergency Preparedness, Resilience and Response Team
FBC	Fareham Borough Council
EP	Emergency Planning
HIOW LRF	Hampshire and Isle of Wight Local Resilience Forum
RTO	Recovery Time Objective
SCC	Southampton City Council
SCG	Strategic Coordinating Group

Distribution

The following officers have access to the plan:

- **Chief Executive**
- **Chief Executive Management Team (Directors & Assistant Directors)**
- **EP Team**
 - **Head of Building Repairs & Maintenance Service (holds responsibility for Emergency Planning and plan owner)**
 - **SCC Emergency Preparedness, Resilience and Response Team**
- **Corporate Communications Team**

The plan is stored electronically on ResilienceDirect

<https://collaborate.resilience.gov.uk/RDSservice/home/139350/Business-Continuity>

Plan Approval

Role	Name	Date	Signature
Authorised By	Peter Grimwood	July 2018	
Owner	Kevin Wright	July 2018	
Key Service Contact	Jazmine Poulter / Caroline Calvert-Lee	July 2018	

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Section 1 Background

1.1 Introduction

Business Continuity Management (BCM) is the strategic and tactical capability of an organisation to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level. Business continuity can be effective in dealing with both sudden 'rapid-onset' (e.g. fire) and gradual 'rising tide' (e.g. flu pandemic) incidents.

Fareham Borough Council (FBC) has a duty to ensure that a Business Continuity Management System (BCMS) is in place comprising of Business Continuity Plans (BCP) within all directorates which, in the event of any major disruption of day-to-day activity, will aid and inform service recovery. The BCM Programme outlines the implementation of the BCMS within FBC.

BCM is a vital component of Risk Management which forms an integral part of the council's overall Corporate Governance arrangements. The Civil Contingencies Act 2004 (CCA), which delivers a single framework for civil protection in the United Kingdom, requires Category 1 responders, which includes local authorities, to maintain their internal BCP's.

BCM is a planned process aimed at managing the many and varied operational risks inherent in the day-to-day delivery of services. The key advantages of BCM include:

- Identification of critical functions within directorates in advance of serious disruption. This will enable informed decisions to be made as to how and what risks need to be managed.
- Definition of the roles and responsibilities of individual officers when responding to and recovering from serious disruption.
- Determination of resources required to maintain a predefined level of service to the community during periods of serious disruption.
- Enablement of process for continual improvement, ensuring that plans remain fit for purpose.

It is important to remember that partner providers, and other companies and organisations who deliver goods or services on behalf of the council, are business continuity compliant and are capable of operating across the broad range of business disruptions that they are likely to face.

Under the CCA it is the responsibility of the local authority to provide advice and assistance to businesses and voluntary organisations on BCM.

Section 2 BCM Programme

2.1 Aim & Objectives

The **aim** of the Corporate Business Continuity Policy is:

- To define the Business Continuity Management Programme strategy for Fareham Borough Council.

The **objectives** of the Corporate Business Continuity Policy, as far as reasonably practicable, are to:

- Align closely to ISO22301; the International Standard for BCM.
- Outline the structure within which a coordinated Business Continuity response can be activated, managed and recovered from.
- Define the roles and responsibilities of officers.
- Outline training and exercise requirements.
- Provide a framework for continual improvement.

2.1.1 In Scope

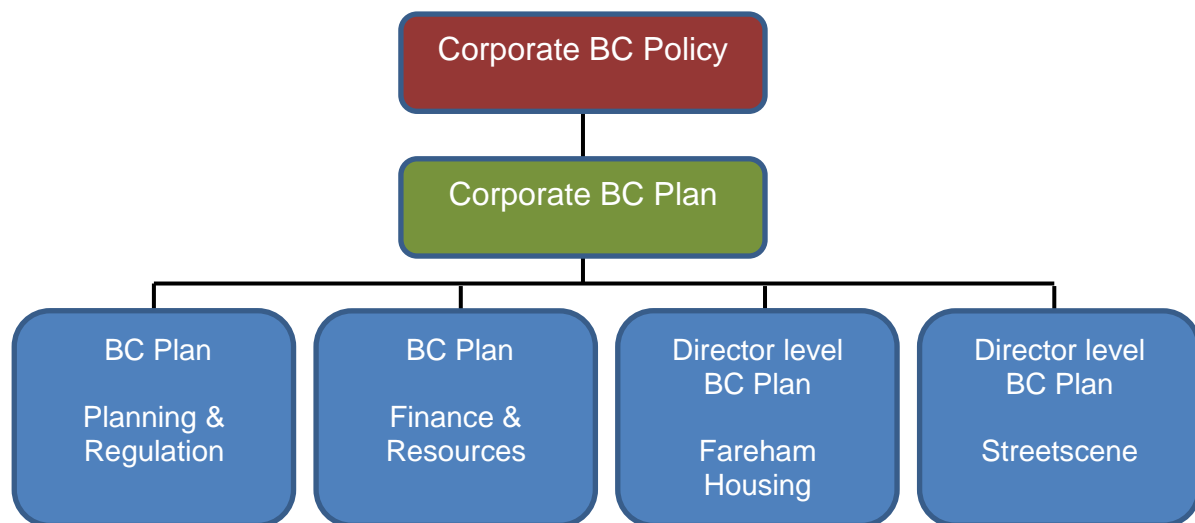
The implementation and on-going infrastructure for responding to serious disruption across Fareham Borough Council, including all Directorates, can be summarised as follows:

- A strategic document (this policy) that sets out priorities, management structures, and roles and responsibilities to ensure an appropriate response to any disruption.
- The Corporate Business Continuity Plan addresses the full range of the Council's functions and service areas. Where appropriate, it considers the interdependencies of different organisations, mutual aid and partnership arrangements.
- Specific tactics have been produced to mitigate the effects of loss of infrastructure including facilities and IT (including Disaster Recovery)
- Directorates will have their own Business Continuity Plans to identify critical services and outline the specific arrangements in place for the various services and teams.

2.1.2 Out of Scope

This Policy document covers the arrangements for FBC only. While it is the responsibility of FBC to ensure BC arrangements for partners and third-party contractors are in place, the specifics of their BC arrangements are held with them.

2.1.3 BCM Programme Structure



Note: The number of individual BCPs may vary depending on the number of active Directorates

2.2 Associated Documents

Plan	Owned by
Internal	
FBC Corporate Business Continuity Plan	Head of Building Repairs and Maintenance Service
FBC Business Continuity Plans (One per director / Head of Service as appropriate)	Directors / Nominated Plan Authors
FBC Corporate Risk register	Directors
FBC Emergency Response Plan	EP Team
HIOWLRF Strategic Guidance for Fuel Supply Disruption	HIOW LRF
External	
Guidance contained within the British Standard ISO22301 Code of Practice	ISO

2.3 Policy Approval

The Corporate Business Continuity Policy is produced by the Head of Building Repairs & Maintenance (with responsibility for Emergency Planning), in partnership with the PCC and SCC EPRR Team, on behalf of FBC. This partnership is henceforth called the EP Team for the purposes of this document and in other Business Continuity documentation.

The Chief Executive's Management Team (CXMT) of Fareham Borough Council have approved the adoption of this policy across the organisation

2.4 Ownership

The Corporate Business Continuity Policy is owned by FBC under the following:

- **Responsible Officer**: Chief Executive
- **Owner**: Head of Building Repairs and Maintenance Service
- **Team**: The EP Team is responsible for producing the Corporate Business Continuity Policy and ensuring it is regularly exercised and updated on behalf of the Chief Executive.

2.5 Policy Review

The Corporate Business Continuity Policy will be reviewed by the FBC CXMT when:

- Lessons identified from experience or exercise indicates this policy is out of date;
- A restructure or other changes to the organisation indicates this policy is out of date;
- Every three years from initial publication.

Internal audits of BCPs will be arranged at intervals with the EP Team. The purpose is to determine whether BCPs continue to conform to planned arrangements, are properly implemented and maintained and remain effective in meeting the authority's BCM policy and objectives.

2.6 Risk Assessment

It is important that the significant risks threatening the performance of the critical functions in the event of an emergency or disruption are identified, as this will enable services to focus resources in the right areas and develop appropriate continuity strategies.

FBC has in place a Corporate Risk Register which identifies the most significant risks in respect of the achievement of key priorities / objectives and delivery of services. The council's strategic risks together with the associated mitigating actions and controls are subject to periodic challenge and review by the CXMT.

The Hampshire and Isle of Wight Local Resilience Forum (HIOWLRF) have developed a [Community Risk Register](#) which identifies a number of top risks for the local area. The table below identifies some internal and external risks that have the potential to necessitate the local authorities BCPs to be implemented:

Internal	External
Loss of Critical Infrastructure e.g. internet, network, telecommunications	Pandemic Flu
Industrial Action	Flooding
Staff Sickness – Pandemic Flu	Severe Weather, including cold weather / heatwave
	Community Tensions
	Industrial Accidents
	Industrial Action

Each directorate management team considers these, and any other risks specific to that directorate, when completing their BCP.

2.7 The Business Continuity Management Lifecycle

The ISO22301 “BCM Lifecycle” shows the stages of activity that an organisation moves through and repeats the overall purpose of improving organisational resilience. Alignment to the BCM Lifecycle will ensure the integrity of Business Continuity arrangements and assurance to stakeholders that an organisation is resilient and able to respond to disruption effectively. A diagram of the BCM Lifecycle is below (figure 1) and an explanation of how FBC implements each stage is given overleaf.



Figure 2: The Business Continuity Management Lifecycle (BCI Good Practice Guidelines 2018)

The application of this lifecycle is completed through the Business Continuity Management System employed by FBC, see 2.9.

2.7.1 Policy and Programme Management

Policy and Programme Management is at the start of the BCM Lifecycle. It is the Professional Practice that defines the organisational policy relating to Business Continuity and how that policy will be implemented, controlled and validated through a BCM programme. This part of the lifecycle is reflected in FBC's Corporate Business Continuity Policy (this document).

2.7.2 Embedding Business Continuity

Embedding Business Continuity is an ongoing activity resulting from the Policy and Programme Management stage of the BCM Lifecycle. It continually seeks to integrate Business Continuity into day-to-day business activities and organisational culture. This part of the lifecycle is incorporated into the Business Continuity training and exercising coordinated by the EP Team along with the embedding associated with activation of Corporate and individual BCPs in response to disruption.

2.7.3 Analysis

Analyse reviews and assess an organisation in terms of what its objectives are, how it functions and the constraints of the environment in which it responds. The main technique used for the analysis of an organisation for Business Continuity purposes is the Business Impact Analysis (BIA). BIA identifies, quantifies and qualifies the impacts in time of a loss, interruption or disruption of business activities on an organisation and provides data from which appropriate continuity strategies can be determined. This part of the lifecycle is conducted within FBC's Corporate and individual BCPs.

2.7.4 Design

The Design stage of the BCM Lifecycle identifies and selects appropriate strategies and tactics to determine how continuity and recovery from disruption will be achieved. This part of the lifecycle is conducted within the Corporate Business Continuity Policy (this document) and FBC's Corporate and individual BCPs.

2.7.5 Implementation

Implementation executes the agreed upon strategies and tactics through the process of developing the BCP. The aim is to identify and document priorities, procedures, responsibilities and resources to assist the organisation in managing a disruptive incident, while implementing continuity and recovery strategies to a pre-determined level of service. This part of the lifecycle is conducted within FBC's Corporate and individual BCPs.

2.7.6 Validation

Validation confirms that the BCM Programme meets the objectives set in the BC Policy and that the organisations BCP is fit for purpose. The purpose of validation is to ensure the Business Continuity capability reflects the nature, scale and complexity of the organisation it supports and that it is current, accurate and complete, and that actions are taken to continually improve organisational resilience. This part of the lifecycle is incorporated into the Business Continuity training and exercising coordinated by the EP Team along with the validation associated with activation of Corporate and individual BCPs in response to disruption.

Summary of BCM Lifecycle links to FBC documents	
Stage of lifecycle	Element of BC Policy/ BCPs
Policy and Programme Management	Corporate Business Continuity Policy
Embedding BC	BC Training and exercising / BC Plan activations and responses
Analysis	Corporate Business Continuity Plan / Directorate Business Continuity Plans
Design	Corporate Business Continuity Policy / Corporate Business Continuity Plan / Directorate Business Continuity Plans
Implementation	Corporate Business Continuity Plan / Directorate Business Continuity Plans
Validation	BC Training and exercising / Plan activations

2.8 Business Continuity Management System

The BCM Programme is implemented and managed using a formalised method to a recognised standard, this is known as a Business Continuity Management System (BCMS). In this case FBC uses the Plan-Do-Check-Act (PDCA) cycle.

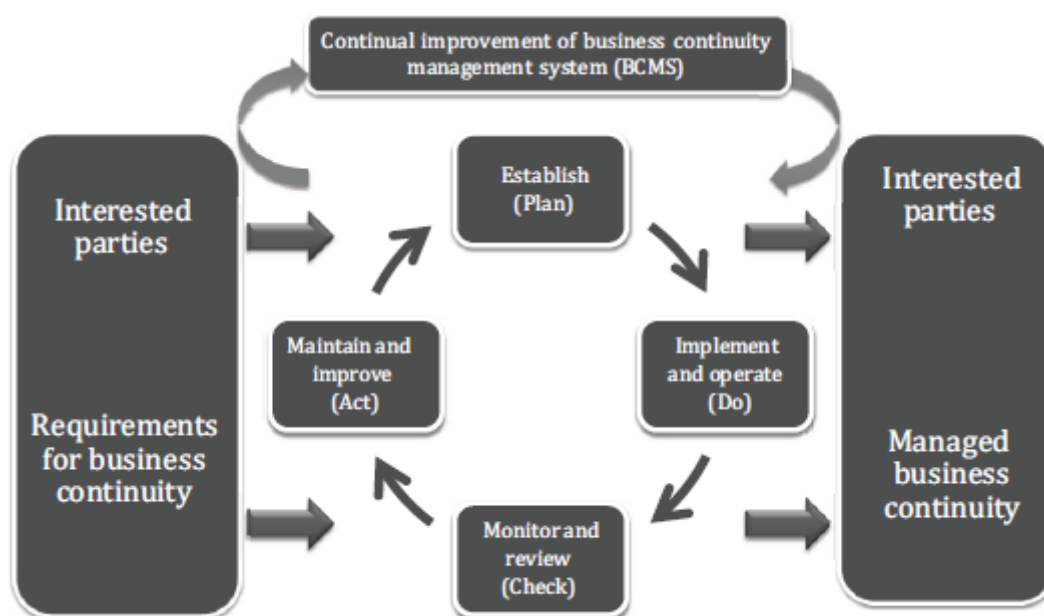


Figure 3: Plan-Do-Check-Act Cycle

Plan (Establish)	Establish business continuity policy, objectives, controls, processes and procedures relevant to improving business continuity in order to deliver results that align with the organisation's overall policies and objectives.
Do (Implement and operate)	Implement and operate the business continuity policy and plans, controls, processes and procedures.
Check (Monitor and review)	Monitor and review performance against business continuity objectives and policy, report the results to management for review, and determine and authorise actions for remediation and improvement
Act (Maintain and improve)	Maintain and improve the BCMS by taking corrective actions, based on the results of management review and re-appraising the scope of the BCMS and business continuity policy and objectives.

Section 3

Roles & Responsibilities

To implement, develop and maintain the Corporate Business Continuity Policy, roles and responsibilities have been identified against individual posts within the council's structure. Broad definitions of these responsibilities are provided below, with the chart at 3.11 providing more detailed information.

3.1 The Chief Executive

The Chief Executive is responsible for providing Business Continuity leadership and will ensure that a structure is developed and maintained which integrates and embeds Business Continuity within the council. The Chief Executive also authorises the Corporate Business Continuity Policy.

3.2 Chief Executive Management Team (CXMT)

The CXMT (Directors / Heads of Service as appropriate) are responsible and accountable to the Chief Executive for the implementation and development of the council's Corporate BCP and fulfilling a role within the response structure. They are the owner of their service area BCP and they will nominate appropriate persons to act as BCP Author, or undertake this role themselves, depending on the needs and structure of their service(s).

3.3 Business Continuity Plan Authors

Plan Authors are responsible and accountable to their Director for the implementation, development and management of BCP's within their allocated areas of responsibility and they fulfil a role in the response structure.

3.4 Emergency Planning Team

The Emergency Planning Team for FBC is comprised of the Head of Building Repairs & Maintenance Service who has responsibility for Emergency Planning for FBC, along with members of the PCC and SCC EPRR Team who provide support to FBC through a Deed of Agreement (DoA). This group will facilitate the

implementation, development, training and exercising the council's Corporate and individual BCPs, and the management of the BCM Programme.

3.5 Staff

Staff will, in respect of the BCP's, have assigned responsibilities. These responsibilities can include but are not limited to:

- Assisting in the development of BCP's.
- Taking part in the BCP activation process.
- During periods of disruption, fulfilling duties outside of their normal role in order to meet the requirements of the individual and Corporate BCP's.

3.6 Business Continuity Group

The Business Continuity Group (BCG) will be chaired by the Chief Executive, or nominated Director, and will depend on the nature of the disruption. Core membership will comprise:

- Director of Planning & Regulation
- Director of Finance and Resources
- Managing Director of Fareham Housing
- Head of Building Repairs and Maintenance Service
- Head of Finance and Audit
- Head of Streetscene
- Head of HR and IT
- Head of Leisure and Corporate Services
- Representative from the EP Team

The main tasks of the BCG are:

- Implement the Corporate BCM Policy
- Identify priority areas for support
- Brief and advise the Directors on council resilience, priorities and delivery options.
- Advise directorates of decisions on priority actions
- Co-ordinate and communicate customer service arrangements across the council

- Collate information on availability of council facilities
- Co-ordinate requirements for alternative buildings and facilities
- Collate information on directorate staffing levels and availability
- Co-ordinate and advise on re-deployment of staff to priority services or other locations
- Provide advice to staff and managers on agreed working arrangements and health and safety issues
- Co-ordinate internal volunteers lists
- Act as the primary link with members and MPs

3.7 Corporate Crisis Management Team

The main tasks of the CCMT are:

- To assess the damage of and ensure the security and safety of any affected building
- Mitigate any loss through salvage of the contents of affected building
- Determine availability of council facilities
- Source alternative and new premises if required
- Manage relocation to Disaster Recovery Site or alternative venue(s)
- Restoration of critical services at the Disaster Recovery Site
- Manage Insurance Claim process

3.8 Director-level Management Teams

Each Director will form their own Management Team (DMT) to manage Business Continuity within their area of responsibility. The Director or an alternative senior manager (Head of Service) will chair the group and core membership will comprise of those with a role in managing the Business Continuity response for that Directorate.

The main tasks of the DMTs are:

- Assess the likely impact of the incident on the service
- Activate the BCP
- Identify priority service areas for support
- Ensure that there is a common understanding of priorities and planned actions
- Co-ordinate and advise on re-deployment of staff to priority services or other locations
- Provide advice to staff and managers on agreed working arrangements and health and safety issues.
- Implement corporate BCG decisions on priority actions and service support
- Brief and advise corporate BCG on operational business continuity issues, delivery options and priorities.

3.9 Disaster Recovery Team

The Disaster Recovery Team comprises of both FBC Information Services staff and staff members provided by the Disaster Recovery Provider.

The main tasks of the Disaster Recovery Team are:

- Retrieval of backed up material from Server House
- Work in collaboration with Disaster Recovery Team
- Restoration of critical services at the DR Site
- To install working communications after any loss of service

3.11 Roles and Responsibilities Flow Chart

Please see overleaf for the main roles and responsibilities flow chart.

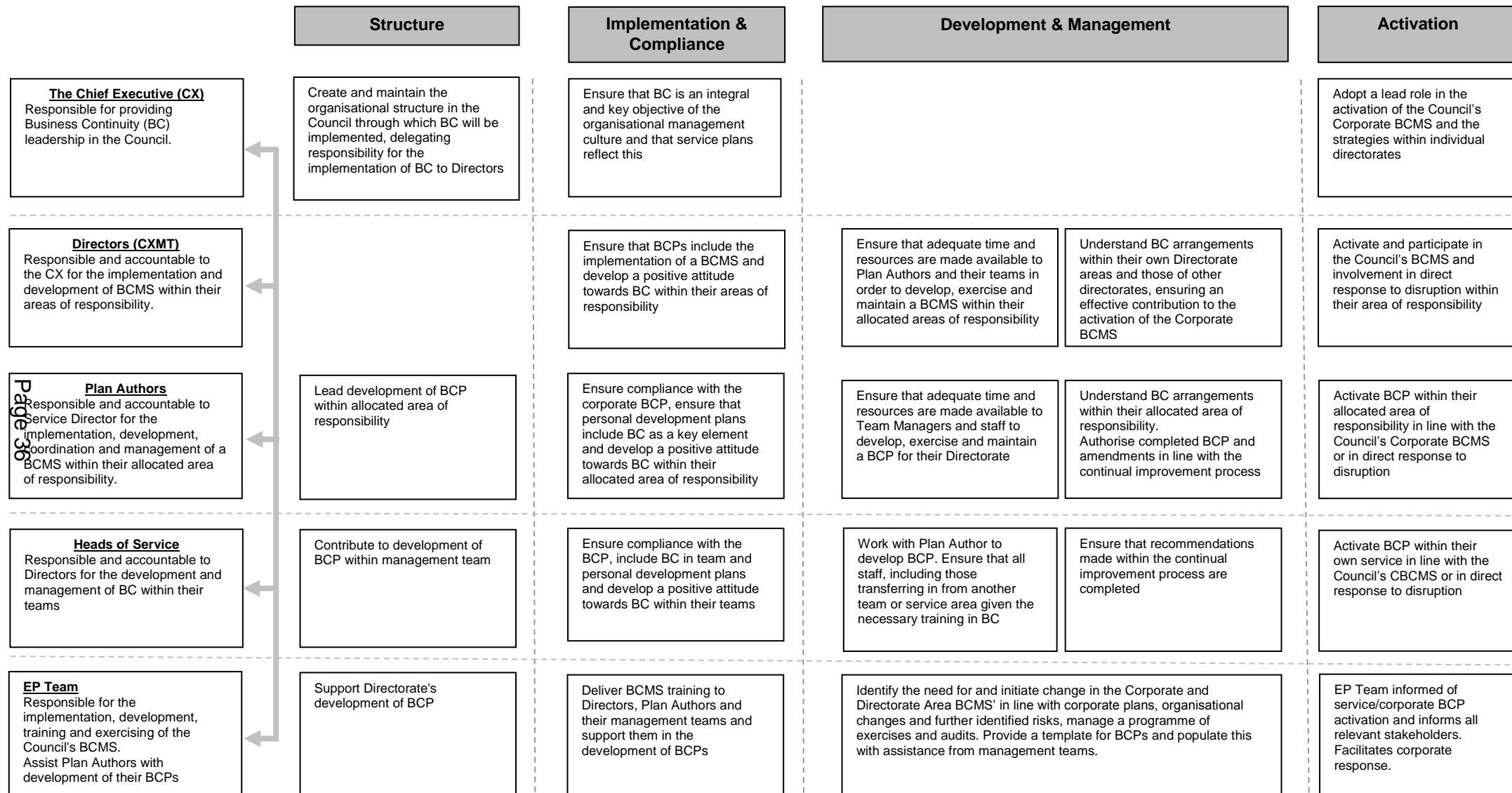


Figure 4: Roles and Responsibilities Flow Chart

Section 4

Training & Continual Improvement

4.1 Requirement for Training & Continual Improvement

It is both a duty and requirement of the planning process to train and exercise plans. Such plans should be tested in part or whole and documented accordingly. Associated learning from either exercises or real time incidents will inform the refinement and further development of such plans and ensure that those charged with supporting and managing the response are both confident and competent to do so.

4.2 Training

In order to provide employees with the knowledge to implement, develop and maintain a BCP, training responsibilities are assigned to individual positions.

4.2.1 Emergency Planning Team

The Emergency Planning Team will ensure that the Chief Executive, Councillors, Directors / Heads of Service and Plan Authors receive an appropriate amount and level of training enabling them to carry out their responsibilities outlined in this document. The Emergency Planning Team will ensure that awareness training is available for directorate management teams.

4.2.2 Directors

Directors / Heads of Service will ensure that staff with an assigned BC role, including Plan Authors, either within development or as part of a response, receives the necessary training to fulfil that role.

4.3 Continual Improvement

In order to ensure the ongoing effectiveness of the BCMS, a structured approach to maintenance, reviews, exercises and audits is to be adhered to. Additional exercises, reviews and audits may be implemented following significant organisational changes.

4.3.1 Exercise

Exercises provide demonstrable evidence of a business continuity and incident management competence and capability. Exercises should not be used as an opportunity to train staff. A BCP cannot be considered reliable until it is exercised and has proven to be workable. Exercises can be no notice and live and will:

- Be consistent with the scope of the Corporate Business Continuity Policy, the Corporate and individual BCPs and the Business Continuity Exercise Toolkit.
- For live exercises, it will be agreed between the Emergency Planning Team, Director and the appropriate Director/Plan Author and carried out in such a way that the risk of an incident occurring as a direct result of the exercise is minimised.
- Be subject to a post exercise report, completed by the Emergency Planning Team.

4.3.2 Maintenance

Maintenance will ensure that BCP's remain fit for purpose between reviews, exercises and audits and can result from changes in staff, facilities, resources, organisational objectives, policies and procedures. The Emergency Planning Team will coordinate maintenance of BCPs with relevant Plan Authors.

4.3.3 Reviews

Reviews will include information on:

- The consistency between the scope of the Corporate Business Continuity Plan, individual BCP's and, in the case of a review following plan activation, the response by the Directorate.
- The effect of changes in organisation and legal, statutory requirements.
- The validity of recovery time objectives, staffing and resources.
- Feedback and comment from plan users and stakeholders.

4.3.4 Audits

Audits will be carried out internally or externally by suitably qualified auditors. Audits will:

- Be conducted by the auditor in a manner that will ensure objectivity and impartiality.
- Determine whether the BC arrangements are effective in meeting the organisations BCM objectives.
- Determine whether the BCPs have been properly maintained, in particular that changes following the preventative and corrective action processes have been completed.
- Take into account the results of previous audits.
- Be followed by a written report which details audit outcomes and includes required actions and is concluded.

4.3.5 Preventative and Corrective Action

Preventative and corrective action will be completed following reviews, exercises and audits. This process will:

- Ensure that any recommendations made as a result of continual improvement are completed and recorded as such.
- Provide confirmation that BCPs have been amended following changes by completing the Amendment List and Continual Improvement Record.

4.3.6 Continual Improvement Schedule

Maintenance	Schedule Review	Post Activation Review	Exercise – Table Top	Exercise - Live	Audit
As required	12 months	As required	Annually	Where need identified in particular service	3 years

4.3.7 Continual Improvement Flow Chart

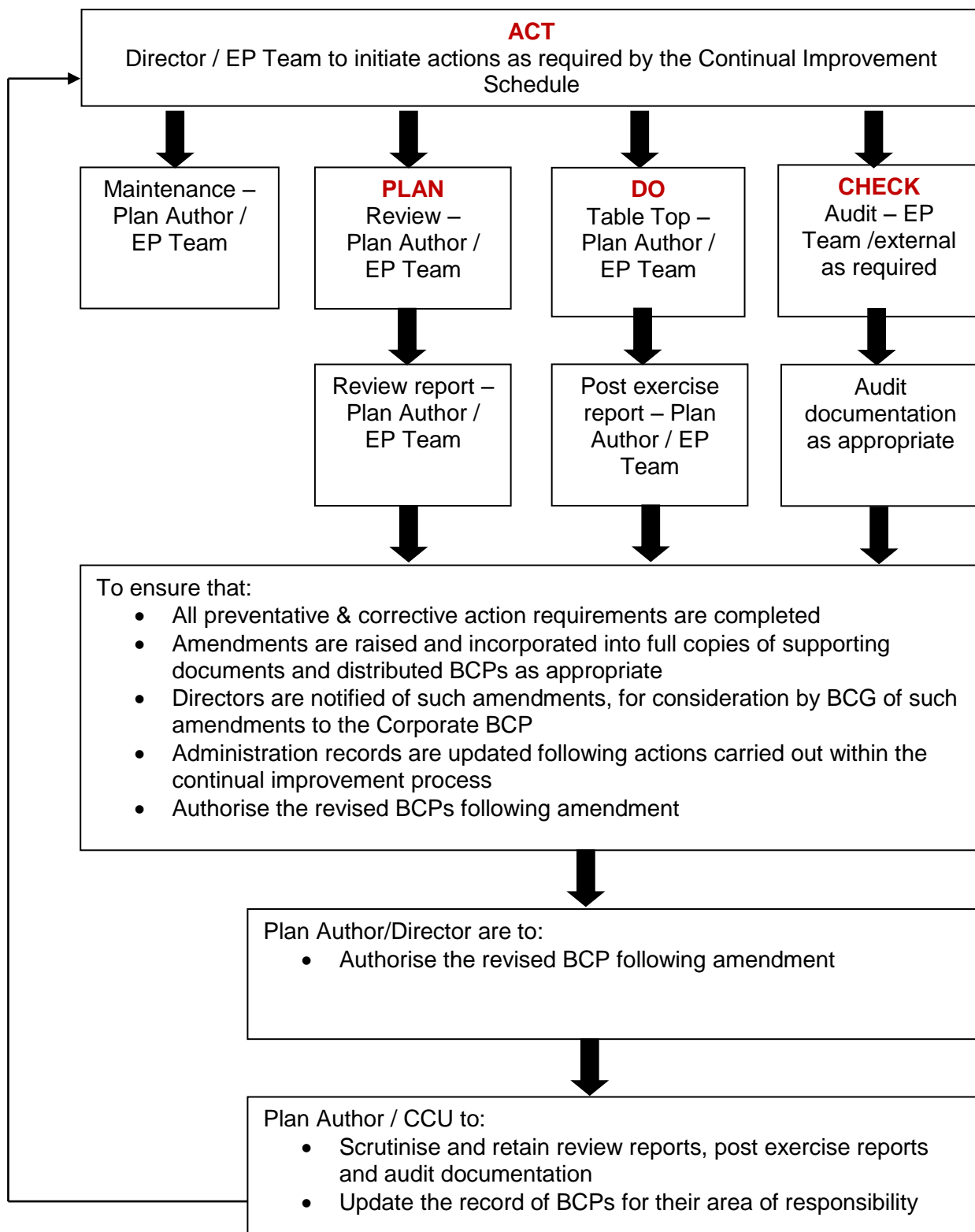


Figure 5: Continual Improvement Flow Chart

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 26 November 2018

Report of: Director of Finance and Resources

Subject: TREASURY MANAGEMENT PROGRESS REPORT

SUMMARY

In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, the Council is required to maintain a Treasury Management Strategy and provide updates on the implementation of that strategy.

The Audit and Governance Committee is the responsible body to examine and assess the effectiveness of the Council's treasury management policy and strategy.

In accordance with this role, this report sets out the mid-year review of treasury management activity up to 30 September 2018 which confirms compliance with the strategy approved by Full Council on 23 February 2018.

RECOMMENDATION

It is recommended that the Audit and Governance Committee reviews and comments on the contents of the report in terms of the effectiveness of the treasury management strategy.

INTRODUCTION

1. The Council's Treasury Management Strategy for 2018/19, in appendix A, was approved by Full Council on 23 February 2018 and reported to the Audit and Governance Committee on 12 March 2018. This report provides members with a mid-year update on the implementation of this Strategy.
2. An economic commentary by the Council's Treasury Advisors, Arlingclose, can be found in Appendix B.

BORROWING ACTIVITY

3. At 30 September 2018, the Council held £42.5 million of loans, (a decrease of £9.5 million on 31 March 2018). The Council expects to borrow externally up to £8 million in 2018/19 to part fund the capital programme.
4. The Council's main objective when borrowing continues to be striking an appropriately low risk balance between securing low interest rates and achieving cost certainty over the period for which the funds are required.
5. In keeping with this objective, no new borrowing was undertaken, while all £10 million of existing short-term loans were allowed to mature without replacement.
6. With short-term interest rates remaining much lower than long-term rates, the Council considered it to be more cost effective in the near term to use internal resources rather than taking out short-term loans. This strategy enabled the Council to reduce net borrowing costs and reduce overall treasury risk.
7. Borrowing activity to 30 September 2018 was:

	Balance on 31 March 2018 £'000	Balance on 30 Sept 2018 £'000	Average Rate
Long-term borrowing	40,000	40,000	3.50%
Short-term borrowing	10,000	0	0.89%
Portchester Crematorium	2,017	2,510	0.25%
Total Borrowing	52,017	42,510	

8. The Council holds investments from Portchester Crematorium Joint Committee which is treated as a temporary loan.

INVESTMENT ACTIVITY

9. The Council holds large invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Council's investment balance ranged between £10 and £18 million due to timing differences between income and expenditure.
10. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

11. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19. The policy details the high quality and secure counterparty types the Council can invest with.
12. Details on investment activity to 30 September 2018 are summarised in the table below:

	Balance on 31 March 2018 £'000	Balance on 30 Sept 2018 £'000	Average Rate
Long-term investments	2,000	2,000	4.13%
Short-term investments	7,000	10,000	0.77%
Cash and cash equivalents	3,000	750	0.68%
Total Investments	12,000	12,750	

COMMERCIAL PROPERTIES

13. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return.
14. As part of the Council's on-going review of finances and new income generating opportunities, the Executive approved a Commercial Property Investment Acquisition Strategy in January 2013.
15. Since the approval of the Strategy, eight new commercial properties have been purchased. The table below shows the current asset valuation of those properties:

	Date of Purchase	Premises Type	Valuation £m
Clifton House, Segensworth	1 Aug 2013	Industrial	1,980
122-134 Seaside, Eastbourne	20 Dec 2013	Convenience Store	1,020
86-88 Mitcham Lane, Streatham	10 Mar 2014	Convenience Store	1,360
83 St Thomas St, Weymouth	29 Sept 2014	Retail	730
470 Ringwood Road, Poole	24 Nov 2014	Convenience Store	1,230
2 Armstrong Road, Oxford	20 Oct 2015	Nursery	1,980
136-138 Southampton Road, Park Gate	29 Feb 2016	Retail	7,535
Southampton Road Retail Park	16 Nov 2016	Retail	11,600
Total			27,435

16. The properties are expected to generate rental income of £1.9 million and an average rate of return of 6.9% during 2018/19.

BUDGETED INCOME AND OUTTURN

17. Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. Arlingclose's central case is for the Bank Rate to rise twice in 2019.

18. The Council's budgeted net interest received for the year is £459,900 (£417,911 was received in 2017/18).

COMPLIANCE WITH TREASURY AND PRUDENTIAL INDICATORS

19. The Council confirms compliance with its Treasury and Prudential Indicators for 2018/19, which was set on 23 February 2018 as part of the Council's Treasury Management Strategy Statement.
20. Performance for the first half of the year is shown in Appendix C. During the financial year to date the Council has operated within the treasury limits and prudential indicators.

RISK ASSESSMENT

21. In the current economic climate, there are risks that financial institutions holding Council investments could default and be unable to fulfil their commitments to repay the sums invested with them.
22. To help mitigate this risk, the Council maintains a list of approved institutions based on a grading system operated by the Council's treasury management advisers. Maximum limits are also set for investments with individual institutions.

Appendices:

Appendix A - Treasury Management Strategy 2018/19

Annex A – Original Economic Commentary and Outlook by Arlingclose

Appendix B – Economic Commentary by Arlingclose – October 2018

Appendix C - 2018/19 Indicators - Half-Yearly Performance

Background Papers: None

Reference Papers:

23 February 2018 Council Report - Treasury Management Policy and Strategy 2018/19

The CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code for Capital Finance in Local Authorities 2017

CIPFA Treasury Management in the Public Services Code of Practice 2017

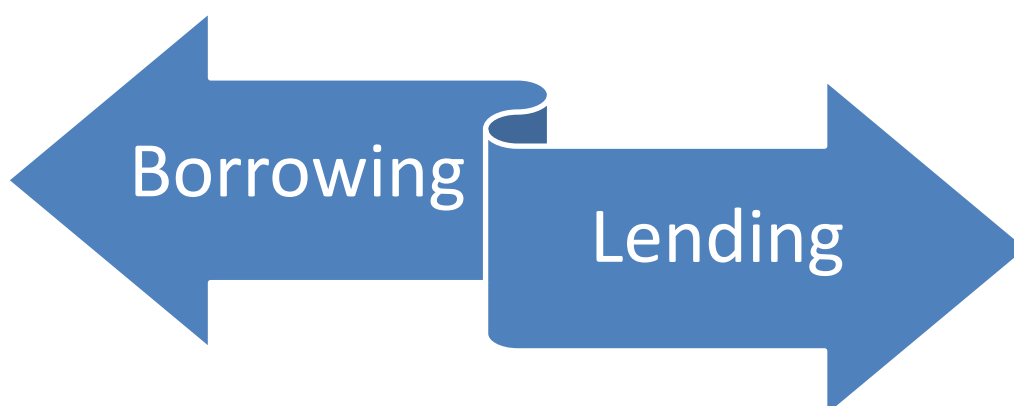
Enquiries:

For further information on this report please contact Caroline Hancock. (Ext 4589)

FAREHAM

BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2018/19



INTRODUCTION

WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

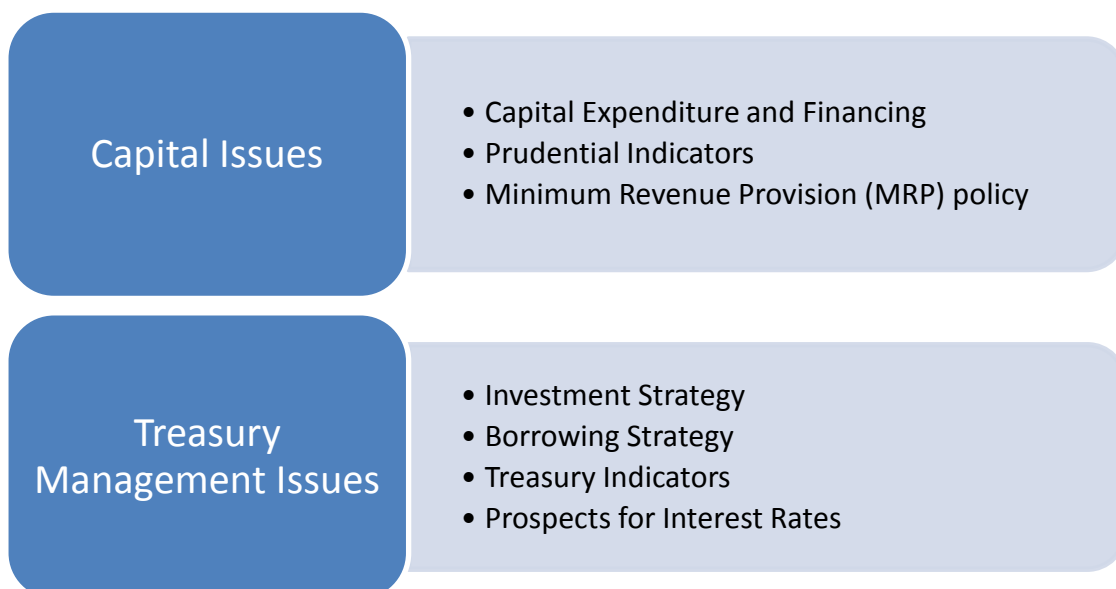
The management of the organisation's cash flows, its banking, money market and capital market transactions;

the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. There are two aspects to the treasury management service:
 - a) To ensure the cash flow is adequately planned, with **cash being available when it is needed**. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
 - b) To ensure the cash flow meets the Council's **capital plans**. These capital plans provide a guide to the **borrowing need** of the Council. Essentially this is the longer term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CONTENT OF THE ANNUAL TREASURY MANAGEMENT STRATEGY

3. This strategy sets out the expected approach to treasury management activities for 2018/19 in light of the anticipated financial climate. It covers two main areas:



4. The content of the Strategy is designed to cover the requirements of the Local

Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

5. CIPFA published new versions of its Treasury Management Code of Practice and the Prudential Code in late December 2017. Due to the late publications, CIPFA recognises that changes may not be fully implemented until 2019/20 due to the lead -in time to produce the strategy. Because of this and because there are no changes to the format or content of the strategy, this strategy is based on the 2011 version of both Codes.

REPORTING REQUIREMENTS

6. The Council receives and approves three main reports each year in relation to Treasury Management, which incorporate a variety of policies, estimates and actuals. The three reports are:



7. The Executive Committee is responsible for the implementation and monitoring of these reports whilst the Audit and Governance Committee is responsible for the effective scrutiny of the treasury management strategy and policies.

TRAINING

8. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
9. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.

USE OF TREASURY MANAGEMENT CONSULTANTS

10. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
11. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
12. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

CAPITAL ISSUES

CAPITAL EXPENDITURE AND FINANCING

13. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are **affordable**, **prudent** and **sustainable**, and that treasury decisions are taken in accordance with good professional practice.

PRUDENTIAL INDICATORS

14. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the following **four** prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.

1) Level of Planned Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans and shows how these plans are being financed by capital or revenue resources.

Capital Expenditure and Financing	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Public Protection	0	0	0	0	329
Streetscene	130	570	0	0	224
Leisure and Community	1,115	316	0	0	527
Housing	904	840	3,330	480	501
Planning and Development	938	30	0	0	0
Policy and Resources	19,015	10,787	8,550	3,700	490
Total General Fund	22,102	12,543	11,880	4,180	2,071
HRA	2,584	5,498	4,283	4,334	3,327
Total Expenditure	24,686	18,041	16,163	8,514	5,398
Capital Receipts	294	856	552	3,765	252
Capital Contributions	5,946	2,031	250	250	474
Capital Reserves	3,600	6,017	3,961	3,999	3,853
Revenue	1,205	1,326	520	500	819
Borrowing	13,641	7,811	10,880	0	0
Total Financing	24,686	18,041	16,163	8,514	5,398

2) The Council's Borrowing Need (Capital Financing Requirement)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is 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. Any capital expenditure financed by borrowing will increase

the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing in line with the asset's life.

The CFR projections are as follows:

£'000	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
General Fund	37,356	44,546	54,588	53,530
HRA	50,911	50,681	50,451	50,221
Total CFR	88,267	95,227	105,039	103,751

3) Financing Costs as % of Net Revenue Stream

This is an indicator of affordability and identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

The positive percentage for the Housing Revenue Account (HRA) reflects the net borrowing costs for the HRA settlement.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund	0%	3%	6%	8%
HRA	14%	14%	14%	14%
Total	8%	10%	11%	12%

4) Incremental Impact of Capital Decisions on Council Tax and Housing Rents

This indicator shows the impact of capital decisions on council tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the proposed capital programme to be approved during this budget cycle.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Council Tax Band D	-£0.41	£1.22	£1.01	-£0.16
Weekly Housing Rent Levels	-£0.09	£0.04	£0.04	£0.04

HOUSING REVENUE ACCOUNT (HRA) RATIOS

- As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on **£49.3 million** of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA Debt £'000	49,268	49,268	49,268	49,268
HRA Revenues £'000	11,250	11,140	10,840	11,120
Number of HRA Dwellings	2,405	2,400	2,408	2,398
Ratio of Debt to Revenues %	4.38:1	4.42:1	4.55:1	4.43:1
Debt per Dwelling £	£20,846	£20,528	£20,460	£20,545

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

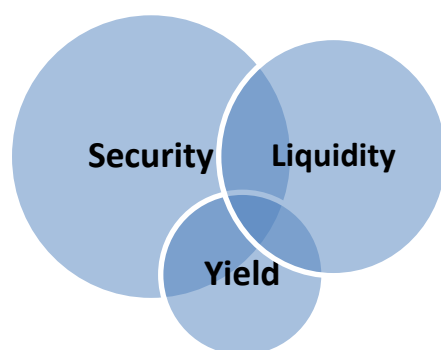
16. Where the Council finances capital expenditure by debt, it must **put aside resources to repay that debt** in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**.
17. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. The main policy adopted is that MRP will be determined by charging the expenditure over the **expected useful life** of the relevant assets on an **annuity basis** starting in the year after the asset becomes operational. This calculation will be reviewed on a case by case basis depending on the circumstances and with a view to minimising the impact on the council tax payer.
18. Where expenditure is on an asset which will be held on a short-term basis (up to 5 years), no MRP will be charged. However, the capital receipt generated by the sale of the asset will be used to repay the debt instead.
19. No MRP will be charged in respect of assets held within the HRA, in accordance with DCLG Guidance and capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

TREASURY MANAGEMENT ISSUES

INVESTMENTS

Investment Strategy

20. Both the CIPFA Code and DCLG 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**.



21. The Council's objective when investing money is to strike an appropriate balance between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
22. If the UK enters into a recession in 2018/19, 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. This situation already exists in many other European countries. 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.
23. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council where practical and reasonable, aims to further diversify into more secure and/or higher yielding asset classes.

Approved Counterparties

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

Credit Rating	Banks Unsecured	Banks Secured	Government
UK Govt	n/a	n/a	£Unlimited 50 years
AAA	£2m 5 years	£4m 20 years	£4m 50 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years
AA	£2m 4 years	£4m 5 years	£4m 15 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years
A+	£2m 2 years	£4m 3 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£2m 5 years

BBB+	£1m 100 days	£2m 6 months	£1m 2 years
None	£1m 6 months	n/a	£4m 25 years
Pooled Funds	£4m per fund		

25. Investment limits are set by reference to the lowest published **long-term credit rating** from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.
26. Summary of counterparty types:
- a) **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. 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.
 - b) **Banks Secured:** Covered bonds, reverse repurchase agreements 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. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
 - c) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
 - d) **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no 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.
27. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks) and registered providers (loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations), subject to meeting the minimum credit rating criteria and time limits recommended by the Council's treasury advisers.

Operational Bank Accounts

28. The Council 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 £4m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

29. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in 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.
30. 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 on the next working day 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

31. 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.
32. The following **internal measures** are also in place:
- Investment decisions formally recorded and endorsed using a Counterparty Decision Document.
 - Monthly officer reviews of the investment portfolio and quarterly reviews with the Chief Executive Officer.

Specified Investments

33. The CLG Guidance defines specified investments as those:
- 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:

- a) the UK Government,
- b) a UK local authority, parish council or community council, or
- c) a body or investment scheme of “**high credit quality**”.

34. 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+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments

35. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to **long-term investments**, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and **schemes not meeting the definition on high credit quality**. Limits (per counterparty) on non-specified investments are shown in the table below.

	Cash limit
Total long-term investments	£4m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£2m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£2m
Total non-specified investments	£10m

Investment Limits

36. The Council’s revenue reserves available to cover investment losses are forecast to be £16 million on 31st March 2018. In order to minimise risk, in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £4 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below.

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker’s nominee account	£10m per broker
Foreign countries	£4m per country

Unsecured investments with Building Societies	£2m in total
Money Market Funds	£20m in total

Liquidity Management

37. The Council uses a purpose-built cash flow forecasting spreadsheet 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.

Non-Treasury Investments

38. Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for services purposes, for example as equity investments and loans to Council subsidiaries.
39. Such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with this treasury management strategy.

Investment Treasury Indicator and Limit

40. Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

£M	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Principal sums invested > 364 days	10	10	10	10

BORROWING

Current Portfolio Position

41. The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement), highlighting any under or over borrowing.

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt at 1 April	41,835	51,835	59,635	70,435
Expected change in debt	10,000	7,800	10,800	0
Gross Debt at 31 March	51,835	59,635	70,435	70,435

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement (CFR)	88,267	95,227	105,039	103,751
Under/(Over) Borrowing	36,432	35,592	34,604	33,316
CFR for last, current and next 2 years	311,909	332,649	336,012	341,860

42. The Council is currently maintaining **an under-borrowed position**. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.
43. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years.
44. The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans and the proposals in the budget report.

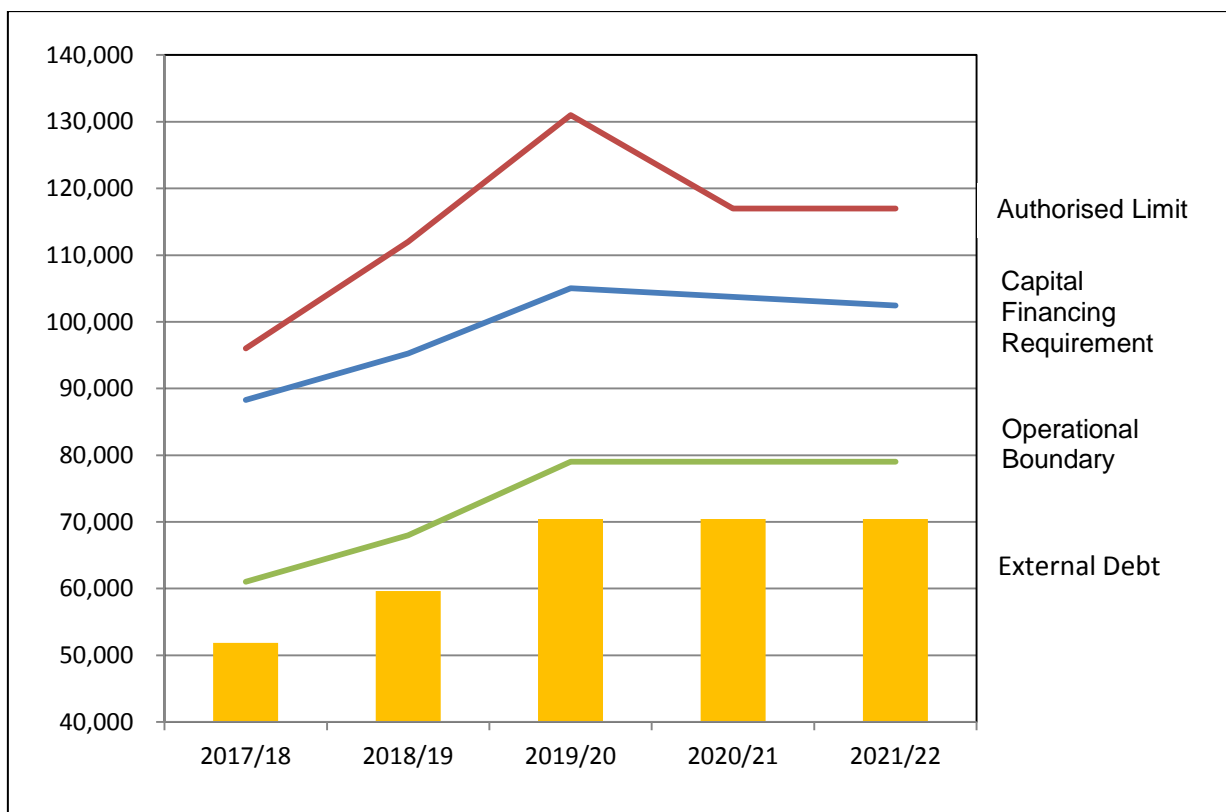
Treasury Indicators: Limits to Borrowing Activity

45. The treasury indicators include two limits to borrowing activity:
- 1) The **operational boundary** is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.
 - 2) 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 Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.
46. The limits are:

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Operational Boundary				
Borrowing	56,000	63,000	74,000	74,000
Other long-term liabilities	5,000	5,000	5,000	5,000
Total	61,000	68,000	79,000	79,000
Authorised Limit				

Borrowing	89,000	105,000	124,000	110,000
Other long-term liabilities	7,000	7,000	7,000	7,000
Total	96,000	112,000	131,000	117,000

47. The graph below shows the projections for the CFR and borrowing limits:



48. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA Debt Cap	56,851	56,851	56,851	56,851
HRA CFR	50,911	50,681	50,451	50,221
HRA Headroom	5,940	6,170	6,400	6,630

Borrowing Strategy

49. The Council's main objective when borrowing money is 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.
50. The Council has been in a debt free position for the General Fund for many years mainly due to having sufficient capital reserves to meet the Council's capital programme. However, this position will change over the coming years as borrowing is required for

large capital schemes at Daedalus and new property investment opportunities.

51. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either **use internal resources**, or to **borrow short-term** loans instead.
52. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and **reduce overall treasury risk**. The benefits of internal borrowing or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
53. Our treasury advisers will assist the Council with this '**cost of carry**' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
54. Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
55. In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources of Borrowing

56. The approved sources of long-term and short-term borrowing are:
 - Public Works Loan Board (PWLB) and any successor body.
 - Any institution approved for investments, including other local authorities.
 - Any other bank or building society authorised to operate in the UK.
 - UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
 - Capital market bond investors.
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
57. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
 - Operating and finance leases
 - Hire purchase
 - Private Finance Initiative
 - Sale and leaseback
58. The Council has previously raised all of its long-term borrowing from the PWLB but it will investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

Borrowing in Advance of Need

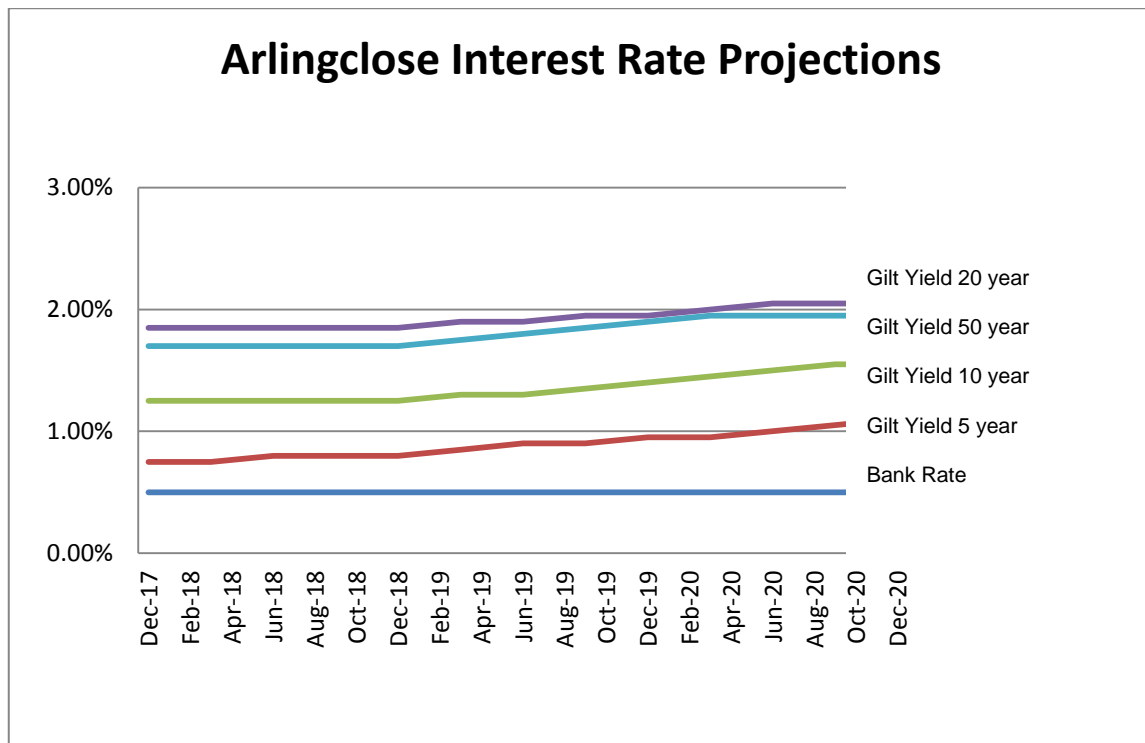
59. The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment 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.
60. The total amount borrowed will not exceed the authorised borrowing limit of £112 million. 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

Debt Rescheduling

61. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

PROSPECTS FOR INTEREST RATES

62. The Council's treasury management advisers assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.
63. The following graph and commentary gives the Arlingclose's central view on interest rates.



64. Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
65. Future expectations for higher short-term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
66. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

TREASURY MANAGEMENT LIMITS ON ACTIVITY

67. There are **three** debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs and improve performance. The indicators are:
 - Upper limits on **variable interest rate exposure**. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
 - Upper limits on **fixed interest rate exposure**. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - **Maturity structure of borrowing**. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

68. The treasury indicators and limits are:

Upper limits on interest rate exposures	2017/18	2018/19	2019/20	2020/21
	%	%	%	%
- Upper limit on variable interest rate exposures	25	25	25	25
- Upper limit on fixed interest rate exposures	100	100	100	100
Maturity structure of borrowing	Upper Limit			
	%	%	%	%
- Loans maturing within 1 year	25	25	25	25
- Loans maturing within 1 - 2 years	25	25	25	25
- Loans maturing within 2 - 5 years	25	25	25	25
- Loans maturing within 5 - 10 years	50	50	50	50
- Loans maturing in over 10 years	100	100	100	100

Other Items

69. There are many additional items that the Council is obliged by CIPFA or DCLG to include in its Treasury Management Strategy.

70. **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. Additional risks presented, such as credit exposure to derivative counterparties, will be considered 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.

71. 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.

72. **Policy on Apportioning Interest to the HRA:** On 28 March 2012, the Council borrowed £40 million from the Public Works Loan Board (PWLb) to buy itself out of the HRA subsidy System. The monies were borrowed by the General Fund on behalf of the HRA. The interest on these loans is charged to the HRA on a half-yearly basis at the rate charged by PWLB. A further £9.268 million was lent by the General Fund to the HRA to complete the buyout. Interest on this element is charged at the average weighted rate of the PWLB loans.

73. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.

74. The General Fund credits the HRA with interest earned on HRA credit balances calculated on the monthly movement in reserve balances and applied at year end. The rate used is the weighted interest rate on General Fund investments and cash balances.
75. **Financial Implications:** The budget for investment income in 2018/19 for the General Fund is £459,900 and the HRA is £65,600 and the budget for debt interest paid in 2018/19 is £1,794,900 for the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

ARLINGCLOSE ECONOMIC AND INTEREST RATE FORECAST NOVEMBER 2017

Economic Background

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

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

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

Credit Outlook

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

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long-term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

APPENDIX B

ECONOMIC COMMENTARY BY TREASURY ADVISORS ARLINGCLOSE – OCTOBER 2018

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets

rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

2018/19 INDICATORS – HALF YEARLY PERFORMANCE

PRUDENTIAL INDICATORS

1) Level of Planned Capital Expenditure

ON TRACK

This prudential indicator is a summary of the Council's capital expenditure plans and shows how these plans are being financed by capital or revenue resources.

Capital Expenditure and Financing	Revised Estimate £'000	Actual to 30 Sept £'000
Health and Public Protection	0	17
Streetscene	570	76
Leisure and Community	316	142
Housing	840	499
Planning Development	30	68
Policy and Resources	10,787	1,298
Total General Fund	12,543	2,100
HRA	5,498	1,180
Total Expenditure	18,041	3,280
Capital Receipts	856	198
Capital Grants	2,031	850
Capital Reserves	6,017	1,271
Revenue	1,326	768
Internal Borrowing	7,811	193
Total Financing	18,041	3,280

Expenditure to 30 September is within the overall original budget for the year. The budgets will be reviewed and re-phased where applicable as part of the forthcoming budget setting process to take account of carry forwards from 2017/18 and new schemes approved during the year.

2) The Council's Borrowing Need (Capital Financing Requirement)

ON TRACK

The Capital Financing Requirement (CFR) is 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. Any capital expenditure financed by borrowing will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing in line with the asset's life.

ON TRACK

	Estimate £'000	Actual to 30 Sept £'000
General Fund	44,546	39,600
HRA	50,681	51,149
Total CFR	95,227	90,749

The CFR is slightly lower than projected due to lower internal borrowing for Daedalus capital expenditure.

3) Financing Costs as % of Net Revenue Stream

ON TRACK

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

	Estimate	Actual to 30 Sept
General Fund	3%	7%
HRA	14%	14%
Total	10%	13%

4) Incremental Impact of Capital Investment Decisions

ON TRACK

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

	Estimate	Actual to 30 Sept
Council tax band D	£1.22	£1.23
Weekly housing rent levels	£0.04	£0.34

5) Housing Revenue Account (HRA) Ratios

ON TRACK

Due to the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on £49.3 million of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	Estimate	End of Year Forecast
HRA debt £'000	49,268	49,268
HRA revenues £'000	11,140	12,594
Number of HRA dwellings	2,400	2,411
Ratio of debt to revenues %	4.42:1	3.91:1
Debt per dwelling £	£20,528	£20,435

TREASURY INDICATORS

6) Investments - Principal Sums Invested for Periods Longer than 364 days

ON TRACK

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.

£M	Estimate	Actual
Principal sums invested > 364 days	10	2

£2 million is placed with a pooled property fund which is a long term investment and the remaining investments are currently placed for less than 364 days to allow cash to be available for schemes in the capital programme that require internal borrowing.

7) Borrowing - Gross Debt and the Capital Financing Requirement

ON TRACK

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The indicator shows that total debt is expected to remain below the CFR.

£'000	Estimate £'000	Actual to 30 Sept £'000
Debt at 1 April	51,835	42,510
Expected change in debt	7,800	193
Gross Debt at 31 March	59,635	42,703
Capital Financing Requirement (CFR)	95,227	90,749
Under/(Over) Borrowing	35,592	48,046
CFR for last, current and next 2 years	332,649	370,611

8) Borrowing - Limits to Borrowing Activity

ON TRACK

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

	Limit £'000	Actual £'000
Operational Boundary		
Borrowing	63,000	42,510
Other long-term liabilities	5,000	0
Total	68,000	42,510
Authorised Limit		
Borrowing	105,000	42,510
Other long-term liabilities	7,000	0
Total	112,000	42,510

Total debt at 30 September was £42.5 million. During the first half of 2018/19 the Authorised Limit of £112 million was not breached at any time.

9) Interest Rate Exposures

ON TRACK

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed are, shown in the table below.

Upper limits on interest rate exposures	Limit %	Actual %
Upper limit on variable interest rate exposures	25	2
Upper limit on fixed interest rate exposures	100	100

10) Maturity Structure of Borrowing

ON TRACK

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are:

Maturity structure of borrowing	Upper Limit %	Actual %
Loans maturing within 1 year	25	6
Loans maturing within 1 - 2 years	25	0
Loans maturing within 2 - 5 years	25	0
Loans maturing within 5 - 10 years	50	0
Loans maturing in over 10 years	100	94

The £40m HRA loans represent 94% of loans maturing in over 10 years. The Council holds investments from Portchester Crematorium which is treated as a temporary loan. These represent 6% of loans maturing within 1 year.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 26 November 2018

Report of: Monitoring Officer

Subject: CONSTITUTION UPDATES ANNUAL REPORT

SUMMARY

This report sets out the annual review the Council's Constitution. The last report was submitted to this Committee on the 12 March 2018. Ongoing work to improve and revamp the document and the associated webpages is continuing. This report seeks to highlight the changes to the Constitution which have been made over the past twelve months.

Similarly, following a Vanguard review and subsequent change to the Council's Committee structure there have been a number of necessary amendments to the Constitution to create the new Scrutiny Panels. These changes are also noted within the report.

RECOMMENDATION

It is recommended that the Committee notes the updates to the Constitution, since the 12 March 2018, as set out in Appendix A and B to this report.

INTRODUCTION

1. This report now forms part of the annual Audit and Governance Committee's programme of work following approval from this Committee in March 2018, for a report to be brought, the purpose of which captures all changes and ongoing work on the Constitution.
2. The Council's Constitution is under constant review and there are regular amendments required to keep it up to date.
3. The Monitoring Officer is responsible for monitoring and reviewing the Constitution to ensure that its aims and principles are given full effect.

BACKGROUND TO THE CONSTITUTION

4. The Council has to, by law, prepare and keep up to date a Constitution document and it is a function of the Audit and Governance Committee, under the Council's Corporate Governance arrangement to review this process.
5. The purpose of the Constitution is to set out how the Council works, how its decisions are taken and what procedures will be followed to make sure that the Council is efficient, transparent and accountable to members of the public.

CHANGES TO THE CONSTITUTION

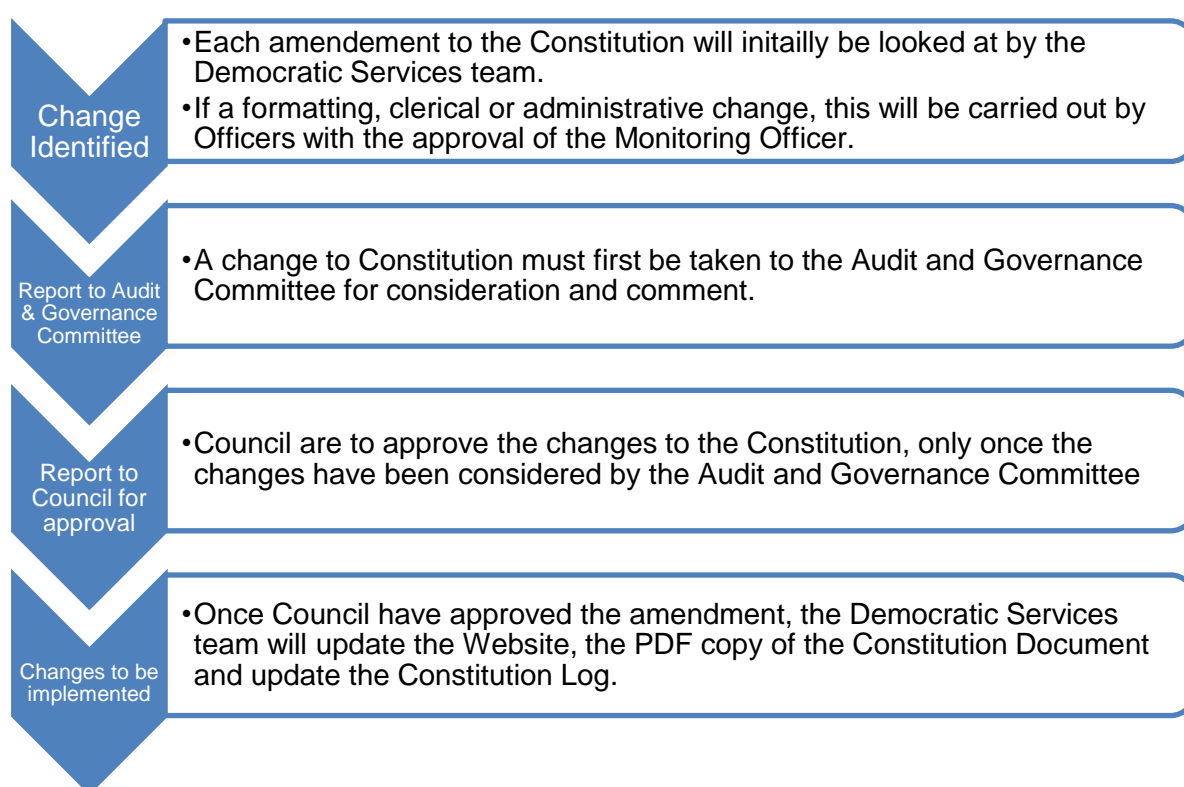
6. Changes to this Constitution may be made at any time, arising from a review by the Monitoring Officer or recommendation to Council and will only be approved by Council once considered by the Audit and Governance Committee. All such changes will comply with the provisions of the Local Government Act 2000 and other relevant statutory provisions.
7. The Monitoring Officer has delegated authority to update the Constitution arising from decisions of the Council, Executive or where legislation requires a change in wording, terminology or reference.
8. Following the Council's decision on the 11 October 2018 to change the Council's Committee structure a number of changes are required to the Constitution document, these include: -
 - i. 5 sections requiring changes to procedures and functions; these are attached in Appendix B to this report;
 - ii. over 30 sections of the Constitution requiring minor amendments to wording to reflect the name changes of the new Scrutiny Panels. Attached in Appendix B to this report is a list of all the sections changed; and
 - iii. several of the 'stand-alone' documents including the Council's Standing Orders with Respect to Meetings, the Scheme of Members Allowances and the Financial Regulations need various changes to give effect to the approved Committee changes.
9. Alongside the changes associated with the amendments above, work has continued to review the Constitution document and the associated webpages to help improve user experience. The Democratic Services team have been working closely with the Web

and Social Media Officer to assist with this piece of work. Since the new webpages were published earlier this year lots of positive feedback has been received.

10. Many sections of the Constitution are bound by legislation requiring legal assistance to ensure accuracy. Regular meetings are held with the Legal team to support the ongoing review work.

11. The Constitution log is a spreadsheet holding details of all sections of the Constitution. The log is maintained regularly ensuring that a record of all changes is kept up to date and Officers can use this spreadsheet as a reference for which parts need updating and when they were last changed or reviewed. An extract of the Constitution log is attached at Appendix C to this report.

12. The table below outlines the process for making changes to the Constitution –



RISK ASSESSMENT

13. There are no significant risk considerations in relation to this report.

CONCLUSION

It is recommended that the Committee notes the updates to the Constitution, since the 12 March 2018, as set out in Appendix A and B to this report.

Appendices - Appendix A - Changes to the Constitution since 12 March 2018

Appendix B – Amendments Following Changes to Committee Structure
Appendix C – Constitution Log

Background Papers: None

Reference Papers: The Council's Constitution

Enquiries:

For further information on this report please contact Leigh Usher. (Ext 4590)

Changes made to the Councils Constitution since March 2018

The table below list the changes that have been made to the Constitution since the 12 March 2018, when the last report was brought to the Audit and Governance Committee.

Section	Chapter	Date Changed	Reason for change and decision details
Part Four	Scheme of Delegation to Officers	Jul-18	Updated following the Councils decision on the 12 October 2017 to create a new post, Managing Director of Fareham Housing. Authority was given to the Chief Executive to amend the Constitution to transfer functions from the Director of Operations, as appropriate.
Part Seven	Senior Management Structure	May-18	As above

AMENDMENTS TO THE CONSTITUTION FOLLOWING CHANGES TO THE COUNCILS COMMITTEE STRUCTURE

The changes below are to be made following changes to the Council's Committee structure. The report, Review of Policy Development and Review Panels and Scrutiny Board Meetings, that led to the requirement for these changes to the Constitution was submitted to the Scrutiny Board on the 28 June 2018 and Executive on the 03 September 2018 for endorsement and then to Council on the 11 October 2018 for approval.

KEY CHANGES			
Part - Section		Chapter	Reason and Type of Change
Part One	7	Overview and Scrutiny	These sections all require significant revisions and in some cases, have required being rewritten entirely to reflect the changes to the Committee Structure. The context of the documents hasn't changed, only that the changes have meant merging a lot of the text to one role of that of the new Scrutiny Panels.
	16	Codes of Conduct – 6 – Role of Scrutiny Board Chairman	
Part Two	3	Functions of the Scrutiny Board and Policy Development and Review Panels	
Part Three	9	Rights of the Scrutiny Board and Policy Development and Review Panels	

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SECTIONS REQUIRING MINOR CHANGES			
Part - Section		Chapter	Reason and Type of Change
Part One	2	Members of the Council	The changes to these parts of the Constitution are purely minor wording changes to reflect the new Committee structure.
	3	Citizens and the Council	
	6	The Executive	
	11	Decision Making	
	16	Codes of Conduct - 5 - Role of Executive Member	
Part Two	1	General Responsibilities	For example – where references are made to the Scrutiny Board or Policy Development and Review Panels, this will now say Relevant Scrutiny Panel.
	2	Functions of the Executive	
Part Three	1	Access to information procedure rules	
	3	Notice of Key Decisions	
	4	Budget and Policy Framework Procedure Rules	
	5	Decision making by individual members of the Executive and key decisions by Officers	
	6	Urgent decisions outside the Policy Framework and/or budget	
	10	Call-in procedure for Executive decisions	
	12	Deputation Schemes	

STAND ALONE DOCUMENTS		
Part	Chapter	<p>These documents require a varied number of changes to give effect to the new Scrutiny Panels.</p> <p>The Standing Orders with Respect to Meetings requiring the largest number of amendments, which are reflected in the changes to the main part of the Constitution listed above.</p>
Part Four	Standing Orders with Respect to Meetings	
	Financial Regulations	
Part Five	Guidance for Members and Officers dealing with Planning Matters	
	Code of Practice – Protocol for Member/Officer Relations	
Part Six	Scheme of Members Allowances	

Section	Chapter	Appendix (where applicable)	Last Reviewed	Date Changed	Details of Change/Update Required
Part One	Contents Page		Oct-18	Oct-18	Wording change required after Committee Structure changes and adjust numbering.
Part One	1 - Purpose & Interpretation of the Constitution		Oct-18	Oct-18	Requires updating with changes to the Policy Framework
Part One	2 - Members of the Council		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part One	3 - Citizens and the Council		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part One	4 - The Role of the Council		Mar-18	Mar-18	
Part One	5 - The Mayor and Deputy Mayor		Mar-18	Mar-18	
Part One	6 - The Executive		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part One	7 - Overview and Scrutiny		Oct-18	Oct-18	Changes required to Paragraph 7.3 to reflect new Scrutiny Panel functions
Part One	8 - Non-Executive (Regulatory) Functions		Mar-18	Mar-18	
Part One	9 - Audit and Governance Standards Sub-Committee		Mar-18	Mar-18	
Part One	10 - The Council's Officers		Mar-18	Mar-18	
Part One	11 - Decision Making		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part One	12 - Joint Arrangements		Mar-18	Mar-18	
Part One	13 - Legal, Financial and Contract Matters		Mar-18	Mar-18	
Part One	14 - Review and Revisions of the Constitution		Mar-18	Mar-18	
Part One	15 - Interpreting the Constitution: Suspending the Constitution		Mar-18	Mar-18	
Part One	16 - Codes of Conduct		Mar-18	Mar-18	See individual Appendices
Part One	16 - Codes of Conduct	1 - Roles of Members as Councillors	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	2 - Role of Mayor	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	3 - Role of Deputy Mayor	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	4 - Role of Executive Leader	Mar-18	Mar-18	Needs reviewing by Monitoring Officer as reference to 'Best Value' etc.
Part One	16 - Codes of Conduct	5 - Role of Executive Member	Oct-18	Oct-18	Wording change required after Committee Structure changes.Needs reviewing by Monitoring Officer as reference to 'Best Value'
Part One	16 - Codes of Conduct	5 (Annexe) - Executive Portfolios	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	6 - Role of Chairman of Scrutiny Board	Oct-18	Oct-18	Sections to be combined after Committee Structure changes - New section to be called Role of Scrutiny Panel Chairman
Part One	16 - Codes of Conduct	7 - Role of Chairman of Policy Development & Review Panels	Oct-18	Oct-18	
Part One	16 - Codes of Conduct	8 - Role of Chairman of the Planning Committee	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	9 - Role of Chairman of Licensing & Regulatory Affairs	Mar-18	Mar-18	

Part One	16 - Codes of Conduct	10 - Role of Chairman of Appeals Committee	Mar-18	Mar-18	
Part One	16 - Codes of Conduct	11 - Role of Chairman of Audit and Governance Committee	Mar-18	Mar-18	
Part Two	Contents Page		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Two	1 - General Responsibilities		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Two	2 - Functions of the Executive		Oct-18	Oct-18	Wording change required after Committee Structure changes - Needs looking at as references to Best Value
Part Two	3 - Functions of the Scrutiny Board and Policy Development and Review Panels		Oct-18	Oct-18	Section to be rewritten to combine functions for Scrutiny Panel
Part Two	4 - Functions of Regulatory and Other Committees		Mar-18	Mar-18	
Part Two	5 - Functions of the Planning Committee		Mar-18	Mar-18	
Part Two	6 - Functions of the Licensing and Regulatory Affairs Committee		Mar-18	Mar-18	Legal to check legislation
Part Two	6 - (Annex - Functions of the Licensing Panel)		Mar-18	Mar-18	Legal to check legislation
Part Two	7 - Functions of the Appeals Committee		Mar-18	Mar-18	
Part Two	8 - Functions of the Audit and Governance Committee		Mar-18	Mar-18	
Part Two	9 - Functions of the Standards Committee		Mar-18	Mar-18	
Part Two	10 - Constitution and Functions of the Portchester Crematorium Joint Committee		Mar-18	Mar-18	
Part Two	11 - Constitution and Functions of the Joint Committee for the Partnership for Urban South Hampshire (PUSH)		Mar-18	Mar-18	
Part Three	Contents Page		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	1 - Access to information procedure rules		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	2 - Executive Procedure Rules			Mar-18	to review 2018/2019
Part Three	3 - Notice of Key Decisions		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	4 - Budget and Policy Framework Procedure Rules		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	5 - Decision making by individual members of the Executive and key decisions by Officers		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	6 - Urgent decisions outside the Policy Framework and/or budget		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	7 - Removing the Executive Leader and members of the Executive		Mar-18	Mar-18	to review 2018/2019
Part Three	8 - Resolution of disputes between full Council and the Executive		Mar-18	Mar-18	to review 2018/2019
Part Three	9 - Rights of the Scrutiny Board and Policy Development and Review Panels		Mar-18	Mar-18	Legal to check

Part Three	10 - Call-in procedure for Executive decisions		Oct-18	Oct-18	Wording change required after Committee Structure changes
Part Three	11 - Archived		Mar-18	Mar-18	to review 2018/2019
Part Three	12 - Deputation Schemes		Mar-18	Mar-18	Legal to check
Part Four	Contents Page			Mar-18	
Part Four	1 - Standing Orders with Respect to Meetings		Oct-18	Oct-18	Amendments required after Committee Structure changes
Part Four	2 - Standing Orders with Respect to the Appointment, Dismissal and Discipline of Employees		Mar-18	Mar-18	
Part Four	3 - Standing Orders with Respect to Contracts		Oct-18	Oct-18	Updated at October Council Meeting
Part Four	4 - Financial Regulations		Oct-18	Oct-18	Wording change after Committee Structure changes
Part Four	5 - Scheme of Delegation to Officers		Jul-18	Jul-18	Director of Operations changed to Managing Director of Fareham Housing - 03/07/18
Part Four	6 - Scheme of Delegation to Individual Members of the Executive		Mar-18	Mar-18	
Part Five	Table of Contents		Mar-18	Mar-18	
Part Five	1. Code of Conduct for Members		Mar-18	Dec-15	Needs looking at 2018/19
Part Five	2. Guidance for Members and Officers dealing with Planning Matters		Mar-18	May-02	Needs updating
Part Five	3. Anti-Fraud and Corruption Policy		Mar-18	Jun-16	
Part Five	4. Code of Practice - Protocol For Members/Officer Relations		Mar-18	Feb-09	Needs updating
Part Five	5. Code of Conduct and Disciplinary Rules and Procedures relating to Employees		Mar-18	Dec-08	Needs checking and reformatting
Part Five	6. Code of Practice for ensuring Equal Opportunity in Employment		Mar-18	Jun-98	Needs checking and reformatting
Part Five	7. Code of Practice for ensuring Dignity at Work		Mar-18	Jan-99	Needs checking and reformatting
Part Five	8. Code of Corporate Governance		Mar-18	Nov-16	
Part Six	Contents Page		Mar-18	Mar-18	
Part Six	1. Scheme of Members Allowances		Oct-18	Oct-18	This has been updated twice this year. Once in April and then again in October.
Part Seven	Contents Page		Mar-18	Mar-18	
Part Seven	1. Senior Management Structure		May-18	May-18	
Part Eight	Contents Page		Mar-18	Mar-18	n/a
Part Eight	1. Members of the Council		May-18	May-18	Updated via Modgov
Part Eight	2. Committee Structure		Oct-18	Oct-18	Updated via Modgov
Part Eight	3. Members of the Executive		May-18	May-18	Updated via Modgov

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 26 November 2018

Report of: Head of Finance and Audit

Subject: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report provides the assurances arising from the latest internal audit work and gives an update on progress being made with the delivery of the audit plans.

RECOMMENDATION

It is recommended that the Committee notes the progress and findings arising from Internal Audit work.

INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

PROGRESS OF 2018/19 AUDIT PLAN

2. The original plan for the year had 25 audits included and an additional audit was added in the last quarter. Having reviewed the audits in the plan for the year, two have now been removed as follows:
 - (a) The audit of contract management has been postponed from the plan for coverage next year. This is due to resources instead being used in the roll out of the new Procurement and Contract Procedure Rules and embedding the new thinking about the procurement stage into the organisation before moving onto contract management.
 - (b) The Data Protection work on database searches has been removed from the audit plan as this review will now be wholly undertaken by the information management team. The results will, however, still, be used as a source of assurance for the Head of Audits Annual Opinion.
3. Work has started to deliver the rest of the plan such that 13 of the remaining 24 audits are at least at the fieldwork stage and the first 5 audits have now been finalised, as detailed in Appendix Two. We are therefore confident that given this and the recruitment of additional resources in progress, we will meet our target of 20 audits being ready to support the Annual Audit Opinion in July 2019.

FINALISING PREVIOUS AUDIT PLANS

4. The current status of the 12 audits remaining from the previous Audit Plans is detailed in Appendix One. Three more reports have now been finalised and work has continued on 3 more to bring them to a conclusion.

FINDINGS FROM COMPLETED AUDITS

5. The eight latest final reports that have been issued are listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Insurance and Fraud Data Match 2018/19	Not applicable	0	0	-
ICT Costs and Budgets 2017/18	Not applicable	2	5	-
Mobile Phone Billing 2017/18	Not applicable	0	7	-
Council Tax and Business Rates 2018/19	Strong	0	1	-
Property Maintenance and Inspections – Non-Housing Council Buildings	Reasonable	1	0	1

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Housing Grants and Home Improvements 2018/19	Reasonable	1	1	-
Parking Strategy and Income 2018/19	Reasonable	0	2	2
Dog Control Follow Up 2018/19	Limited	0	0	6

6. Detail of the recommendations made and the actions to be taken is provided in Appendix Three.
7. The assurance opinion for Dog Control audit was again 'limited' due to the progress made on the action plan from last year being insufficient to change the opinion. This is mainly due to the managers of the service having to deal with unexpected challenges in another service area in the interim period which carried a higher level of risk. However, the Head of Service and Head of Finance and Audit have now devised a revised action plan to resolve the issues identified in this audit, which will include carrying out a vanguard style review of the operation of the services and additional resources from outside the service being used to set up improved systems of reconciliation.

RISK ASSESSMENT

8. There is a risk of the non -collection of income and over-payment of invoices arising from the audit of the Dog Control service. Additional resources are being provided to the service to set up a reconciliation process to address these risks.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2018/19 Audit Plan

Appendix Three - Findings from the Latest Completed Audits

Appendix Four - Reference Tables

Background Papers: None

Reference Papers:

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on the Contractor Annual Audit Plan 2014/15

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on the Internal Audit Strategy and Annual Audit Plan 2015/16

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext.4344)

APPENDIX ONE

Update on Outstanding Audits from Previous Plans

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
2014/15										
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
2015/16										
Land Charges	Service and Systems – HR	12	Stage 8							
2016/17										
Daedalus Operating Contracts	Service and Systems – HR	12	Stage 9							
Cloud Based Computing	Computer	15	Stage 8							
Leaseholder Charges	Joint working project		Stage 5							
Building Health and Safety Risks	Follow Up / Joint working		Stage 9							
2017/18										
Commercial Estates	Service and Systems – HR	15	Stage 9							
Property Maintenance & Inspections at Non-Housing Buildings	Service and Systems – HR	15	Stage 10	Reasonable	1	-	-	-	-	1
IT costs and budgets	Thematic Review		Stage 10	Not applicable	2	5	0	-	-	-
Risk Inspections of Public Areas	Thematic Review		Stage 4							
Mobile Phone Billing	Thematic Review		Stage 10	Not applicable	-	7	-	-	-	-

* A key to the information in this column is given in Appendix Five.

APPENDIX TWO

Audits in the 2018/19 Plan

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
OPINION AUDITS											
1	Council Tax and NNDR	Fundamental System	15	Stage 10	Strong	0	1	0	2	-	1
2	Capital Expenditure and Accounting		10	Stage 4							
3	Accounts Payable		10	Stage 1							
4	Fixed Assets		10	Stage 1							
5	Cemeteries & Closed Churchyards	Service and Systems – High Risk	15	Stage 1							
6	Housing Grants and Home Improvements		10	Stage 10	Reasonable	1	1	-	-	2	-
7	Parking Strategy and Income		15	Stage 10	Reasonable	0	2	-	4	1	2
8	Vehicle Management		15	Stage 4							
9	Housing Communal Services		10	Stage 1							
10	Planning Applications		15								
11	Markets Contract	Service and Systems - Other	5	Stage 1							
12	Out of hours service		12	Stage 1							
13	Orchard (Housing Rents IT system)	Computer	15	Stage 1							
14	Software Control Follow up		8	Stage 4							
15	Ferneham Hall Follow up	Follow Up	10	Stage 4							
16	Dog Control Follow up		5	Stage 10	Limited	-	-	-	1	-	6
	Contingency / In-house support		50								
	Total Planned Time		230								
WIDER WORK											
17	Insurance claimants who have been the subject of fraud investigations	Computer - data analytics		Stage 10	Not applicable	-	-	-	-	-	-
18	Review of compliance with new CIPFA guidance on Audit	Publication review		Stage 6							

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
	Committees (Extra)										
19	Housing Maintenance invoicing and stock control - part 2	Post investigation systems work		Stage 4							
20	Write Offs History Analysis & Interest charges	Thematic review									
21	Deceased persons list	Thematic Review									
22	Use of depot storage areas and security of plant, equipment and materials.	Joint working project		Stage 3							
23	Review of all outstanding IT audit recommendations	Follow Up		Stage 1							
24	Review of all other outstanding audit recommendations	Follow Up		Stage 4							
	Contract Management	Corporate / Contract - joint working		Postponed to next year							
	General Data Protection Regulations - Responding to database search requests	Corporate - joint working		Deleted							

Finding from the Latest Completed Audits

Audit Title	Insurance and Fraud Data Match	Overview of Subject: Fareham Borough Council receives approximately 140 claims a year which are reviewed and processed by the insurance team. Insurance systems are known to be at risk of fraudulent claims which could result in the council or the insurance company paying out more than they should. This audit involved taking the last 5 years of insurance data and matching it to fraud case data to see if there is any indication of the system being targeted by potential fraudsters.
Year of Audit	2018/19	
Type of Work	Computer audit - data analytics	
Assurance Opinion Given	Not applicable	
Direction of Travel	Not applicable	

Results of Data Match	
Number of insurance claimants with a surname match to the fraud database	577
Number of matches considered to be the same family on both databases after further investigation (after removing duplicates)	11
Number of cases where the council was obviously at fault so the claim wouldn't be fraudulent	7
Claims with a higher risk of being fraudulent	4
Number of these claims where FBC or the insurers made a payment to settle the claim	0
Conclusion The insurance claim process is being effective in repudiating claims with insufficient evidence of the Council being at fault, which would make the risk of a pay out on a fraudulent claim low.	

Audit Title	IT Costs and Budgets	<p>Overview of Subject: ICT Costs are a significant part of the Council expenditure. The latest ICT strategy being implemented is changing our approach to IT procurement; moving away from investment in big infrastructure and moving to other solutions such as storage on the cloud.</p> <p>As a sister audit to the ICT procurement audit report, this project involved working with the accounting team to review if the nature of the ICT Strategy is being reflected in the way that the budgets are being set and how the actuals are being incurred.</p> <p>The review found that there were generally wider issues about making the spend on ICT (capital and revenue) more visible to the service so that the nature of ICT spend and the impacts of the ICT Strategy can be monitored. The findings were discussed with the Finance managers and the ICT managers and some actions were agreed to strengthen the current process.</p>
Year of Audit	2017/18	
Type of Work	Joint working project – Thematic review	
Assurance Opinion Given	N/A	
Direction of Travel	N/A	

Proposed actions to further strengthen the current process.

Essential	Code Structure: A new coding structure is to be introduced to improve the financial management information being produced on ICT revenue and capital expenditure. This will need to be rolled out the ICT officers and officers in other services who code ICT expenditure.
Essential	Budget Setting: Zero based budgeting to be used for setting the revised revenue and capital budgets for 2018/19 and base budget for 2019/20 to redefine what the expected expenditure is and how this will change over time.
Important	Direct Coding: Budgets and actuals of costs that are to be funded from the revenue account are to be set up as revenue in the first instance rather than be transferred at the year end, which is obscuring the management information.
Important	Unclear Expenditure: We have been making a payment to the County Council for a number of years and we need to be clear what the Council is getting for this service.
Important	Software Costs: The software licence budget was overspent in 2017/18. However, we are anticipating changes in licenses to lead to some costs increasing and some decreasing and we need to make these changes visible. It has therefore been agreed that an estimation of the software licence costs will be developed for 2018/19 and going forward each year
Important	Management Information: A better financial management report of ICT costs incurred by ICT services and also other services of the council is to be developed which will be reviewed as part of the budget monitoring processes.
Important	Targeted Cost Reductions: A number of projects are expected to result in cost reductions in ICT costs. These need to be forecast and built into future budgets.

Audit Title	Mobile Phone Billing	<p>Overview of Subject: Staff mobile phone contracts are supplied to the Council by Vodafone costing approximately £50,000 a year. The mobile phone charges are billed on a quarterly basis through Vodafone Corporate online. The bills are managed centrally by the ICT Department. Each bill includes a summary of total charges for all phones, together with an individual breakdown of charges for each member of staff including the contract charge and itemised phone call, text message and data usage charges. This is broken further down into charges included or excluded from the individual contract.</p> <p>This audit looked at how the costs were being monitored and if there were any handsets with unusually high charges.</p>
Year of Audit	2017/18	
Type of Work	Thematic Review	
Assurance Opinion Given	N/A	
Direction of Travel	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)

Important x2	<p>Vodafone Bill Reports and monitoring of costs: Mobile phones bills examined for a year highlighted that there was a high number of calls, texts and data charged for outside the contract allowance and these were not being picked up and challenged. The ICT department has now started a review of devices and whether the contracts match their usage requirements. They are also now going to use the automatic reports available through the Vodafone website to identify any high charges being incurred and liaise with the services to understand why.</p>
Important x 2	<p>User Information: Users are not aware of the limitations of their mobile device contract i.e. they do not know when they are incurring charges outside of their allowance. The ICT department are now standardising the contracts so that the allowances are easier to understand and will require users to confirm they understand the latest Terms and Conditions of their mobile device contract on an annual basis.</p>
Important	<p>Contract Change: The contract for the mobile device allocated to one employee had been changed as the data allowance did not appear adequate for their needs. However, the contract change provided a higher data allowance at a more expensive rate which is now not being used. The package will be changed to a more economical plan reflecting the current data usage.</p>
Important x2	<p>High Usage Team: An analysis of the top 20 mobile device bills highlighted that one service's usage was consistently high. The manager of that service will now be provided with copies of the mobile phone bills relevant to the high users identified to examine the reason behind the costs. A review of the Mobile phone contracts will then be carried out for the service to ensure the current plans are adequate for the Team's requirements.</p>

Audit Title	Council Tax & Business Rates	Overview of Subject: There are 49,000 Domestic properties and 3,000 Non-domestic properties within the borough subject to payment of Council Tax or National Non-Domestic Rates. Fareham Borough Council is the council tax collecting authority on behalf of Hampshire County Council, the Police and Crime Commissioner and the Hampshire Fire and Rescue service and retains approximately 10% of the income collected. Fareham Borough Council is the business rates collecting authority on behalf of the government, Hampshire County Council, and the Hampshire Fire and Rescue service and initially retains approximately 40% of the income collected.
Year of Audit	2018/19	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	↔2015/16	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Maintaining Property lists			-	-	-	-	-	-
Discounts Reliefs and exemptions			-	-	-	2	-	1
Billing, receipts and methods of payment			-	-	-	-	-	-
Recovery action and write offs			-	-	-	-	-	-
Policies and procedures			-	-	-	-	-	-
Setting of the Council Tax			-	-	-	-	-	-
Standing data and system recalculation			-	-	-	-	-	-
Systems Access			-	-	-	-	-	-
Refunds			-	-	-	-	-	-
Finance Strategy and New Homes Bonus Calculations			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)

Previous Important	Discount Reviews – The monitoring records are not clear as to whether all accounts with discounts have been reviewed within a 2-year cycle.
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Audit Title	Property Maintenance and inspections – Council Buildings (Non-Housing)	<p>Overview of Subject: Fareham Borough Council owns a variety of public buildings including sports pavilions, public conveniences, youth centres and community centres as well as the Civic Offices, the Depot and Ferneham Hall. FBC has a duty of care to staff and members of the public to maintain these building and keep them in a safe state of repair.</p> <p>In order to discharge this duty Fareham Borough Council employs its own Responsive Repairs Team to carry out repairs to both housing and non-housing buildings. In conjunction with this it also contracts with organisations to provide services where the internal team does not have capacity or the expertise required to undertake the job.</p>
Year of Audit	2017/18	
Type of Work	OPINION - Service and Systems - High Risk	
Assurance Opinion Given	Reasonable	
Direction of Travel	N/A	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (●*)	Important (▲)	Advisory (□)	Implemented	Cancelled	Not Implemented
Roles and responsibilities			-	-	-	-	-	-
Recording of non-housing buildings			-	-	-	-	-	-
Asset Management Plan/Planned Maintenance Programme			-	-	-	-	-	1
Inspections			-	-	-	-	-	-
Responsive Repairs and Timeliness			-	-	-	-	-	-
Recharges			-	-	-	-	-	-
Fire Risk Assessments and Asbestos Surveys			1	-	-	-	-	-

Proposed actions to further strengthen the current process.

Essential	<p>Fire Risk Assessments: Testing concluded that of the 34 non-housing properties requiring a Fire Risk Assessment, 5 that were the responsibility of Property services were outside of the 5-year review timescale. These were for buildings with a lower risk profile and plans are in place to get the risk assessments completed.</p> <p>11 non-housing properties are the responsibility of the Tenant, 2 of these were Bowls clubs that had not had a review since 2008 and no checks were being carried out on any of these properties to give FBC assurance that the tenants are meeting their contractual obligations. All other tenants will now be contacted by the end of November 2018 and then afterwards every 5 years to request their up to date Fire Risk Assessments.</p>
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Proposed actions to further strengthen the current process.	
Previous Important	Asset Management Plan. There is still no documented Asset Management Plan or planned maintenance programme for the Authority's assets. The manager is reviewing what would best meet the needs of the organisation.

Audit Title	Housing Grants and Home Improvements	<p>Overview of Subject: Funding for Disability Facility Grants is paid by the Ministry of Housing, Communities and Local Government to Hampshire County Council under the Better Care Fund. Hampshire County Council pass this over to the district councils as an annual grant allocation. The total amount awarded during 17/18 was £713,800. The purpose of the grant is to enable vulnerable individuals to stay living independently within their own home, preventing homelessness or moving unnecessarily.</p> <p>The Fareham BC Disability Facilities Grant Service is now part of the Environmental Health Partnership with Gosport Borough Council and is administered by Portsmouth City Council. Portsmouth receive approve and complete all applications on behalf of Fareham and invoice quarterly for the cost of Grants paid out plus an administration fee.</p> <p>FBC use to maintain a budget for Home Improvement Loans for Fareham residents on low income and for essential basic works to ensure their home is safe and warm. These are interest free loans that are repayable upon the sale of the property. 2017/18 was the final year that FBC administered the loans (5) and from April 2018 it moved to the Parity Trust.</p>
Year of Audit	2018/19	
Type of Work	OPINION - Service and Systems - High Risk	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔2012/13	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (⚡)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Not Implemented
The Application process/proof of eligibility			-	1	-	-	1	-
Collection of Applicants Contributions			-	-	-	-	-	-
Contractor Invoice payment and approval			-	-	-	-	-	-
Works inspection			-	(1 as above)	-	-	-	-
Budget Monitoring and Control			-	-	-	-	-	-
Agreement with PCC			1	-	-	-	1	-
Portsmouth Home Improvement Agency			-	-	-	-	-	-
Appropriate use of contractors			-	-	-	-	-	-
Officer Conflicts of interest			-	-	-	-	-	-
Repayments			-	-	-	-	-	-
HIL - The Application process/proof of eligibility			-	-	-	-	-	-
HIL payments out			-	-	-	-	-	-

HIL Repayments FBC (past)			-	-	-	-	-	-
HILs Parity Trust arrangements (new)			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)

Essential	There is currently no formal documented agreement with Portsmouth City Council for them to provide the DFG service. The Head of Service was aware of this and is progressing it with the new manager.
Important	All application files are scanned at the end of the works and stored electronically. However, some issues were found with the quality and completeness of the scan such that some gas and electrical certificates were not on the file. The Head of Service will monitor this issue, particularly the timing that the scanning is done.

Audit Title	Parking Strategy and Income	<p>Overview of Subject: Fareham Borough Council levies parking charges for 14 Car Parks across the town area. Other car parks within the borough are not chargeable, although there are limits as to how long vehicles can be parked.</p> <p>At three of the parking locations, in the centre of town, the parking machines, are termed "Pay on Foot". These use ANPR technology to identify vehicles and entry details and issue a ticket. Details are retained to calculate charges to be paid to when validating the card prior to exit.</p> <p>A further eleven locations are Pay and Display locations, which require the driver to purchase a ticket for a determined length of time. These may also be subject to maximum stay periods.</p>
Year of Audit	2018/19	
Type of Work	OPINION - Service and Systems - High Risk	
Assurance Opinion Given	Reasonable	
Direction of Travel	↓ 2015/16	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Parking Strategy			-	1	-	-	-	-
Local Plan			-	-	-	-	-	-
Management of Parking Income			-	-	-	-	-	-
Management information reports produced			-	-	-	2	-	1
Budget Monitoring			-	-	-	-	-	-
Management of Machines			-	-	-	-	-	-
Blue Badge Swipe card management			-	1	-	2	1	1
Reconciliation of Parking Income			-	-	-	-	-	-
Management of £20 Refunds Float			-	-	-	-	-	-
Tesco Bond			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	There is currently no up to date Parking Strategy and reliance is now being placed on the Local Plan and the Supplementary Planning documents to cover parking issues within the regeneration of the Civic area and the Market Quay area. These documents currently refer to the Parking Strategy, so need to be revised.
Previous Important	The parking pages had not been expanded to include information on how any surplus income from parking is used across the council towards the reduction of the Council Tax charge. This is a requirement of the Transparency Code. This information has been included in the Annual Parking Report for 2017/18 and the intention is to publish this on the website as part of the Transparency Code pages.
Important	Some problems were found with confirming that sufficient checks had been carried out on Blue Badge swipe cards applications to confirm the applicants name, identity and residency. However, the swipe card system is due to be phased out in 2019 and replaced with ANPR programming from source blue badge data.
Previous Important	There are no formal stock control measures in place for controlling blank swipe cards used for free Disabled parking. However, these cards are being phased out during 2019.

Audit Title	Dog Control	Overview of Subject: The Environmental Health Partnership provides the Dog Control Service for both Fareham Borough Council and Gosport Borough Council. Weaknesses were found with the controls in the processes used by the service and this audit followed up progress in implementing the agreed action plan.
Year of Audit	2018/19	
Type of Work	Follow Up	
Assurance Opinion Given	Limited	This audit was carried out by the Gosport Borough Council audit team and so is in their style. Although progress had been made only 2/8 of the actions could be signed off as implemented as the time of this audit. The Head of Service is now planning to carry out a vanguard style review of the processes to help identify how the weaknesses in the system are occurring and how the process can be improved. Resources are also going to be provided to the service to help set up a revised process of reconciliation.
Direction of Travel	↔ 2017/18	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Stray Dog records – Although the team had been briefed about inputting the records of stray dog's cases on the management system at the time the call is received or after out of hours call outs, there were still cases where this had not happened making verification of invoices difficult. A new dog register screen has, however, been created and the team will again be briefed on its use and the importance to record all cases. Resources are now to be provided to the service to set up a system to carry out a 3- way reconciliation and where imbalances are found these will be followed up by the service to understand where the system is failing.
Important	Checking kennelling invoices – There had been an improvement on the checking carried out of the invoices being paid for kennelling fees. However, there were still cases on the invoices (11/17) where there was no record for the dog being invoiced (probably as it had not been created on the system). Resources are now to be provided to the service to set up a system to carry out a 3- way reconciliation and help identify where the system is failing to get records created on the system.
Important	Checking kennelling costs are recharged to the dog owners – There was an improvement in the number of kennel fees being recharged back to the dog owner. However, there were still a significant number that had not been recharged (17/33). Resources are now to be provided to the service to set up a 3- way reconciliation process and help identify where the system is failing to get invoices raised on the system. They will also be looking into whether a cost-effective method of collecting payment up front can be set up.
Important	No reconciliation to receipts issued – There was no reconciliation being carried out of manual receipts being issued for income collected in person from owners. Resources are now to be provided to the services to set this up.
Important	Records of Receipt Books – The department still needs to keep records of what receipt books they have been issued with and therefore which sets of receipts they are expecting income from. The service now intends to do this.
Important	Procedure Notes – There are 4 sets of procedure notes for the service which still have not been updated for a number of years and need updating, particularly for the processes that help with the financial controls. The service now intends to do this after the findings from the vanguard style review are understood.

Reference Tables

1. Scale of Assurance Opinions

Strong	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable	There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
Limited	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
Minimal	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

2. Scale of Recommendation Priorities

Essential	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
Important	A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the A&G Committee and implementation of proposed actions are monitored.
Advisory	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

3. Stages of An Audit Assignment

Stage 1	The Audit teams have started drawing up the scope of coverage for the assignment.
Stage 2	A scoping meeting has been held with the Sponsor in the client service.
Stage 3	The Terms of Reference for the Assignment have been finalised.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	The work completed by the Auditor is being reviewed by their manager.
Stage 6	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
Stage 7	Any additional testing identified has been completed.
Stage 8	The draft report has been received by the in-house audit team.
Stage 9	The draft report has been issued to the Service Sponsor and is awaiting their response.
Stage 10	The final report has been issued.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 26 November 2018

Report of: Director of Finance and Resources

Subject: REVIEW OF WORK PROGRAMME AND TRAINING PLAN

SUMMARY

This report reviews the current work programme for the Committee.

RECOMMENDATION

It is recommended that the Committee approve the work programme for the rest of the municipal year, as shown in Appendix A.

INTRODUCTION

1. This report brings the latest work programme for review by the Committee.

WORK PROGRAMME 2018/19

2. The work programme for the year has been updated, as shown in Appendix A. This shows the reports expected in relation to each of the functions of the Committee along with an update on the delivery of the programme to date.
3. There have been two changes to the programme. The first relates to the Certification report from the External Auditors which has been postponed until the March meeting.
4. The second relates to an extra item on the November agenda which is the first annual report on changes to the Constitution.

RISK ASSESSMENT

5. There are no significant risk considerations in relation to this report.

CONCLUSION

6. The work programme in place is appropriate to meet the responsibilities of the Committee.

Appendices: Appendix A – Audit and Governance Committee Work Programme 2018/19 as at November 2018.

Background Papers: None

Reference Papers: Report to the Audit and Governance Committee – 12 March 2018 - Annual Audit and Governance Committee Report, Work Programme and Training Plan

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext. 4344)

APPENDIX A

WORK PROGRAMME FOR 2018/19

Committee Function and Report Subject		Frequency	Last Covered	July 2018	September 2018	November 2018	March 2019
COMMITTEE WORKING ARRANGEMENTS							
Review of Work Programme and training plan		Quarterly	2018-19	Completed	Completed	Completed	YES, and Annual Report
Review of the Functions of the Committee		3 yearly	2016-17				
Review of the Constitution		As needed	2017-18			Extra	
ETHICAL FRAMEWORK AND STANDARDS							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	Overview of Complaints against the Council	Annual	2018-19		Completed		
Member Training and Development	Review of Members Training and Development Programme	As needed	2015-16				
GOVERNANCE FRAMEWORK							
Framework	Local Code of Corporate Governance	As needed	2016-17				
	Annual Governance Statement	Annual	2018-19	Completed			
Key Policy	Review of Financial Regulations	3 yearly	2018-19	Completed early			
	Review of Contract Procedure Rules	3 yearly	2018-19				
	Treasury Management Policy and Strategy	Annual	2017-18			Completed	YES - Policy and indicators
Risk Management	Policy	As needed	2016-17				
	Risk Management Monitoring Reports	6 monthly	2018-19		Completed		YES
	Business Continuity	3 yearly	2014-15			Completed	
	Specific Risk Management topics	As needed	None				
Counter Fraud	Counter Fraud Policy and Strategy	3 yearly	2016-17				
	Anti-Bribery Policy	As needed	2011-12				
	Sanctions and Redress Policy	As needed	2016-17				
	Counter Fraud Annual Report	Annually	2018-19	Completed			

Committee Function and Report Subject	Frequency	Last Covered	July 2018	September 2018	November 2018	March 2019
INTERNAL AUDIT ASSURANCE						
Internal Audit Strategy	3 yearly	2014-15				YES
Internal Audit Annual Plan	Annual	2017-18				YES
Quarterly Audit Reports	Quarterly	2018-19	Completed	Completed	Completed	YES
Head of Audit's Annual Opinion	Annual	2018-19	Completed			
EXTERNAL ASSURANCE						
Update on Arrangements for Appointment of External Auditors	As needed	2018-19	Extra Completed			
Annual Plan and Fee	Annual	2017-18				YES
Annual Audit Letter	Annual	2018-19		Completed earlier		
Annual Certification Report	Annual	2017-18				YES – postponed from November
Specific reports from inspection agencies	As needed	2018-19 (RIPA)	Completed (RIPA)			
STATEMENT OF ACCOUNTS						
Statement of Accounts	Annual	2018-19	Completed			
External Audit – Audit Results Report	Annual	2018-19	Completed			
OTHER						
Updates on legal issues	As needed	2017-18				
Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
Number of Items			10	5	5	8