

FAREHAM

BOROUGH COUNCIL

AGENDA

AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 27 November 2023

Time: 6.00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor Ms F Burgess (Chairman)

Councillor R Bird (Vice-Chairman)

Councillors Mrs T L Ellis
H P Davis
N R Gregory
D J Hamilton
S D Martin

Deputies: Ms C Bainbridge
M R Daniells



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 25 September 2023.

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. External Audit Update

To receive a verbal update from the new External Audit Partner for Ernst and Young on the discussions that are being held nationally about how the backlog of audit work might be addressed and what external audit coverage may be delivered this year.

7. Treasury Management Strategy (Pages 9 - 46)

To receive the a report from the Head of Finance and Audit on the Treasury Management Strategy, setting out the mid-year review of treasury management activity up to 30 September 2023 which confirms compliance with the strategy.

8. Head of Internal Audits Quarterly Report (Pages 47 - 54)

To consider a report by the Head of Finance on Audit on the internal audit work since the last meeting.

9. Monitoring Officer Report (Pages 55 - 92)

To consider a report by the Monitoring Officer on items which require reporting but do not justify full report to be brought to the Committee for consideration.



A WANNELL
Chief Executive Officer

Civic Offices
www.fareham.gov.uk
17 November 2023

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FAREHAM

BOROUGH COUNCIL

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

Date: Monday, 25 September 2023

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor Ms F Burgess (Chairman)

Councillor R Bird (Vice-Chairman)

Councillors: H P Davis, N R Gregory, D J Hamilton and M R Daniells
(deputising for S D Martin)

**Also
Present:**



1. APOLOGIES

Apologies of absence were received from Councillors S D Martin and Mrs T L Ellis.

2. MINUTES

RESOLVED that the Minutes of the Audit and Governance Committee meeting held on the 20 July 2023 be agreed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman made no announcements at the meeting.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

There were no declarations of interest made at this meeting.

5. DEPUTATIONS

No deputations were received at the meeting.

6. EXTERNAL AUDIT - ANNUAL REPORT AND VALUE FOR MONEY COMMENTARY

The Committee received the External Audit Annual Report and Value for Money Commentary which summarises the findings from the 2021/22 audit.

Members of the Committee enquired about the Pension Liability Statement within the Audit Report at Appendix A, asking if they are able to gain better viability and understanding of the Hampshire Pension Scheme. The Finance Manager addressed the Committee to explain that although the Pension scheme is administered by Hampshire County Council and not Fareham Borough Council, the scheme is overseen by the Pension Fund Panel which is a meeting held in public with the documents published online. Officers suggested that the Pension Fund be brought to the Committee as a separate training item at a future meeting.

RESOLVED that the Committee notes the contents of the Annual Audit Report 2021/22 submitted by the Council's external auditors, attached as Appendix A.

7. STATEMENT OF ACCOUNTS

The Committee received the unaudited Statement of Accounts for 2022/23 from the Finance Manager.

RESOLVED that the Audit and Governance Committee approves the unaudited Statement of Accounts for 2022/23, attached as Appendix A, for publication by 30 September 2023.

8. RISK MANAGEMENT MONITORING REPORT

The Committee received the Risk Management Monitoring Report from the Finance Manager. The new Risk Management Policy requires evidence of risk management to be compiled every six months as proof that the policy is effective.

RESOLVED that the Audit and Governance Committee review the report as a source of evidence that the current Risk Management Policy is operating in practice.

9. MONITORING OFFICER REPORT

The Committee received the Monitoring Officer Report which updated Members on a variety of assurances which are within the functions of the Audit and Governance Committee that do not require a full report in their own right.

RESOLVED that the Audit and Governance Committee: -

- a) notes the contents of Part One of the report; and
- b) considered the updates to the Constitution for endorsement, retrospectively, in Part Two of the report.

10. HEAD OF AUDITS QUARTERLY REPORT

The Committee received the Head of Internal Audits Update Report providing Members with the assurances arising from the latest internal audit work. It also gave an update on the progress being made with setting and delivering the audit plans.

Members asked for more details about what will be included within the Fareham Live audit. The Chief Executive Officer addressed the Committee to advise that Fareham Live had been added to the plan as it is a significant project and although at this time the detail of the plan had not be set out the key components are likely to be the Governance arrangements in relation to its operations, along with the construction contract.

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

(The meeting started at 6.00 pm
and ended at 6.32 pm).

..... Chairman

..... Date

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 27 November 2023

Report of: Head of Finance and Audit

Subject: TREASURY MANAGEMENT STRATEGY

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 2023 which confirms compliance with the strategy approved by Full Council on 24 February 2023.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee:

- a) reviews the contents of the report; and
- b) provide comments in terms of the effectiveness of the treasury management strategy.

INTRODUCTION

1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management at least twice yearly (mid-year and at year end).
2. The Council's Treasury Management Strategy for 2023/24 was approved by Full Council on 24 February 2023 (Appendix A). The Council has borrowed and invested large sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
3. An economic commentary by the Council's Treasury Advisors, Arlingclose, can be found in Appendix B.
4. The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council, covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy for 2023/24 was also approved by Full Council on 24 February 2023.

BORROWING ACTIVITY

5. At 30 September 2023, the Council held £61 million of loans, (£80,000 less than the position at 31 March 2023). The Council expects to borrow up to an additional £5 million in 2023/24 to part fund the capital programme.
6. 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.
7. Borrowing activity to 30 September 2023 was:

	Balance on 31 March 2023 £'000	Balance on 30 Sept 2023 £'000	Average Rate
Long-term borrowing	48,000	48,000	3.55%
Short-term borrowing	10,000	10,000	5.20%
Portchester Crematorium	3,336	3,256	1.34%
Total Borrowing	61,336	61,256	

8. The Council holds investments from Portchester Crematorium Joint Committee which is treated as a temporary loan.
9. The Council's short-term borrowing is from other local authorities and long-term borrowing is from the Public Works Loan Board (PWLb). There has been a substantial rise in the cost of both short and long-term borrowing over the last 18 months due to rising Bank Rates. The Bank Rate rose by 1% from 4.25% at the

beginning of April to 5.25% at the end of September and the Bank Rate was 2% higher than at the end of September 2022.

10. A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account.

INVESTMENT ACTIVITY

11. The Council holds 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 £24 and £31 million due to timing differences between income and expenditure.
12. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return or yield. 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.
13. 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 2023/24. The policy details the high quality and secure counterparty types the Council can invest with.
14. £12 million of the Council's investments is invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of -0.57%, comprising a 3.79% income return which is used to support services in year, and 4.36% of unrealised capital loss.
15. These funds have no defined maturity date but are available for withdrawal after a notice period, but it is intended to hold onto the funds longer term. Their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years but with the confidence that over a three to five-year period total returns will exceed cash interest rates.
16. Details on investment activity to 30 September 2023 are summarised in the table below:

	Balance on 31 March 2023 £'000	Balance on 30 Sept 2023 £'000	Average Rate
Long-Term Pooled Funds	10,632	10,492	3.79%
Money Market Funds	5,200	4,700	5.35%
Banks	2,000	0	0.00%
Local Authorities	7,000	3,000	4.00%
Total Investments	24,832	18,192	

17. The decrease in investments at the end of September is mainly due to the purchase of Fareham Shopping Centre.

COMMERCIAL PROPERTIES (NON-TREASURY INVESTMENTS)

18. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return.
19. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased 10 commercial investment properties as summarised below and is expected to generate rental income of £2.3 million during 2023/24.

Property Type	Value at 31 March 2022 £'000	Value at 31 March 2023 £'000
Retail	21,745	21,785
Commercial (Industrial)	11,730	11,740
Other (Healthcare)	2,210	1,960
Total	35,685	35,485

20. The Investment portfolio has effectively maintained its value. Five of the properties saw moderate increases in value, whilst the other 5 saw moderate reductions in value. The upshot was a minimal decrease in the value of the entire portfolio. The cyclical nature of property and key lease events have had an effect on the value of the portfolio, but these are set against wider changes in the property market.
21. The Council's total investment property portfolio is shown below. This is more balanced, albeit retail holdings do increase with more exposure to the High Street. This is due to longstanding strategic ownerships, rather than pure investments.

Property Type	Value at 31 March 2022 £'000	Value at 31 March 2023 £'000
Retail	34,045	33,790
Commercial	23,682	25,245
Other	4,388	4,109
Office	4,740	5,370
Leisure	1,481	1,492
Total	68,336	70,006

22. The overall investment property portfolio has increased in value by £1.67 million (increase of £8 million in 2021/22).
23. The Council purchased the leasehold of Fareham Shopping Centre at the end of September. The above table includes the freehold value only as at 31 March.
24. Property valuations are undertaken annually, to ensure that the Council's balance sheet reflects the current opinion of the value of the Council's assets. Fluctuations in value do not represent actual gains or losses, but do indicate market sentiment, which is often linked to rental income levels and lease terms and conditions.

BUDGETED INCOME AND OUTTURN

25. Following the September Monetary Policy Committee meeting, our treasury advisor, Arlingclose, revised its interest forecast to reflect the view that 5.25% will now be the peak in Bank Rate.
26. The Council's net interest budget for 2023/24 is £612,000 (£879,854 actual in 2022/23). The budget will be reviewed during the revised budget setting period to reflect the latest capital spending plans.

COMPLIANCE WITH TREASURY AND PRUDENTIAL INDICATORS

27. The Council confirms compliance with its Treasury and Prudential Indicators for 2023/24, which was set on 24 February 2023 as part of the Council's Treasury Management Strategy.
28. 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.

Appendices: **A:** Treasury Management Strategy and Prudential Indicators 2023-24
B: Economic Commentary and Outlook by Arlingclose
C: Treasury and Prudential Indicators – half yearly performance

Background Papers: None

Reference Papers: Treasury Management Strategy and Prudential Indicators
2023-24, Council, 24 February 2023

Prudential Code for Capital Finance in Local Authorities
(2021)

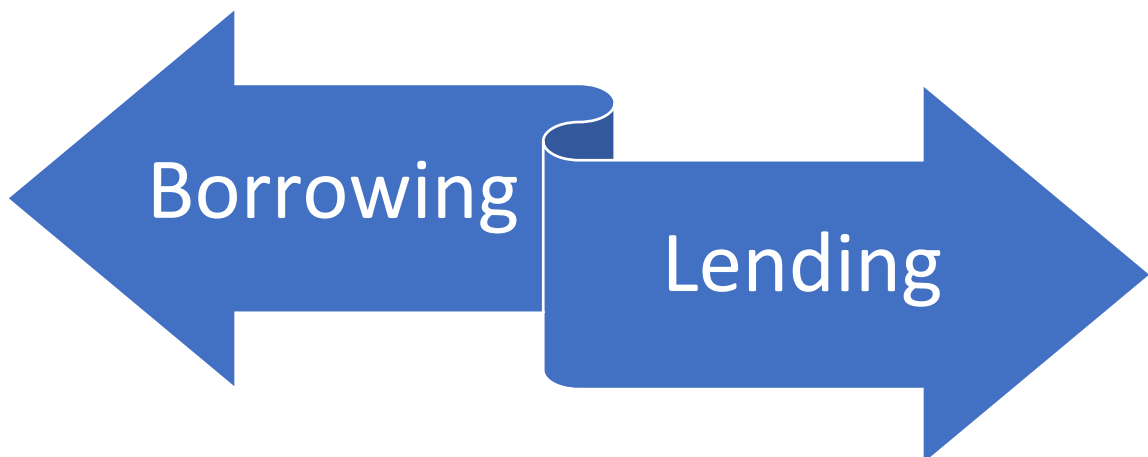
Treasury Management in the Public Services Code of
Practice (2021)

Enquiries:

For further information on this report please contact Caroline Hancock 01329 82484

FAREHAM
BOROUGH COUNCIL

**TREASURY MANAGEMENT
STRATEGY
AND
INVESTMENT STRATEGY
2023/24**



INTRODUCTION

WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

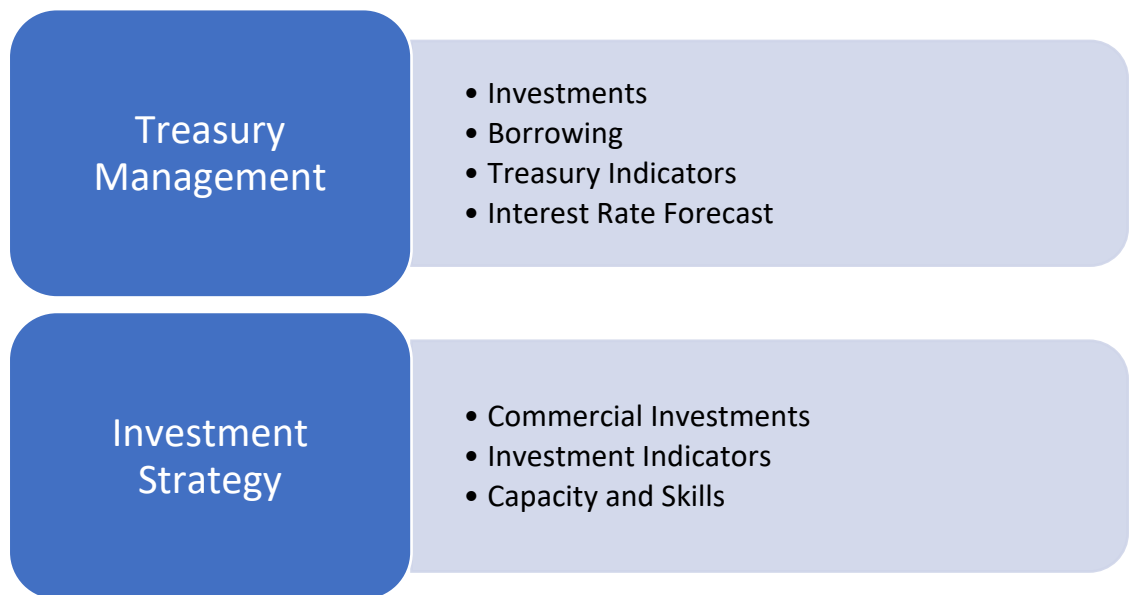
The management of the organisation's cash flows, its banking, money market and capital market transactions;

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 TREASURY MANAGEMENT AND INVESTMENT STRATEGIES

3. These strategies set out the expected approach to treasury management and investment activities for 2023/24. It covers two main areas:



4. The content of the Strategies is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

REPORTING REQUIREMENTS

5. 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:



6. 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.

TREASURY MANAGEMENT STRATEGY

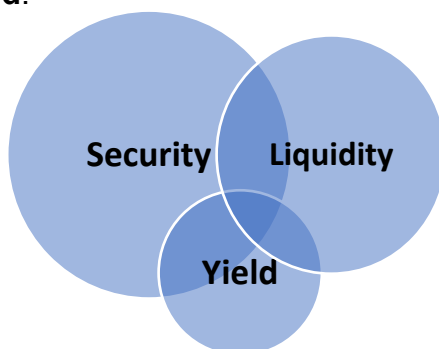
INVESTMENTS

Current Portfolio Position

7. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £21 million and £38 million, lower levels are expected in the forthcoming year due to capital programme expenditure.

Treasury Investment Strategy

8. The CIPFA Code requires 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**.



9. 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.
10. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
11. The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
12. Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's **business model** for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Counterparties

13. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local authorities and other government entities	25 years	£4m	Unlimited
Secured investments*	25 years	£4m	Unlimited
Banks (unsecured)*	13 months	£2m	Unlimited
Building Societies (unsecured)*	13 months	£2m	£4m
Money market funds*	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£20m

14. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published **long-term credit rating is no lower than A-**. 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 taken into account.
15. For entities without published credit ratings, investments may be either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2 million per counterparty as part of a diversified pool.
16. Summary of counterparty types:
- a) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
 - b) **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
 - c) **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies,

other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- d) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
 - e) **Strategic Pooled Funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
17. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks), registered providers (loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations) and real estate investment trusts, subject to meeting the minimum credit rating criteria and time limits recommended by the Council's treasury advisers.

Operational Bank Accounts

18. 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 £4 million 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

19. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.

20. 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

21. 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 and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.
22. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
23. The following **internal measures** are also in place:
 - Investment and borrowing decisions formally recorded and endorsed using a Counterparty Decision Document.
 - Monthly officer reviews of the investment and borrowing portfolio and quarterly reviews with the Chief Executive Officer.

Investment Limits

24. The Council’s revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2023. 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 **£5 million**. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
25. Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as in the table below. Investments in pooled

funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
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

Liquidity Management

26. 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.
27. The Council will spread its liquid cash over at least **four providers** (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Environmental, Social and Governance Policy

28. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.
29. The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.
30. The Council will give weight to the environmental, social and governance elements of credit ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

BORROWING

Current Portfolio Position

31. The Council's borrowing position at 31 March 2022, with forward projections are summarised below.

£'000	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt at 1 April	53,200	50,200	52,200	51,200	50,200
Expected change in debt	(3,000)	2,000	(1,000)	(1,000)	(2,000)
Gross Debt at 31 March	50,200	52,200	51,200	50,200	48,200

32. Debt at 31 March 2023 is projected to be lower than originally estimated due to the use of internal borrowing rather than borrowing externally to fund the capital programme.

Borrowing Strategy

33. 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.
34. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
35. 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.
36. 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.
37. 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 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
38. The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
39. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
40. Alternatively, the Council may arrange forward starting loans, 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.

41. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

Sources of Borrowing

42. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
- Any institution approved for investments.
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body.
- 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.

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

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

44. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

45. **Short-Term and Variable Rate Loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

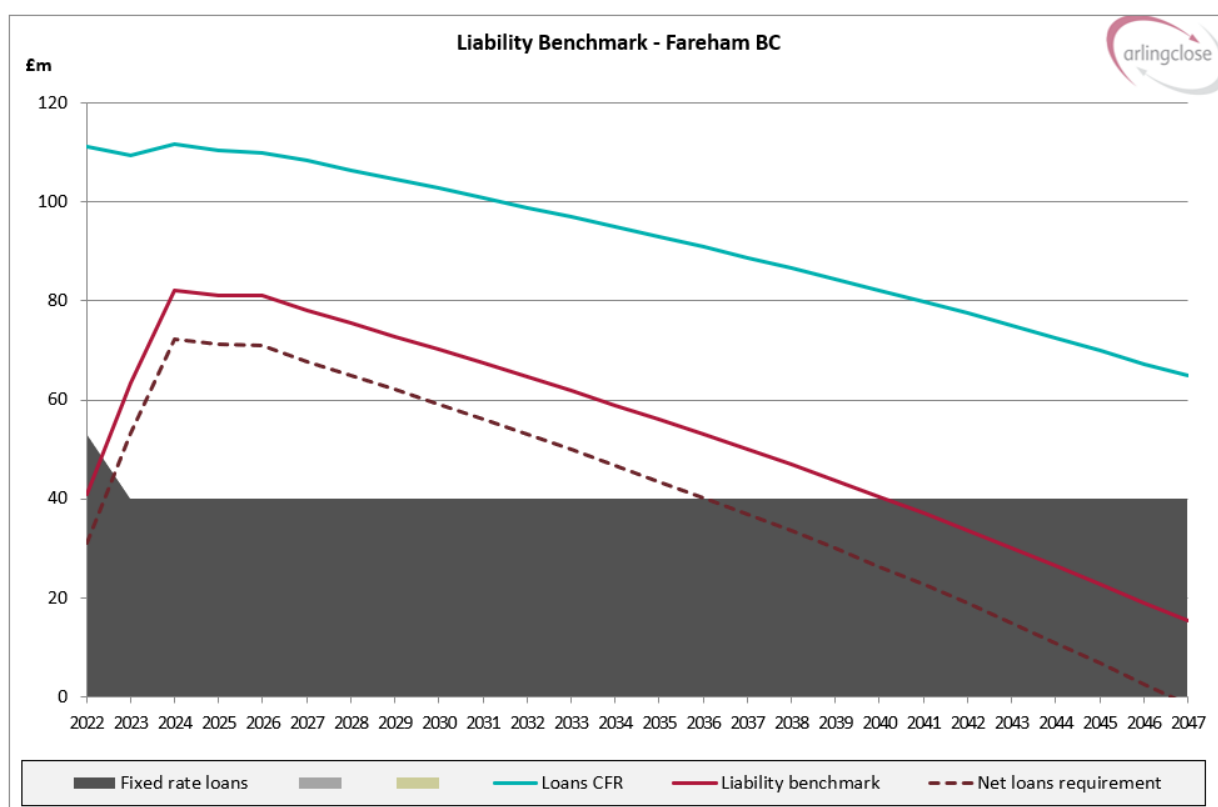
46. **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement,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

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

47. The Council measures and manages its exposures to treasury management risks using the following three treasury management indicators.
48. *Treasury Management Prudential Indicator 1 – Liability Benchmark:* To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
49. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

£'000	31/3/22 Actual	31/3/23 Estimate	31/3/24 Estimate	31/3/25 Estimate	31/3/26 Estimate
Capital Financing Requirement	111,300	109,400	111,600	110,500	110,100
Less: Balance sheet resources	(80,400)	(56,000)	(39,400)	(39,300)	(39,100)
Net loans requirement	30,900	53,400	72,200	71,200	71,000
Plus: Liquidity allowance	10,000	10,000	10,000	10,000	10,000
Liability benchmark	40,900	63,400	82,200	81,200	81,000

50. The long-term liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing:



51. If cash flows occur as forecast, the Council's level of existing borrowing remains below the liability benchmark for the next 17-18 years. This indicates a need for further external borrowing over this period, peaking at approximately an additional £40m by 2024 and then reducing over time.
52. *Treasury Management Prudential Indicator 2 – Long-term treasury management investments:* 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. The prudential limits on the long-term treasury management investments will be:

£'000	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Limit on principal invested beyond year end	14,000	15,000	16,000	17,000	18,000

53. *Treasury Management Prudential Indicator 3 - Maturity structure of borrowing:* This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity structure of borrowing	Upper Limit %	Lower Limit %
- Loans maturing within 1 year	50	0
- Loans maturing within 1 - 2 years	50	0
- Loans maturing within 2 - 5 years	50	0
- Loans maturing within 5 - 10 years	50	0

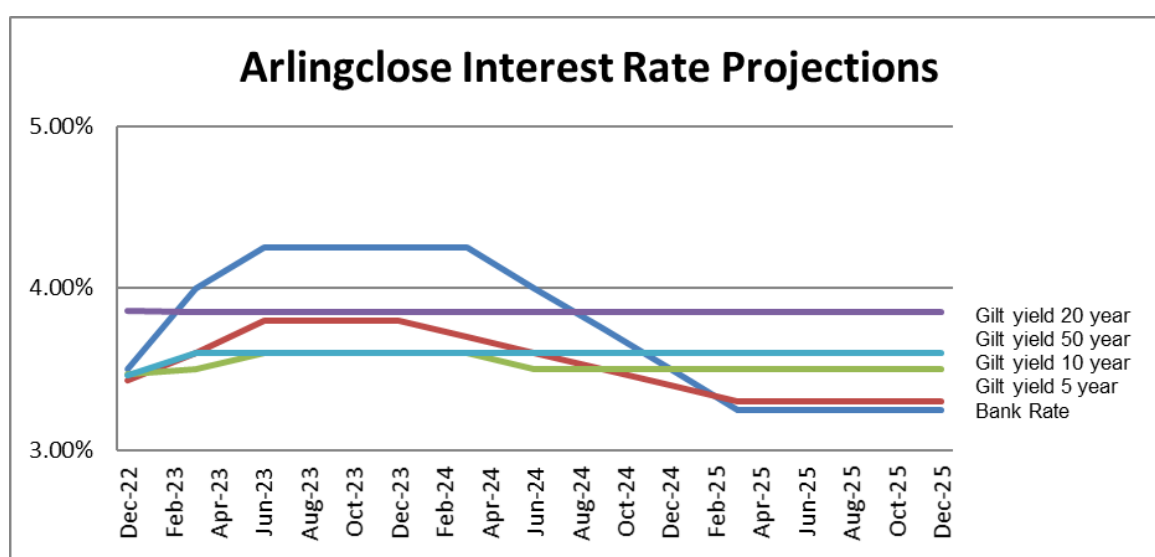
- Loans maturing in over 10 years	100	100
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54. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
55. *Treasury Management Prudential Indicator 4 - 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.

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £'000	49,268	49,268	49,268	49,268	49,268
HRA revenues £'000	14,228	13,208	13,744	14,170	14,477
Number of HRA dwellings	2,419	2,419	2,411	2,403	2,395
Ratio of debt to revenues %	3.46:1	3.73:1	3.58:1	3.48:1	3.40:1
Debt per dwelling £	£20,369	£20,369	£20,437	£20,505	£20,573
Debt repayment fund £'000	£6,840	£7,980	£9,120	£10,260	£11,400

INTEREST RATE FORECAST

56. The Council's treasury management adviser, Arlingclose, 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 1.
57. The following graph and commentary gives the Arlingclose's central view on interest rates.



58. Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its

2% target.

59. While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
60. Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Other Items

61. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.
62. **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.
63. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
64. 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.
65. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

66. The budget for net interest received in 2023/24 for the General Fund is £612,000 and the budget for net interest paid in 2023/24 for the HRA is £1,679,000. If actual levels of investments and borrowing, and actual interest rates differ from that forecast, performance against budget will be correspondingly different.

Other Options Considered

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

INVESTMENT STRATEGY

68. The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
69. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.

70. The Council does not currently have any service investments.

COMMERCIAL INVESTMENTS

71. The Council invests in local and some regional UK commercial property with the intention of making a profit that will be spent on local public services.
72. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£35.7 million** and expected to generate rental income of £2.3 million during 2023/24.

Property Type	Current Value £'000
Retail	21,745
Commercial	11,730
Other	2,210
Total	35,685

73. The Council's total Commercial property portfolio, shown below, is valued at **£68.3 million** and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

Property Type	Current Value £'000
Retail	34,045
Commercial	23,682
Other	4,388
Office	4,740
Leisure	1,481
Total	68,336

74. A fair value assessment of the Council's more recent commercial property purchases has been made within the past twelve months, and the underlying assets provide security for capital investment.
75. The Council assesses the risk of loss before entering into and whilst holding property investments. These risks are managed by ensuring:
- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Council's finances;
 - there is a mix of property types in the portfolio e.g. retail, industrial, etc.;
 - new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term;
 - appropriate checks are carried out to ascertain the tenant's reliability;
 - other "due diligence" is undertaken to protect the Councils investment as

far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

Proportionality

76. The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

£'000	2021/22 Actual	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Gross service expenditure	49,432	45,915	46,524	47,320	47,640	48,029
Investment income	4,476	4,463	4,222	4,758	4,758	4,758
Proportion	9.1%	9.7%	9.1%	10.1%	10.0%	9.9%

INVESTMENT INDICATORS

77. The Council has set the following three investment indicators to assess the Council's total risk exposure as a result of its investment decisions.
78. *Investment Indicator 1 - Total risk exposure:* The first indicator shows the Council's total exposure to potential investment losses.

£'000	2021/22 Actual	2022/23 Revised	2023/24 Estimate
Treasury Management Investments	22,189	15,000	15,000
Commercial Investments	68,336	68,336	68,336
Total	90,525	83,336	83,336

79. *Investment Indicator 2 - How investments are funded:* Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

£'000	2021/22 Actual	2022/23 Revised	2023/24 Estimate
Treasury Management Investments	0	0	0
Commercial Investments	30,272	29,479	28,663
Total	30,272	29,479	28,663

80. *Investment Indicator 3 - Rate of return received:* This indicator shows the investment income received less the associated costs, including the cost of

borrowing where appropriate, as a proportion of the sum initially invested.

	2021/22 Actual	2022/23 Revised	2023/24 Estimate
Treasury Management Investments	3.2%	4.1%	3.1%
Commercial Investments	3.3%	3.5%	3.7%
Total	3.3%	3.7%	3.6%

CAPACITY AND SKILLS

Training

81. 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.
82. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
83. Property services officers also regularly attend training courses, seminars and conferences provided RICS (Royal Institution of Chartered Surveyors) accredited/approved providers.

Use of Treasury Management Consultants

84. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
85. 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.
86. 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.

ARLINGCLOSE ECONOMIC AND INTEREST RATE FORECAST

Economic Background – January 2023

The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been

slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

Credit outlook:

Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Underlying assumptions – December 2022

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.

- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight, and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short-term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast – December 2022

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.

- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

ECONOMIC COMMENTARY AND OUTLOOK BY ARLINGCLOSE – OCTOBER 2023

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.4%, beating expectations of a 0.2% increase. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak. Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

2023/24 INDICATORS – HALF YEARLY PERFORMANCE

PRUDENTIAL INDICATORS

1) Capital Expenditure and Financing

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. The revised budget includes £1.7 million carried forward from 2022/23.

Capital Expenditure and Financing	Revised Estimate £'000	Actual to 30 Sept £'000
Streetscene	330	0
Leisure and Community	12,484	3,357
Housing	960	431
Planning and Development	128	0
Policy and Resources	25,811	17,721
Total General Fund	39,713	21,509
HRA	3,518	2,148
Total Expenditure	43,321	23,657
Capital Receipts	8,160	3,952
Capital Grants/Contributions	16,135	4,035
Capital Reserves	2,762	2,255
Revenue	1,643	483
Internal Borrowing	14,531	12,932
Total Financing	43,231	23,657

Expenditure to 30 September is within the overall revised budget for the year. The budgets will be reviewed and re-phased where applicable as part of the forthcoming budget setting process.

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

NEEDS REVISING

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.

	Estimate £'000	Actual to 30 Sept £'000
General Fund	56,192	67,779
HRA	53,713	53,118
Total CFR	109,905	120,897

The CFR is higher than projected due to internal borrowing for the purchase of Fareham Shopping Centre.

3) Borrowing - Gross Debt and the Capital Financing Requirement

ON TRACK

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The indicator shows that total debt is expected to remain below the CFR.

£'000	Estimate	Actual to 30 Sept
Debt at 1 April	52,200	61,256
Capital Financing Requirement (CFR)	109,905	120,897

4) Borrowing - Limits to Borrowing Activity

ON TRACK

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

£'000	Limit	Actual to 30 Sept
Operational Boundary	159,000	61,256
Authorised Limit	167,000	61,256

Total debt at 30 September was £61 million. During the first half of 2023/24 the Authorised Limit of £167 million was not breached at any time.

5) 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	7%	5%
HRA	12%	13%

TREASURY INDICATORS

6) Investments - Principal Sums Invested for Periods Longer than a year

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
Limit on principal invested beyond year end	15	10

£10 million is placed with externally managed strategic pooled diversified income funds which are long-term investments. The remaining investments are currently placed for less than a year to allow cash to be available for schemes in the capital programme that require internal borrowing.

7) 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	50	22
Loans maturing within 1 - 2 years	50	0
Loans maturing within 2 - 5 years	50	0
Loans maturing within 5 - 10 years	50	0
Loans maturing in over 10 years	100	78

The £40m HRA loans represent 65% of loans maturing in over 10 years. The Council holds investments from Portchester Crematorium which is treated as a temporary loan and £10 million short-term loans. These represent 22% of loans maturing within 1 year.

8) 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	13,208	13,208
Number of HRA dwellings	2,419	2,419
Ratio of debt to revenues	3.73	3.73
Debt per dwelling £	£20,369	£20,369
Debt repayment fund £'000	£7,980	£7,980

INVESTMENT INDICATORS

9) Commercial Investments - Proportionality

ON TRACK

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

£'000	2023/24 Budget	Actual to 30 Sept
Gross service expenditure	46,524	17,335
Investment income	4,222	2,868
Proportion	9.1%	16.5%

10) Total Risk Exposure

ON TRACK

This indicator shows the Council's total exposure to potential investment losses.

Total Investment Exposure	2023/24 Forecast £'000	Actual to 30 Sept £'000
Treasury Management Investments	15,000	18,192
Commercial Investments	68,336	70,006
Total	83,336	88,198

11) How Investments are Funded

ON TRACK

Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments Funded by Borrowing	2023/24 Forecast £'000	Actual to 30 Sept £'000
Treasury Management Investments	0	0
Commercial Investments	28,663	28,663
Total	28,663	28,663

12) Rate of Return Received

ON TRACK

This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Investments Net Rate of Return	2023/24 Estimate	Actual to 30 Sept
Treasury Management Investments	3.1%	2.4%
Commercial Investments	3.7%	4.4%
Total	4.7%	3.9%

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 27 November 2023

Report of: Head of Finance and Audit

Subject: HEAD OF INTERNAL AUDIT'S QUARTERLY REPORT

SUMMARY

This report is a standard item on the Audit and Governance Committee agenda with the aim of providing Members with the assurances arising from the latest internal audit work. It also gives an update on the progress being made with setting and delivering the audit plans.

RECOMMENDATION

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

INTRODUCTION

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

PROGRESS OF THE 2023/24 AUDIT PLAN

2. Work has commenced on 13 (59%) of the 22 audits in the current internal audit plan, as noted in **Appendix One**, such that 4 of the audits have been finalised, 2 are at stage 5 (A first draft of the report has been received by the Support Officer to be reviewed), 6 are at Stage 4 (The Auditor has started to deliver the agreed scope of work) and 1 is at Stage 2 (A scoping meeting has been held with the Sponsor in the client service).

FINALISING PREVIOUS PLANS

3. There were 6 outstanding audits from the previous Audit Plans. Work has been concentrating on the review of all outstanding audit recommendations which continues to be progressed. 270/420 (64%) of the recommendations have now been allocated to individual auditors leaving 150 to cover by the end of the year.
4. Considerable progress has also been made on the wider piece of work looking at S106 contribution balances and the process flow, which is likely to be concluded by the end of the calendar year.
5. The scope of the Homelessness audit for 2023/24 has also been adapted to allow the closedown of the Housing Options debtors audit from 2018/19, on completion of the review.

FINDINGS FROM COMPLETED AUDITS

6. Four audits have been completed since the last report as highlighted in the table below. There are no significant findings to highlight.

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Planning Applications 2023/24	Strong	-	-	-
Treasury Management 2023/24	Strong	-	2	-
Service Charges and Recharges – Leaseholders - 2022/23	Reasonable	-	3	-
IT Recommendation Follow Up 2023/24	N/A	-	-	3

RISK ASSESSMENT

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

Appendices:

Appendix One - Audits in the 2023/24 Plan

Appendix Two – Reference Tables

Background Papers:

Head of Audit's quarterly report to the Audit and Governance Committee on 25th September 2023.

Head of Audit's quarterly report (including 2022/23 Audit Plan) to the Audit and Governance Committee on 13th March 2023.

Reference Papers:

None

Enquiries:

For further information on this report please contact Clare Rogers. (Tel: 01329 824691)

APPENDIX ONE

AUDITS IN THE 2023/24 PLAN

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included		New Recommendations		Previous Recs. (E and I only)			
						Errors Found ? Y/N	Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
FUNDAMENTAL SYSTEM AUDITS												
Income Management (1279)	5	12										
Main Accounting System & Budgetary Control (1280)	Not started	8										
Treasury Management (1281)	10	12	Strong	↔ 19/20	November 2023	N		2				
Vehicle Management Invoice Management (1282)	Not started	10										
Benefits (1283)	5	12										
SERVICES AND SYSTEMS - HIGH RISK												
Homelessness (1284)	4	15										
Housing Grants and Home Improvement Loans (1285)	4	5										
Leisure Centres (1286)	10	12	Strong	↑ 17/18	September 2023	N	-	1	-	-	-	-
Parking Income (1287)	Not started	12										

[illegible]

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included		New Recommendations		Previous Recs. (E and I only)			
						Errors Found ? Y/N	Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Home working - risk assessments and confidentiality arrangements (1299)	4											
Targeted Assistance with Recommendation Implementation (ICT) (1300)	10	8	N/A		November 2023	N	-	-	-	-	2	1
RESERVE AUDITS												
Petty Cash and Floats												
Information flow in the Business Rates team												
Social Media Monitoring by services Follow Up												
Pre-application advice cost comparison to income												
PCI Compliance												
Vehicle Management												
Housing Communal services												

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

APPENDIX TWO - Reference Tables

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.

1. 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 weakness 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.

2. 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 issued.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	A first draft of the report has been received by the Support Officer to be reviewed.
Stage 6	Any additional testing identified has been completed.
Stage 7	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
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: 27 November 2023

Report of: Monitoring Officer

Subject: MONITORING OFFICER REPORT

SUMMARY

This report seeks to update Members on a variety of assurances which are within the functions of the Audit and Governance Committee, that do not require a full report in their own right. The report is set out into two parts. Part One is for noting and Part Two sets out those items for approval or endorsement.

Included in this report is an update to the Deputation Scheme and the Council's Financial Regulations, which both form part of the Constitution, the Counter Fraud Policy and Strategy review, an update on Member Training for the next municipal year as well as the usual review of the Committees work programme.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- a) notes the contents of Part One of the report;
- b) asks Members to pass comment on the new Anti-Fraud and Corruption Policy, at Appendix B, for endorsement by Council;
- c) asks Members to pass comment on the proposed revision to Financial Regulation 13.5 (Disposal of Assets), at Appendix C, for endorsement by Council; and
- d) approves the change to the deputation scheme, at Appendix D, for endorsement by Council.

INTRODUCTION

1. This report is a standard agenda item for the Audit and Governance Committee, which provides Members with the assurance required to carry out their functions, as set out in Part Two, Chapter 8 of the Constitution, without the need for a separate report on the agenda.
2. Part one of the report sets out items matters to be considered by the Committee for noting. Part two are matters that are to be approved by the Committee for endorsement by Council.

Part One: matters for noting

ACCOUNTABILITY

3. At its meeting on the 13 March 2023, the Committee agreed its Work Programme for 2023/24, this was then endorsed by Council in April. This report sets out at Appendix A, a simplified version of that work programme, listing items which will be brought to the Committees next meeting for Members to consider and note the agenda items for the remainder of the municipal year.
4. Members are asked to note that, the Anti Bribery Policy remains outstanding but it is hoped that an update on this will be brought to the next meeting of the Committee.

MEMBER TRAINING

5. A programme of Member training is ongoing through this municipal year and Members of the Audit and Governance Committee will be provided with a full update of the year's training programme undertaken at its March 2024 meeting.
6. Work is underway to review and refresh, where appropriate, the Members' training programme with particular attention being given to the initial training given to new Councillors as they integrate into their role following Election. It is envisaged that all Councillors, as part of that review, will be canvassed for their views and ideas for training, sharing their experiences where appropriate to help enhance the Council's Member training programme.

Part Two: matters for approval or endorsement

UPDATES TO THE CONSTITUTION

7. Updates to the Constitution are classified as administrative amendments that the Monitoring Officer is able to make in order to keep the Constitution up to date. On this occasion there have been no updates to the Constitution since the last meeting.

CHANGES TO THE CONSTITUTION

Anti-Fraud and Corruption Policy

8. The Corporate Anti-Fraud and Corruption Policy (2023) sets out the Council's Corporate Counter Fraud culture and structures and methods of preventing, detecting, and deterring fraud.
9. The last version of the Policy was produced in 2016 and officers have now completed its scheduled review. Since the last Policy, CIFAS (Credit Industry Fraud Avoidance System) have authored a new Fighting Fraud and Corruption Locally Strategy, to which the Council's 2023 Anti-Fraud and Corruption Policy will now be aligned.
10. Furthermore, the Council will seek to ensure it is compliant with all new legislation relating to Fraud. New relevant legislation includes section 199 ('Failure to Prevent Fraud') of the 'Economic Crime and Corporate Transparency Act 2023'. As more information regarding this legislation is disseminated, FBC will put measures in place to ensure its compliance and may need to update the Policy accordingly.
11. The key changes that have been made in the latest draft of the Policy, attached as Appendix B, are summarised below:
 - a) **Foreword** - Reference is made to the Anti-Fraud & Corruption policy helping to achieve the Council's vision of a *"Fareham which is prosperous, safe, and an attractive place to live and work."*
 - b) **Introduction** – Reference is made to the council's intention to be compliant with the 'Economic Crime and Corporate Transparency Act 2023'.
 - c) **Section 3 Definitions** – Key phrases such as 'Cyber Fraud' and 'Fraud Risk' have been defined.
 - d) **Section 4.1 Counter Fraud Strategy** – Noted that the Council's Counter Fraud Strategy will be aligned with the 'Fighting Fraud and Corruption Locally: A Strategy for the 2020s' authored by CIFAS.
 - e) **Section 4.2 Risk Management** – Reference is made to how the council's Risk Management Policy helps to ensure that essential risks (including fraud risks) are captured within the Risk Management Monitoring report and presented to the Audit and Governance Committee for scrutiny.
 - f) **Section 4.2 Risk Management** – Specific fraud risks relevant to the council have been outlined and defined.
 - g) **Section 5.1 Key Structures and Roles** – The Corporate Counter Fraud Team and Internal Audit team have been combined to 'Corporate Internal Audit and Fraud' team.

- h) **Section 5.2 Cyber Fraud** – The role of the Cybersecurity Officer has been defined and the main cyber fraud risks to the Council have been explained.
- i) **Section 6.3 Publicity** – The work that the Council does to publish fraud investigation activity on our website in accordance with the Transparency Code (2015) has been included in the Policy.
- j) **Section 7.1 Recruitment** – The ‘Recruitment & Selection Policy’ is no longer utilised by the council’s Human Resources department; instead an online Recruitment and Applicant Tracking system has been implemented to ensure appropriate safeguards are present when a new employee is recruited.
- k) **Section 8.1 Outline of the FBC Fraud Response process** – Introduced a flowchart of how a council employee or member of the public can report suspicious activity and the corresponding outcomes.
- l) **Appendix 1 Counter Fraud Briefing Sheet for Employees** – A briefing sheet has been put together detailing all the key counter fraud points important for FBC employees.

Financial Regulations

- 12. Financial Regulation 13.5 sets out the Council’s rules for the disposal of its assets. The Regulation has been updated and the thresholds have been reviewed to reflect the increase in market values in recent years, and the impact that reporting has on the speed of sale.
- 13. As part of the update a review of the policies at other Councils in Hampshire has been completed to check that there were not any major disparities between our policy and others. It was noted that the rules on land and building disposal generally are very varied and the Fareham Borough Council limit of £10,000 for member approval was very low as summarised in the table below.

Rule for Land and Building Disposal	Number of Councils
No member approval involved	4
No member approval other than confirmation of an asset being surplus	2
No member approval unless property was purchased for commercial investment reasons	1
Member approval over £250,000	1
Member approval over £75,000	1
Member consultation over £20,000	1
Members informed of all disposals (reference made)	1
Member approval for all land, no approval for property	1

- 14. A higher change for this rule is therefore proposed, which has been discussed with the officers involved who have agreed that the revised rule feels more appropriate whilst still having some oversight in place.

15. The following changes, as shown in Appendix C, are therefore now proposed:

- a) Removal of the rule that anything **over £10,000** should be approved by the Executive Committee.
- b) **Disposal of Land and Buildings** – threshold for member approval increased from £10,000 to £100,000.
- c) **Disposal of Vehicles and Plant** – introduction of a policy laying out the preferred methods of disposal for vehicles and plant (Part Exchange, Auction and Scrapping), which highlights any contract arrangements in place.
- d) **Disposal of Vehicles and Plant** - removal of need for member approval (was £10,000). New threshold of £20,000 above which approval by the relevant Director and Statutory Chief Finance Officer will be needed. Details of approval process for under £20,000 set out in new Financial Regulations Support Document.
- e) **Disposal of Furniture, Equipment and Stocks** - removal of need for member approval (was £10,000). Increased threshold from £1,000 to £5,000 for approval by Director and Statutory Chief Finance Officer.

Deputation Scheme

16. As Members are aware the Council has a deputation scheme which forms part of the Standing Orders with Respect to Meetings within Constitution. There are two parts to the scheme; one for the Planning Committee and another scheme for all other meetings that sit within the Council's Committee Structure. These schemes set out the rules for people making a deputation to the Council.
17. At paragraphs 7 and 4 of the deputation schemes, it states that only those people, living, working or studying in the Fareham Borough are eligible to make a deputation. On occasion it has been necessary to suspend the Standing Orders with Respect to Meetings to allow people outside of the Borough to speak at a meeting. For example, when the IFA 2 National Grid or Newgate Lane East planning applications were brought to Committee, the Standing Orders were suspended to allow those people living within the Gosport Borough to speak.
18. With a number of significant projects currently under development across the Borough, such as Welborne, the Fareham Town Centre Regeneration and Daedalus Vision, Officers have reviewed this section of the scheme with the Southampton Legal Team and are proposing the change set out in Appendix D.
19. This change will allow anyone with a vested interest in the Borough to make a deputation to any meeting within the Council's Committee Structure, which will be a positive change to the decision-making process. Streamlining the procedure and avoiding additional administration, associated with suspending the Standing Orders, will also be a significant benefit to Officers.
20. Consideration as to what constitutes a 'vested interest' will be at the discretion of the Assistant Director (Democracy) on a case-by-case basis, in consultation with the relevant Chairman where appropriate.

21. For Members awareness, the Petition scheme is governed by legislation which requires those signing, to live, work or study in the Borough, so this will remain unchanged.

RISK ASSESSMENT

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

CONCLUSION

23. Members are asked to note the contents of Part One of this report and consider the updates to the Constitution as set out in Part Two.

Appendices: -

Appendix A: Summaries Work Programme 2023/24

Appendix B: Anti-Fraud and Corruption Policy 2023

Appendix C: Financial Regulation 13.5 Disposal of Assets

Appendix D: Deputation Scheme with track changes

Background Papers:

The Constitution Log

Reference Papers:

The Constitution

Audit and Governance Work Programme – 13 March 2023

Enquiries:

For further information on this report please contact Sarah Robinson, Monitoring Officer. (Tel: 01329 824566)

Audit and Governance Committee Work Programme – 2023/24

Meeting Date	Report Title
11 March 2024	Monitoring Officer Report – to include Review of Members Training and Development & Annual Review of the Constitution
	Head of Internal Audit Quarterly Report – to include Internal Audit Annual Plan
	Risk Management Monitoring Report – to include Business Continuity
	External Audit – Annual Certification Report
	Treasury Management Policy and Indicators
	Arrangements for Appointment of External Auditors

Anti-Fraud and Corruption Policy



Version 1.4 – November 2023

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1. Foreword

Fareham Borough Council ('FBC' or 'the Council') is determined to uphold the highest standards of financial probity and accountability to ensure all public money it is entrusted with is used economically and efficiently to support the Council's vision of a Fareham which is prosperous, safe, and an attractive place to live and work.

The cost of fraud to local government has recently been estimated at £7.8 billion a year (Annual Fraud Indicator 2017). This is money that could be used for local services.

This Anti-Fraud and Corruption Policy details the arrangements at this Council for managing the risk of fraud and corruption and has our full support.

We are committed to reducing losses from fraud by using an integrated approach which uses prevention, deterrence, detection, and investigation. We will pursue those responsible and seek to recover any losses, referring matters to the police and using the courts where appropriate.



As a Council, we cannot afford to be complacent, and we urge all our Members, employees, contractors, and partners to assist us in fighting fraud by having regard to this policy, cooperating with any fraud investigation undertaken by authorised Council officers and understanding the risks of fraud when carrying out their duties, recognising that, if uncontrolled, fraud diverts much needed resources from our communities.



Councillor Seán D.T Woodward
Executive Leader



Andy Wannell
Chief Executive Officer

2. Introduction

This policy sets out the approach that FBC uses to manage the risk of fraud and corruption and minimise the losses incurred.

The prevention and detection of fraud is not the sole responsibility of one team or of one employee, but the duty of all internal and external stakeholders which includes but is not limited to:

- councillors
- employees at all levels and grades*
- contractors and suppliers
- partners
- consultants, agency, and contracted staff
- service users
- volunteers
- members of the public.

**Key information which all FBC employees need to be aware of has been detailed in a briefing sheet on [Appendix 1](#).*

This policy will support the Council's corporate objective to be *"a dynamic, prudent, progressive and best practice Council."* It also supports the Council's statutory duty to *"prevent, detect and deter"* fraud in properly administering its financial affairs. The required outcome is that we have *"confidence that the Council is effective in countering fraud and corruption"*.

Furthermore, the Council will seek to ensure it is compliant with all new legislation relating to Fraud. New relevant legislation includes section 199 ('Failure to Prevent Fraud') of the 'Economic Crime and Corporate Transparency Act 2023'. Additional information on this legislation can be found here: [Economic Crime and Corporate Transparency Act 2023](#).

3. Definitions

This policy is designed to cover the risks associated with theft, fraud, corruption, bribery, and cyber fraud, whether they are perpetrated by employees, councillors, FBC residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

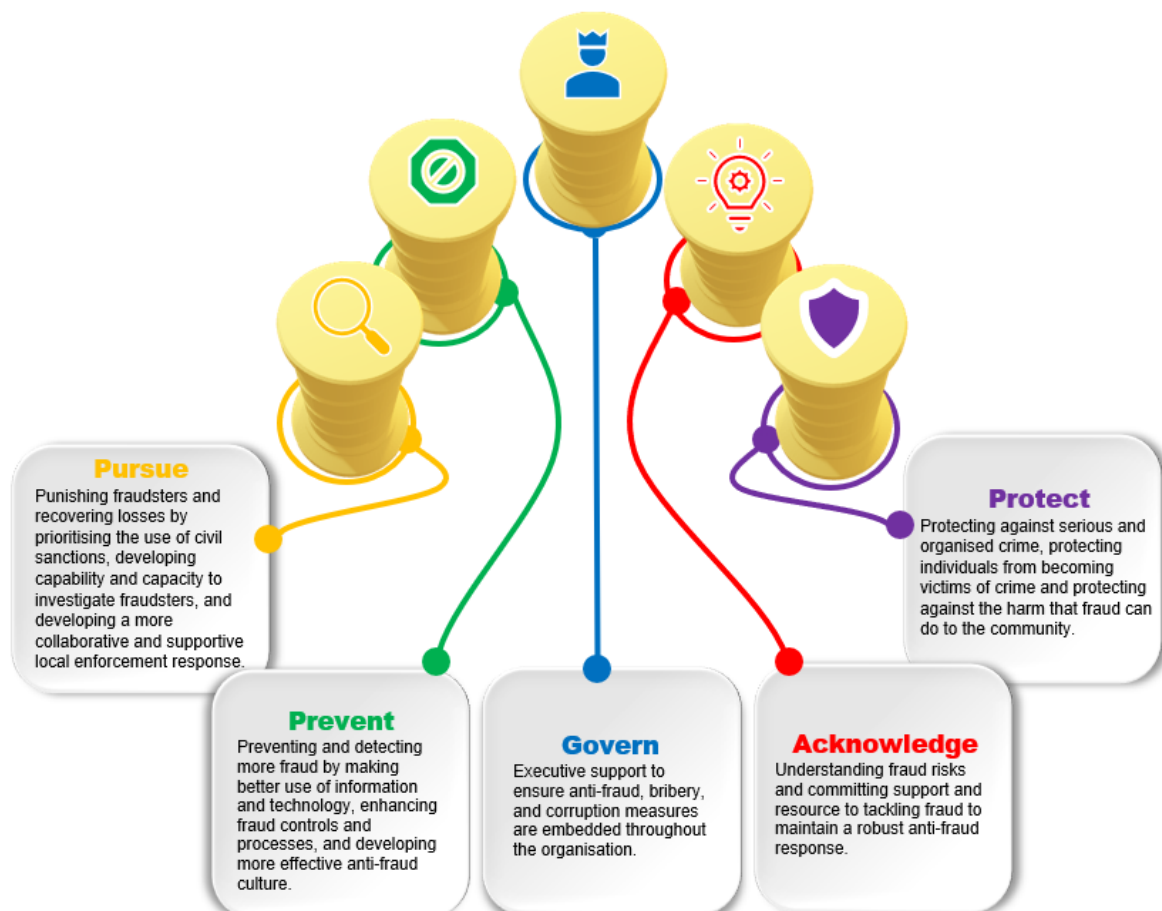
For the purposes of this policy the following definitions:



4. Our Counter Fraud Strategy & Risk Management

4.1. Counter Fraud Strategy

FBCs Counter Fraud Strategy is being aligned to the Fighting Fraud and Corruption Locally: A Strategy for the 2020s authored by CIFAS (FFCL), with a focus on the following five pillars:



FBC has already implemented many of the measures outlined in the above pillars to exhibit our commitment to fighting fraud, as detailed in this Policy.

All measures implemented to reduce losses due to fraud are balanced with their impact on the cost-of-service provision and on the service experience for the many law-abiding customers.

4.2. Risk Management

FBC recognises, **acknowledges**, and actively manages its risks relating to fraud, bribery, and corruption. The Councils Risk Management Policy allows new fraud risk to be brought to life and are encompassed within the Risk Management Monitoring report and presented to the FBC Audit and Governance Committee for scrutiny.

The key fraud risks for local authorities highlighted in FFCL are:



Furthermore, FBC recognises the following as key fraud risks relevant to its services and processes:



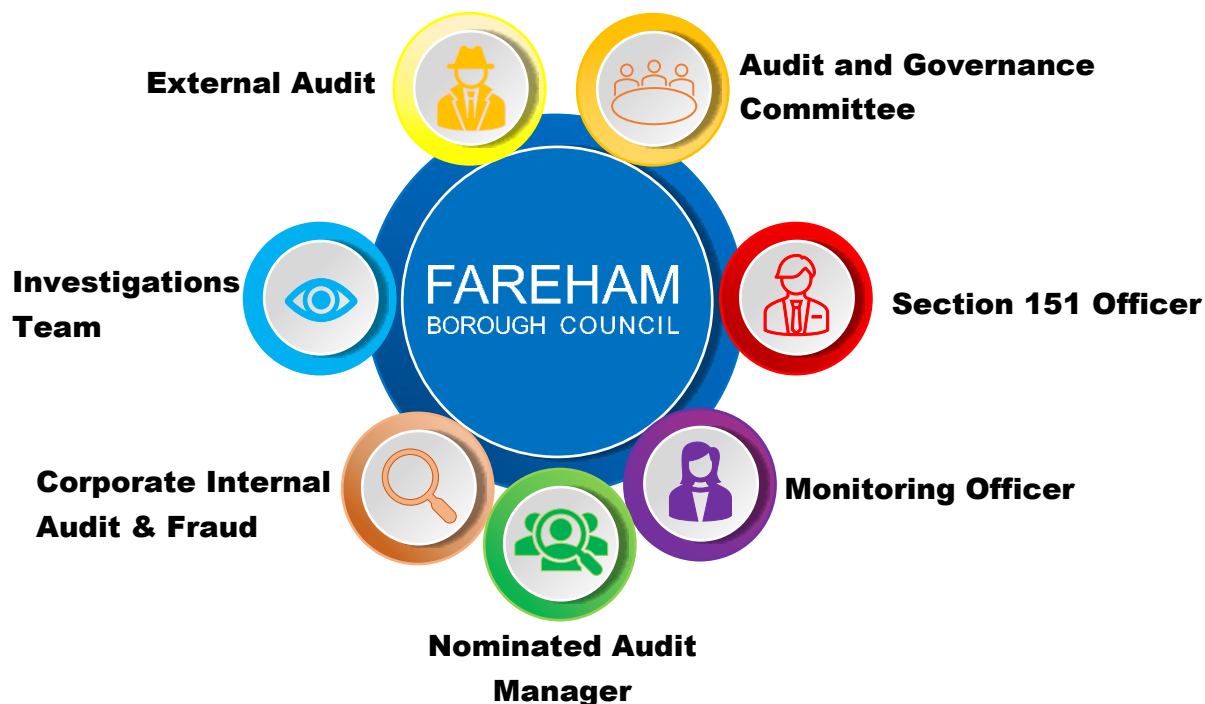
The Council will carry out fraud risk assessments on each of the key fraud risks relevant to FBC highlighted above.

A separate Anti-Bribery Policy is maintained in response to the Bribery Act 2010.

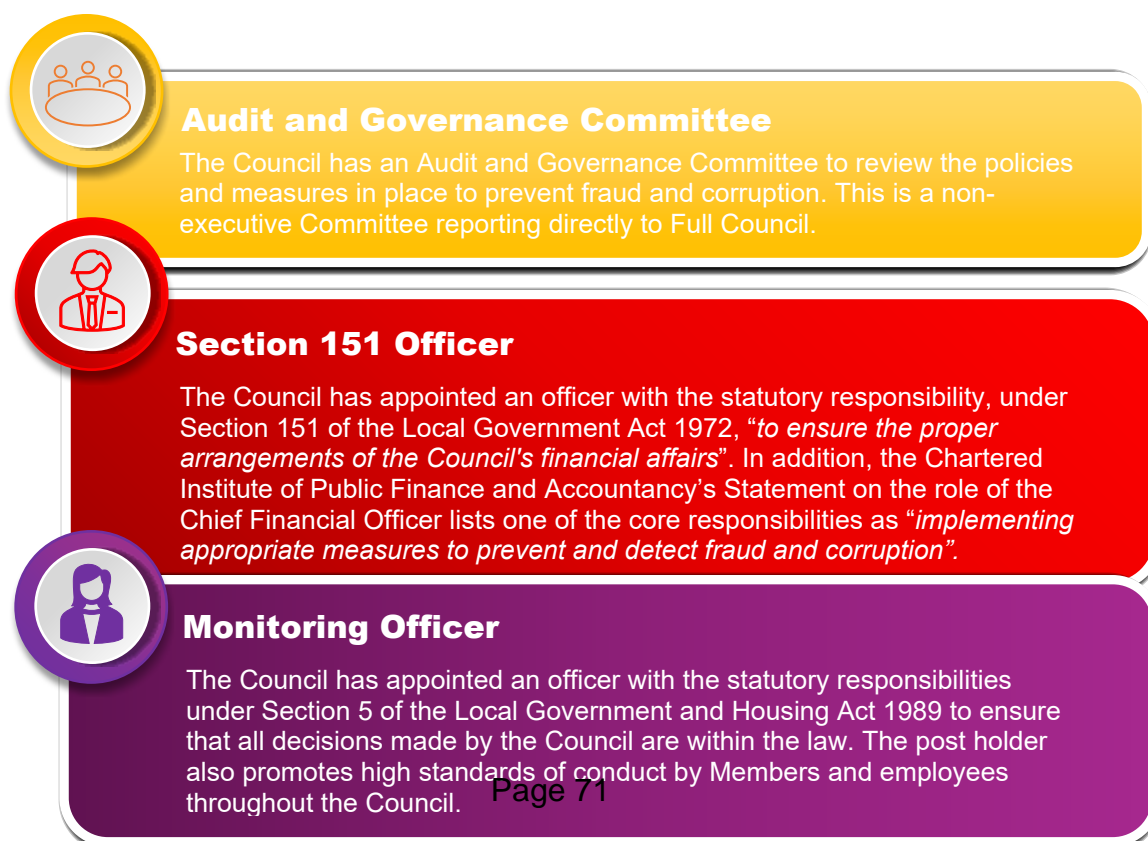
5. Culture and Structures

FBC's fraud **prevention** and **governance** strategy is to recognise that the conservation of a strong anti-fraud culture requires both councillors and employees (at all levels) to play a key role in fighting fraud and corruption. Thus, the role and responsibilities for key internal/external stakeholders, teams as well as committees has been defined below.

5.1. Key Structures and roles



Please see a breakdown of each key governance structure and role below:





Nominated Audit Manager

The Council has appointed an officer with the duty to monitor instances of financial irregularities within the Council and report as necessary to the Audit and Governance Committee and external auditors. The post holder also ensures that an appropriate investigation is carried out.



Corporate Internal Audit & Counter Fraud

The Council maintains an internal audit & counter fraud team who carry out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also test aspects of the corporate governance arrangements that are being relied on to prevent and detect fraud.

Furthermore, the internal audit and counter fraud team carry out a programme of work aimed at maintaining and strengthening the counter fraud framework. They also lead on investigations carried out under the Irregularity Response Plan.

In addition, they check that actions required as a consequence of an investigation are implemented.



Investigations Team

The Council has a dedicated investigations officer to investigate suspicions of fraud relating to Council Tax, Business Rates and Housing. The investigations officer and line manager have "Authorised Officer" powers, able to use additional investigative powers in accordance with The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 and The Prevention of Social Housing Fraud Act 2013.



External Audit

Part of the External Auditor's statutory duties is to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to them.

5.2. Cyber Fraud

With the advent of the internet allowing fraudsters to evolve and target individuals through ‘cyber attacks’, FBC has also worked to evolve to combat such threats, with the introduction of a **Cybersecurity Officer**.



Cybersecurity Officer

The Cybersecurity Officer maintains a framework to help prevent and detect cyber fraud attacks against FBC. Such prevention tactics include preventing the delivery of malicious/fraudulent emails as well as the implementation of multi-factor authentications.

The main cyber fraud risk currently impacting FBC is business email compromise, where an attacker impersonates an FBC employee or other acquaintance over several emails with the aim of stealing funds or business information. Common examples would be sending fraudulent invoices, requesting a fraudulent change to an employee’s payroll bank account, or requesting gift card purchases.

Furthermore, the rise of Artificial Intelligence (AI) will aid FBC reduce its cyber fraud risk as the email filtering tools in place make use of AI and machine learning techniques to prevent email fraud from being delivered.

5.3. Propriety

The Council is committed to sound corporate governance and supports the “Nolan 7 Principles of Public Life” covering: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership. It also seeks to create an environment that prevents and detects fraud and corruption in all its work.



Employees

FBC employees are expected to:

- Act with integrity, honesty, and propriety in all their dealings as a Council representative and lead by example,
- Carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends,
- Take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity,
- Secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.



Members

Both elected and non-elected Members are required to sign that they will observe the **Code of Conduct for Members** adopted by the Council which sets out what Members must observe in carrying out their duties as councillors, as a representative of the Council and in conducting the business of the Council.

Further guidance on propriety is available in the Employee Code of Conduct and Disciplinary Rules and Procedure and in Financial Regulation Support Document 18 – Probity and Propriety.

All Council employees are required to read, understand, and abide by the Employee Code of Conduct.

Most professional bodies issue their own rules or policies on ethics and standards and employees also have a professional obligation to familiarise themselves and adhere to these. The Council will support all employees in their observance of such rules and policies.

Residents, other members of the public, suppliers and contractors will be expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

5.4. External Liaison

Arrangements will be maintained to encourage the exchange of information on national and local fraud and corruption activity and arrangements with external organisations including:

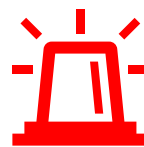
- the Police,
- other Councils and housing associations,
- partner organisations to the Council,
- the External Auditor,
- the Local Government Ombudsman,
- the Department for Work and Pensions (DWP),
- the Cabinet Office (including the national fraud initiative),
- the National Anti-Fraud Network (NAFN),
- the CIPFA Counter Fraud Centre,
- the Centre for Counter Fraud Studies (CCFS),
- the Public Sector Fraud Authority (GCFP)
- the CIFAS UK fraud prevention service,
- the INTEC User Group (including data matching using IDIS)
- National Investigations Officer Group (NIOG)

The Council will also support local forums where matters of anti-fraud and corruption are discussed. These include:

- ❖ the Hampshire Chief Financial Officers Group,
- ❖ the Hampshire Fraud Group,
- ❖ the Hampshire Tenancy Fraud Forum.

6. Deterrence

Our **protection** & deterrence arrangements include a clear framework of procedures and responsibilities which make fraud and corruption hard to perpetrate and which will be likely to disclose fraud and corruption at the earliest opportunity.



Sufficient professional resources will be maintained for investigations by authorised officers (Investigations officer or the Corporate Internal Audit and Fraud team) into irregularities and allegations received via the Counter Fraud mailbox or the whistleblowing hotline (details of both can be found under section 8 (Detection)).

6.1. Prosecution

In applicable circumstances, the police may be informed where criminal offence could have been committed. Where it is in the public interest the Council will **pursue** and prosecute offenders.



Where possible FBC will seek to take actions to maximise the recovery of any losses incurred. The existence of such a competent response should give a strong warning to any person contemplating acting dishonestly against the best interests of this Council.

6.2. Disciplinary Action

Any employee who is evidentially found to be part-taking in any serious offences (e.g., theft, fraud, and corruption) against FBC will face disciplinary action.

The extent of the disciplinary action will be in accordance with the Employee Code of Conduct and Disciplinary Rules and Procedures and consultation with the Human Resources department if appropriate and depending on the circumstances of each individual case (but in a consistent manner), the Council will look to press for a disciplinary hearing and criminal prosecution.

Reports of incidents involving elected Members will be passed to the monitoring officer to be dealt with in accordance with the Code of Conduct for Members - Complaints Procedure. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Matters, if not referred to the police, will be referred at the appropriate committee or appropriate group leader.

Members or employees involved in fraud, theft or corruption that does not involve FBC or its finances may still be subject to the above action if it is considered to undermine the Council and its reputation.

6.3. Publicity

FBC will maintain a strong message of intolerance to acts of fraud and corruption and will seek to publicise to the public, Members, and employees local or national cases which highlight the consequences of committing fraud.



The authority's communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. The communications team will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.

All anti-fraud and corruption activities, including the update of this policy, will be publicised to make Members, employees and the public aware of the authority's commitment to acting on fraud and corruption when it occurs.

Regular reports will be made to the Audit and Governance Committee about countering fraud and corruption activities and their success. The Council will also publish data on its counter fraud activity as part of the Transparency code (2015) disclosures.

7. Prevention

The responsibility for maintaining internal control systems to aid in the **prevention** of fraud and corruption lies with the FBC Chief Executive, Directors, Heads of Service, and Managers. The annual audit plan is designed to provide assurance, highlight control gaps, or recommend improvements where processes are not operating correctly.

Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruption are built into the Councils systems of operation. Please refer to [Appendix 2](#) for a list of key Council policies.

All FBC employees shall be made aware of and be expected to adhere to any internal control systems designed to prevent or detect fraud and corruption. The Councils ongoing training and development programme should regularly cover internal control systems relevant to the employees' responsibilities.

7.1. Recruitment

A key preventative measure for fraud and corruption is within the recruitment process, where a previous record of potential employees (including temporary and contract staff) can provide evidence regarding an individual's propriety, integrity, objectivity, accountability, openness, honesty, and leadership.

The Council uses an online Recruitment and Applicant Tracking system which ensures that, as part of the onboarding process, appropriate safeguards are taken such as, the taking up of references and verifying of both qualifications and the DBS status of applicants where appropriate.

Staff are expected to abide by the Councils Code of Conduct for Employees which sets out the requirements regarding personal conduct. In addition, staff who are members of professional bodies are expected to follow any code of conduct issued by their professional institute.

Criminal records will be considered where the conviction is relevant. After starting at the Council, employees are required to bring to their manager's attention any new criminal convictions.

7.2. Interests, Gifts and Hospitality

As part of the induction process, relevant employee interests will be ascertained and registered in accordance with the Employee Code Conduct and Disciplinary Rules and Procedure. Gifts and Hospitality can only be accepted in accordance with these guidelines. Employees are required to register any subsequent interests or Gifts and Hospitality offered and/or accepted.



of

The Code of Conduct for Members sets out the requirements for Members in relation to registration and disclosure of pecuniary and personal interests.

7.3. Fraud Warnings

The Corporate Internal Audit & Fraud Team, Investigations Officer and Cybersecurity Officer will be focal points for any fraud warnings on potential external threats or attacks that have occurred in other organisations and will take appropriate action to identify or prevent similar incidents occurring at FBC and making other services aware of any heightened fraud or cyber risks. This includes processing any Intelligence Bulletins published by the National Anti-Fraud Network (NAFN).

7.5. Money Laundering

The Council has adopted an Anti-Money Laundering Policy in response to the Money Laundering Regulations 2007. It has established procedures and a designated Money Laundering Officer (MLRO) to enable the formal reporting and checking of transactions which may indicate Money Laundering.

8. Detection

Unfortunately, even with a range of **preventative** measures, internal control systems, and best efforts from managers and auditors, some frauds still slip through and are only discovered by chance or from information received via the following methods:

Public Referrals

Members of the public are encouraged to report genuine concerns through the designated **Report-IT** channels. Examples are dedicated on-line forms, email addresses (e.g., the corporate fraud mailbox at corporatefraud@fareham.gov.uk and the **Fraud Hotline 01329 824667**). Members of the public can also report fraud whilst contacting the Council either by phone or in person for other reasons and systems are built in place to ensure all reports fraud are recorded and acted on.

The Council also has a Corporate Complaints Policy through which complaints can be made on a wide range of subjects. These can reveal suspicions of dishonesty. Alternatively, the complaints may be taken directly to the independent Local Government Ombudsman.

The Council has also established a Code of Conduct for Members - Complaints Procedure which allows possible breaches of the Council's Code of Conduct for Members to be reported to the Monitoring Officer.



Whistle Blowing



The Council encourages any individual to raise, with the appropriate officer, genuine worries regarding the integrity of anyone acting on behalf of, or in business with, the Council. It has adopted a (a.k.a. the “Raise A Concern Policy”) which allows concerns to be raised in the certainty that they will be properly investigated in a confidential manner. The Policy also seeks to reassure individuals that they will be protected from possible reprisals if they make disclosures in good faith.

Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

Data Matching

The Council will undertake data matching exercises as it sees as appropriate for the purposes of identifying and reducing fraud and corruption.

Additionally, FBC takes an active part in the National Fraud Initiative as organised by the Cabinet Office. This involves submitting data we hold in various departments for matching to that held by other organisations and investigating promptly any matches received back.



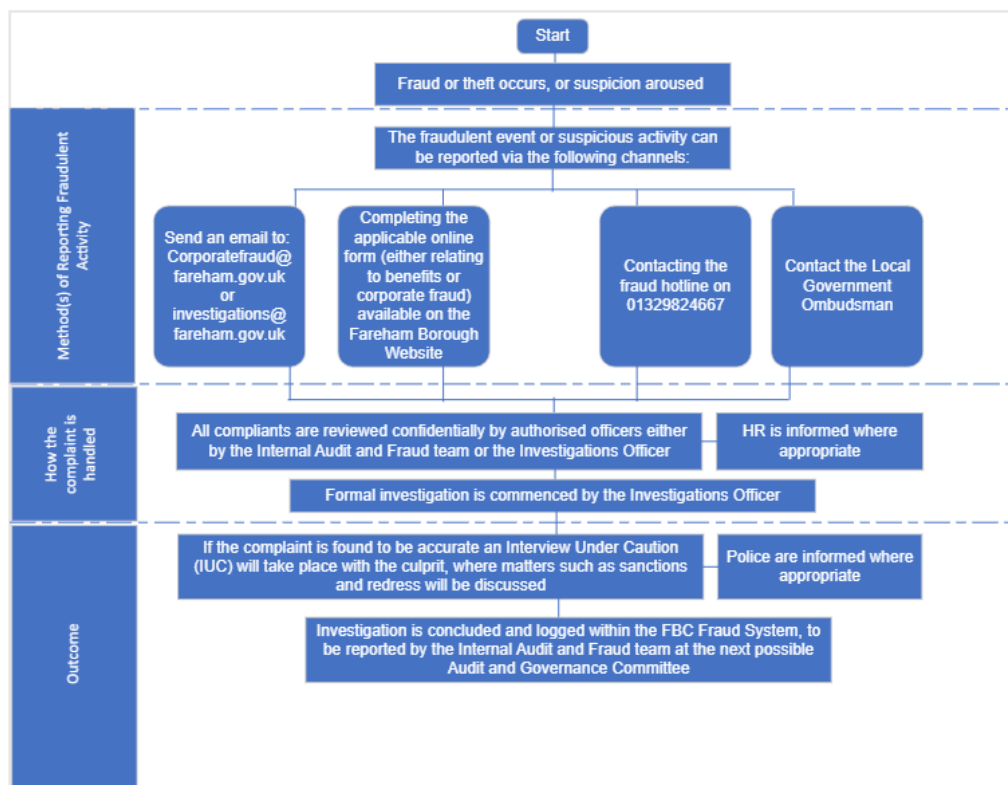
Probity Audits



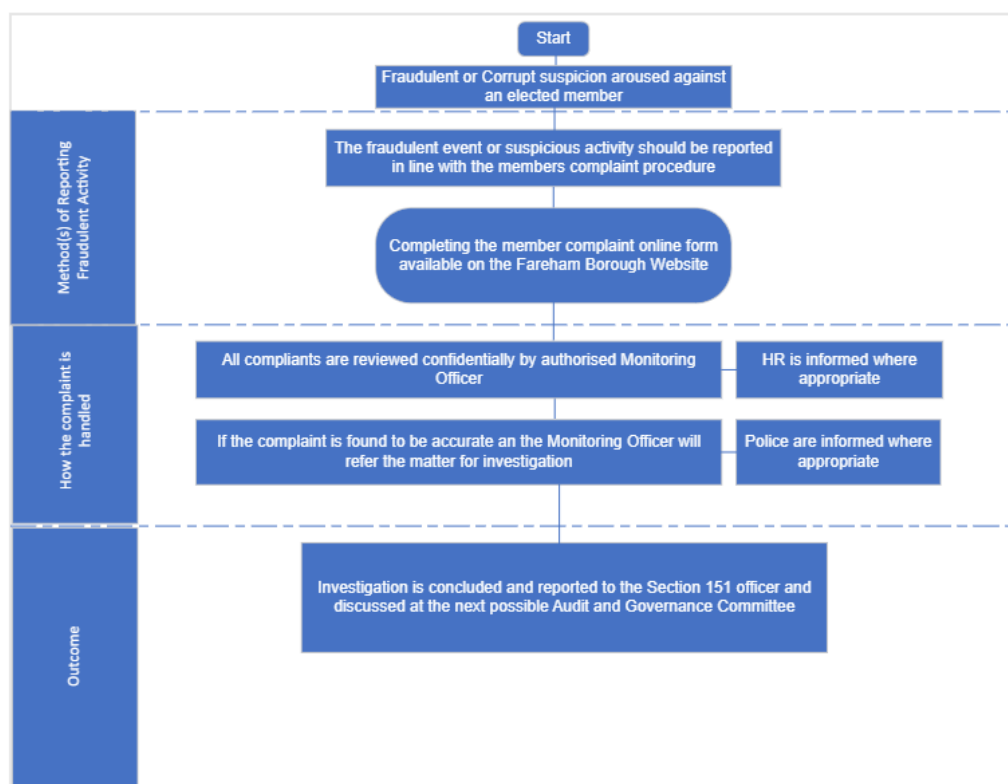
Probity audits are included within the Internal Audit Plan, as time allows, aimed specifically at identifying irregularities or providing assurance that they do not exist.

8.1. Outline of the FBC Fraud Response process

This process flowchart below provides key information as to how suspicious activity can be reported by any FBC employee or member of the public, how it is handled and the corresponding outcome. Further information on how to report a fraud can be found on the Fareham Borough Council website [here](#).



Additionally, this process flow notes how suspicious fraudulent or corrupt activity against an FBC elected member can be reported.



9. Investigations

FBC will maintain an Irregularity Response Plan detailing how allegations of fraud and irregularity will be managed, **pursued** and investigated.

The investigation procedures seek to ensure that:

- there is consistent treatment of fraud and corruption issues,
- a proper investigation is carried out by suitably qualified officers,
- the Authority's and Community's interests are best served.



Authorised investigating officers are required to ensure that investigations are objective, fair, and complete and that they comply with the relevant statutory provisions and internal procedures including The Regulation of Investigatory Powers Act 2000 (RIPA) – Corporate Policy & Procedures.

Where criminal activity is suspected the investigators may notify the police and seek their advice. Any internal investigations will continue to be progressed alongside supporting the Police in their investigation.

10. Sanctions

When an investigation's findings support the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the Fraud-Sanctions and Redress Policy, which requires all types of sanctions – disciplinary, civil, and criminal to be considered.



Any disciplinary action against **employees** will be taken in accordance with the Council's Employee Code of Conduct and Disciplinary Rules and Procedure. For **elected Members**, sanctions used for breaches of the Members Code of Conduct will be taken in accordance with the Code of Conduct for Members - Complaints Procedure.

Where fraud or impropriety has been perpetrated by organisations/ individuals with whom the Council has a contractual relationship, the Council will act, including where appropriate, terminating the contract, publicising findings, and civil recovery proceedings.

11. Redress

The Council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so.

We will consider all means available to recover these amounts including possession orders, compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery.

The Council will also maintain access to an Accredited Financial Investigator under a partnership agreement with Portsmouth City Council to be able to use the investigatory powers available under the Proceeds of Crime Act 2002 and the use of restraint and confiscation orders.

Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

12. Training and Awareness

The Council recognises that the success of the Anti-Fraud and Corruption Policy will depend largely on the effectiveness of Members and employees throughout the organisation.

To facilitate this, appropriate provision will be made through induction, fraud awareness training*, refresher training and regular communications.

*As part of a campaign to increase the fraud awareness within FBC, the Internal Audit team will put together a 'Fraud Awareness and Education Strategy' the objective of which will be '*to increase the education and awareness of the different types of Fraud affecting FBC and to ensure accountability of Fraud risk is understood throughout the organisation to help detect and prevent fraud*'.

The Fraud Awareness and Education Strategy will focus on the three key pillars of:



Training on specific fraud topics will also be provided to those Members and employees most likely to encounter that type of fraud.

Authorised officers involved in investigatory work will be provided with relevant specific training that meets their needs and allows for continuous professional development.

13. Monitoring Arrangements

The Nominated Chief Officer with responsibility for Counter Fraud will report to the Chief Executive's Assurance Group and the Audit and Governance Committee any actions that they consider are needed to strengthen our arrangements for managing the risk of fraud and corruption.

The Corporate Internal Audit and Fraud team will also report the number of allegations of fraud and corruption that have been received and the outcomes of cases where fraud is concluded from an investigation.

Systems weaknesses identified as a result of an investigation will be addressed through an action plan agreed with the relevant service manager. The Corporate Internal Audit and Fraud team will monitor implementation of the action plan.

Furthermore, the Nominated Chief Officer with responsibility for Counter Fraud will be responsible for ensuring that the ***'Anti-Fraud and Corruption'*** policy is reviewed and updated periodically to ensure it is kept up to date, and in line with any changes in legislation.

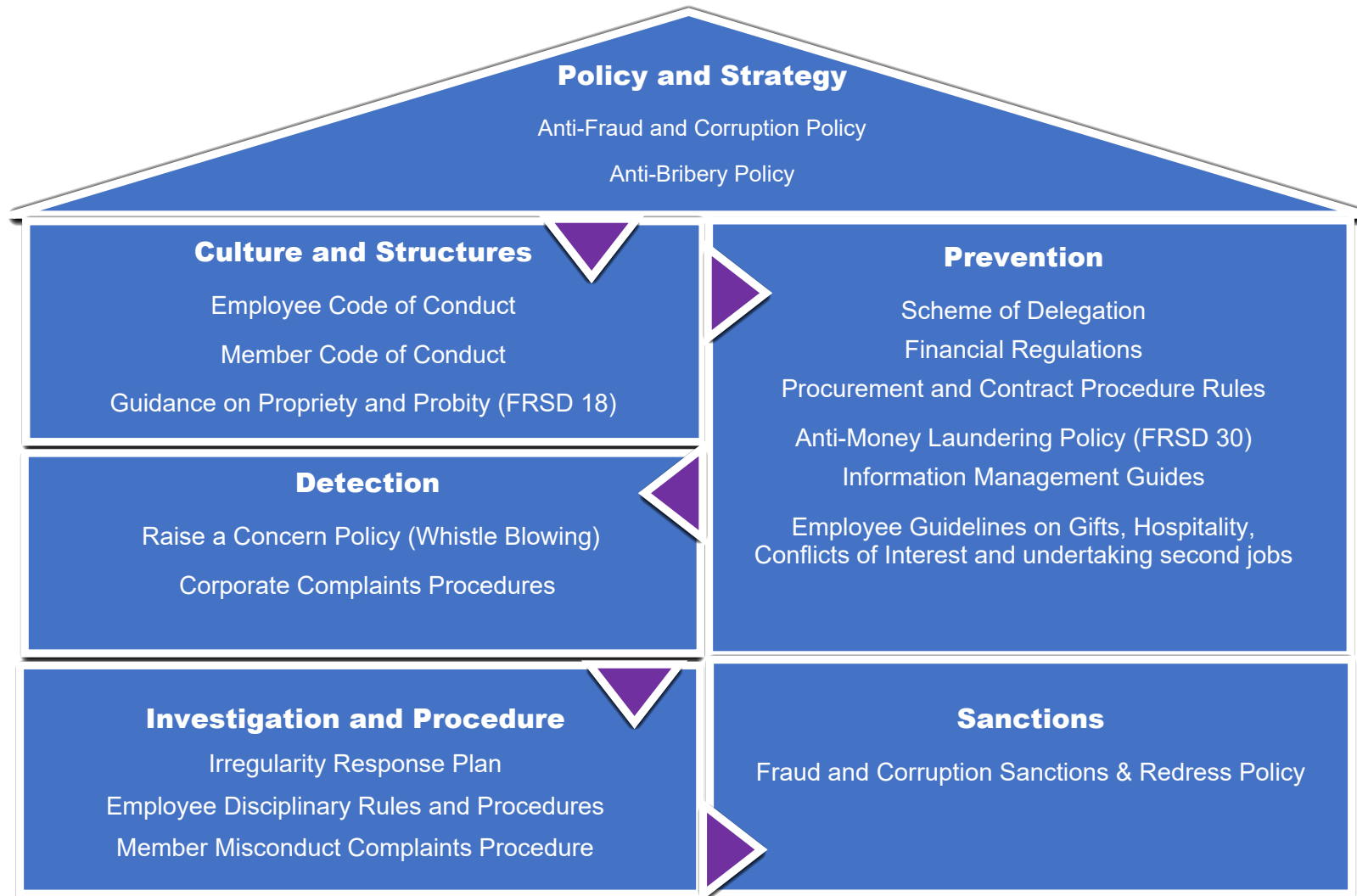
Appendix 1

Counter Fraud Briefing Sheet for Employees

- ❖ FBC employees are expected to:
 - act with integrity, honesty, and propriety in all their dealings as a Council representative and lead by example.
 - carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends.
 - take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity.
 - secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.
- ❖ All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager.
- ❖ It is the duty of all individuals to report a suspicion of financial irregularity to their manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the Council's Raise a Concern Policy.
- ❖ The Council expects the fullest co-operation from all Members and officers who are called upon to assist with an investigation into suspected fraud and corruption.
- ❖ Managers should ensure that staff are adequately trained to carry out their duties and are aware of how to comply with the Council's policies.
- ❖ Any incident of suspected or identified fraud must be reported to the Corporate Counter Fraud Team or Investigations Team within Housing, Revenues and Benefits, even if it has been dealt with, so that accurate data on the nature of fraud risks can be kept.

Appendix 2

Overview of Policies and Procedures Relevant to the Anti-Fraud and Corruption Policy



Regulation 13: Physical Assets

13.5 Disposal of Assets

- 13.5.1 **Disposal of Assets:** Any land, building or other asset that the Council wishes to sell, transfer its interest in, or otherwise dispose of, should be done in a way that achieves the best consideration for the Council.
- 13.5.2 **Disposal of ICT equipment:** ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.
- 13.5.3 **Disposal of Land and Buildings:** Land and buildings can only be disposed of in conjunction with the "Nominated Chief Officer with responsibility for Estates" and in accordance with the Disposal Strategy. Any valuations must be undertaken by the "Nominated Estates Manager" or a suitably qualified person.
- 13.5.4 **Disposal of Vehicles and Plant:** Vehicles and Plant should be disposed of in accordance with the approved policy set out in Support Document 43-Disposal Policy for Council Vehicle and Plant.
- 13.5.5 **Methods of Disposal of Assets Under £5,000:** Disposal of assets under **£5,000** should be carried out in accordance with the [Financial Regulations Support Document 42-Policy for Disposal of Council items, equipment, waste and materials in the Council's control](#).
- 13.5.6 **Methods of Disposal of Assets over £5,000:** The following are approved methods of disposal for assets with an estimated potential market value at the time of disposal of £5,000 or more:
- Public Advert or Notice, inviting tenders in accordance with the Council's Contract Procedure Rules;
 - Advertisement in specialised journals
 - Use of Approved Estate Agents
 - Use of Auctions (with a reserve price)
 - Part Exchange for Replacements
 - Negotiations with neighbouring land owners
 - Sealed Bids opened by service with two officers present
 - Any other method of disposal endorsed by the "Nominated Chief Officer with responsibility for Estates" (land and buildings) or "Nominated Chief Officer with responsibility for Procurement" (other).

Where the estimated asset value is greater than **£20,000** the method of disposal would normally involve open competitive tenders, unless it can be justified that this would not be in the Council's best interest.

Appendix C

13.5.5 Authorisation of Disposal: The method of disposal proposed to achieve the best consideration for the Council must be authorised, and the final disposal reported, in accordance with the table below:

Type of Asset	Estimated potential market value at the time of disposal	Stage 1 - Approval of Method of Disposal	Stage 2 - Reporting of Disposal
Land and Buildings	£100,000 or more	Executive Committee	Report to Executive Committee <u>prior</u> to disposal if price to be achieved is below the valuation.
Land and Buildings	Up to £100,000	The Nominated Chief Officer with responsibility for Estates and Statutory Chief Finance Officer	Report to Executive portfolio holder for Policy, and Resources <u>after</u> disposal.
Vehicles and Plant	£20,000 or more	Relevant Director and Statutory Chief Finance Officer	Report back to Director and Statutory Chief Finance Officer <u>after</u> disposal.
Vehicles and Plant	Up to £20,000	Head of Service Transport Manager, Relevant Service Manager, Finance Business Partner.	None
Furniture, Equipment, Stocks	£5,000 or more	Relevant Director and Statutory Chief Finance Officer	None
Furniture, Equipment, Stocks	Up to £5,000	Head of Service or appropriate senior manager if no Head of Service	None

13.5.6 Release of Asset: The asset should not be released until receipt of the income has been confirmed.

13.5.7 Exemptions: The disposal rules above do not apply to properties that are sold as a result of a statutory obligation.

APPENDIX ONE

SCHEME FOR DEPUTATIONS TO COUNCIL, EXECUTIVE, SCRUTINY PANEL, COMMITTEE AND SUB-COMMITTEE MEETINGS (other than Planning Committee)

1. Notice of a proposed Deputation, which shall be given in writing, shall be lodged with the Assistant Director (Democracy) no later than by noon two working days before the day of the meeting and:
 - (a) in the case of a meeting of the full Council, shall be addressed to the Mayor
 - (b) in the case of a meeting of the Executive, shall be addressed to the Executive Leader
 - (c) in the case of a Scrutiny Panel, Committee or Sub-Committee of the Council, shall be addressed to the chairman of the relevant Panel, Committee or Sub-Committee.
2. A notice shall give brief details of the subject on which a Deputation wishes to be heard.
3. A Deputation to the Executive or a Committee, shall be entitled to address the meeting only on a matter which forms the subject of an item for discussion on the agenda for that meeting.
4. A Deputation to a meeting of the full Council shall be entitled only to address members on matters concerning functions and powers of the Council.
5. A Deputation to a Scrutiny Panel shall be entitled only to address Members on matters concerning functions and powers of the relevant Panel.
6. If notice of a Deputation is received which, in the opinion of the Assistant Director (Democracy) is illegal, irregular or improper it shall not be accepted. In the event of nonacceptance, the Assistant Director (Democracy) shall notify the Deputee.
7. Deputations shall be received only from persons/organisations who have a vested interest in the Borough, e.g. are currently living, working, or studying, own property or a business in the Borough or are authorised to represent the interests of a person or persons currently living, working, studying own property or a business in the Borough.
8. Councillors may not make deputations under this scheme.
9. With the consent of the Mayor, Executive Leader or Chairman, as appropriate, a Deputation may be presented by one person to speak on his, her or its behalf.
10. Subject to the other provisions of this scheme, deputations may be given in written form in place of a verbal deputation.

11. Where a deputation is received in written form, this will be circulated to all Members of the Committee, Executive, Council or Panel ahead of the meeting to enable them to read, and have consideration of the deputation, ahead of the meeting.
12. Notwithstanding the time limits for Deputations allowed by the Councils Standing Orders (that is, that addresses shall not exceed ten minutes in total for each deputation, this period to include the time taken to read any memorial presented) the total time for receipt of all Deputations at any meeting shall be thirty minutes. If more than three Deputations are received at a meeting, the time allowed for each shall be reduced accordingly.
13. In relation to meetings of the Executive, the Scrutiny Panels or Committees, the item next on each agenda after Apologies for Absence, (election of a Vice-Chairman as required), Minutes, Chairman's Announcements and Declarations of Interests, shall be: -
'To receive Deputations of which notice has been lodged'.
14. If no notice has been lodged or if no Deputation is present to be received, the meeting shall proceed to the next business.
15. In relation to meetings of the full Council, receipt of Deputations shall be timetabled as the Mayor shall decide.
16. Deputations shall not be received at site meetings or at the Annual Meeting of the Council.
17. Arrangements shall be made for a list of Deputations to be circulated to members present at the beginning of each relevant meeting.
18. The Assistant Director (Democracy) in consultation with the Chairman, has the authority to alter this scheme, should circumstances require.

APPENDIX TWO

SCHEME FOR DEPUTATIONS TO MEETINGS OF THE PLANNING COMMITTEE

1. Notice of a proposed deputation shall be given in writing and shall be lodged with the Assistant Director (Democracy) no later than noon two working days before the day of the meeting.
2. The notice shall specify the application or other matter on which a deputation wishes to be heard and, in the case of an application for planning consent, shall specify whether the deputation is for or against the proposal.
3. A deputation shall be entitled to address the meeting only on a matter which forms the subject of an item for discussion on the agenda for that meeting.
4. Deputations shall be received only from the applicant or his/her professional agent or from persons organisations who have a vested interest in the Borough, e.g currently living, working, studying, own property or a business in the Borough or are authorised to represent the interests of a person or persons currently living, working, studying or own property or a business in the Borough. ~~who are living or working in the Borough.~~ Only one deputation will be accepted per household. (Note: for this purpose, "household" will be taken to mean all the persons who usually live in the same dwelling unit and who share living arrangements).
5. Where two or more notices of deputation are received on the same matter, the Council will actively encourage the appointment of a single spokesman to present the deputation on behalf of all.
6. Subject to the other provisions of this scheme, deputations may be given in written form in place of a verbal deputation.
7. Where a deputation is received in written form, this will be circulated to all Members of the Planning Committee ahead of the meeting to enable them to take the deputation into account when considering the item to which it refers.
8. Any supporting documents either written, photographic or other material to be presented as part of the deputation shall be lodged with the Assistant Director (Democracy) no later than noon two working days before the day of the meeting. With the consent of the Committee, deputies may be permitted to circulate relevant photographs or drawings at the meeting but no additional written material which has not been lodged prior to the meeting. Planning officers will be invited to comment if appropriate on the photographs or drawings circulated.
9. Deputations shall **not** be received at site meetings.
10. The time limits for presenting deputations shall be:

- (a) In respect of those speaking in support of an application: a single deputation shall be allocated not more than three minutes; a single spokesman representing two or more deputees shall be allocated not more than six minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.

- (b) In respect of those speaking against an application: a single deputation shall be allocated not more than three minutes; a single spokesman representing two or more deputees shall be allocated not more than six minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.
 - (c) In respect of those deputations to be made by established amenity groups* on an issue relevant to their area of interest: a single deputation shall be allocated not more than three minutes; a single spokesman representing two or more amenity groups shall be allocated not more than six minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be six minutes and the time shall be shared equally among them.
(a list of established amenity groups is maintained by the Committee and may be revised periodically at the discretion of the Chairman in consultation with ward members.)*
11. In respect of deputations on other matters: the total time allocated shall be five minutes for a proposal and five minutes against a proposal when it is appropriate to do so; otherwise the total time allocated shall be five minutes. A single deputation shall be allocated not more than three minutes; a single spokesman representing two or more deputees shall be allocated not more than five minutes; in the event that there is more than one speaker, the total time allowed for all speakers shall be five minutes and the time shall be shared equally among them.
 12. The Assistant Director (Democracy) in consultation with the Chairman, has the authority to alter this scheme, should circumstances require.

*Scheme adopted Dec2004 and amended at subsequent meetings. Last updated: **December 2019.***

