



## RUSHMOOR BOROUGH COUNCIL

# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 27th September, 2021 at 7.00 pm*

**To:**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr Sophia Choudhary  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Prabesh KC  
Cllr Sarah Spall  
Cllr Jacqui Vosper

**STANDING DEPUTIES**

Cllr J.B. Canty  
Cllr K. Dibble

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Kathy Flatt, Democracy and Community, Tel. (01252 398829) or email  
[kathy.flatt@rushmoor.gov.uk](mailto:kathy.flatt@rushmoor.gov.uk).

# **A G E N D A**

1. **MINUTES – (Pages 1 - 8)**

To confirm the Minutes of the Meeting held on 27th July 2021 (copy attached).

2. **APPOINTMENT OF INDEPENDENT PERSON (AUDIT) – (Pages 9 - 12)**

To consider the Executive Director's Report No. ED2101 (copy attached) which sets out the outcome of the appointment process and recommends that the Council confirms the appointment of Mr Tom Davies, as an Independent Member of the Committee for a period of three years.

3. **RUSHMOOR COMMUNITY AWARD 2021 –**

To receive an update from the Head of Democracy and Community on the selection of two recipients for the 2021 Rushmoor Community Award.

4. **STATEMENT OF ACCOUNTS 2019/20 - UPDATE NO. 5 – (Pages 13 - 18)**

To consider the Executive Head of Finance's Report No. FIN2120 (copy attached), which informs Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the Committee's meeting of 27th July 2021.

5. **ANNUAL GOVERNANCE STATEMENT - 2020/21 – (Pages 19 - 66)**

To consider the Executive Head of Finance's Report No. FIN2117 (copy attached), which presents the Annual Governance Statement 2020/21 for review and approval.

6. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2020/21 – (Pages 67 - 94)**

To receive the Executive Head of Finance's Report No. FIN2121 (copy attached), which sets out the main activities of the treasury management and non-treasury investment operations during 2020/21.

7. **ANNUAL OMBUDSMAN COMPLAINT REVIEW LETTER 2021 – (Pages 95 - 100)**

To receive the Monitoring Officer's Report No. IT2175 (copy attached), which provides an update on the positive response received and the outcome of the Ombudsman's complaint review letter.

8. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 101 - 116)**

To consider the Interim Audit Manager's Report No. AUD2104 (copy attached), which provides an update on audit work carried out in Quarters 1 and 2, expected deliverables for Quarter 3 and outstanding audit issues and engagement by services to address them.

9. **INTERNAL AUDIT OPINION 2020/21 – (Pages 117 - 132)**

To consider the Audit Manager's Report No. AUD2005 (copy attached), which sets out the Internal Audit coverage, findings and performance for 2020/21 and presents the Audit Manager's overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment.

**PUBLIC PARTICIPATION AT MEETINGS**

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

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# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Tuesday, 27th July, 2021 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Sophia Choudhary  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Jacqui Vosper  
Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr Sarah Spall

An apology for absence was submitted on behalf of Cllr Prabesh KC.

## **7. STATEMENT OF ACCOUNTS AND AUDIT OPINION 2019/20**

The Chairman welcomed to the meeting Adrian Balmer (Senior Manager) and Justine Thorpe (Audit Manager) of Ernst & Young (EY) via Microsoft Teams to update the Committee on the Draft Audit Results Report for the financial year ended 31st March 2020.

Mr Balmer referred to the Executive Summary which stated that the audit had been carried out in accordance with the audit scope for the audit of the 2019/20 financial statements. As a result of Covid-19, new regulations – the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, had come into force on 30th April 2020. The Regulations announced a change to the publication date from 31st July to 30th November 2020 for all relevant authorities. It was noted that 30th November 2020 was not a statutory deadline for the completion of the audit of the Council's 2019/20 financial statements.

As a result of Covid-19, Mr Balmer gave further details of changes made to EY's risk assessment in respect of the following:

- Valuation of investment properties and property plant and equipment
- Disclosures on Going Concern
- Adoption of IFRS16

Reference was also made to changes in materiality. EY had updated its planning materiality assessment using the draft financial statements and had also

reconsidered its risk assessment. Based on its materiality measure of gross expenditure on provision of services, EY had updated its overall materiality assessment to £1.512 million. The basis for this assessment had remained consistent with prior year at 2% of gross expenditure on the provision of services. This had resulted in an updated performance materiality of £1.135 million and an updated threshold for reporting mis-statements of £75.6k.

In respect of the status of the audit, the draft Audit Results Report stated that, subject to satisfactory completion of the remaining areas of the audit to be completed, EY expected to issue an unqualified opinion on the Council's financial statements. However, it was noted that until the work was complete, further amendments could arise. Outstanding work included:

- Property Plant and Equipment and Investment Properties valuation – the provision of source valuation information
- Going Concern – some final information required from the Council

Mr Balmer referred to the sections in the Executive Summary of the Audit Report concerning control observations and other reporting issues. It was noted that EY had no other matters to report in respect of the Annual Governance Statement and the National Audit Office Whole of Government Accounts submission.

Once outstanding queries had been answered, EY would review the final position on the concluded work, audit adjustments and reporting (including financial instruments, journals and income). Together with Council's management team, the final version of the accounts would be produced and reviewed. Completion of subsequent events procedures to the date of signing the audit report would also be undertaken. The Committee would also produce a signed management representation letter, with the Chairman and Section 151 delegated to sign this off.

Ms Thorpe drew attention to the area of audit focus in respect of mis-statements due to fraud or error and it was noted that EY had not identified:

- any material weaknesses in controls or evidence of material management override
- any instance of inappropriate judgements being applied
- any other transactions during the audit which appeared unusual or outside the Authority's normal course of business
- any errors or fraud issues

In addition to giving an audit opinion, EY was required to consider whether the Council had put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources (the Value for Money conclusion). The Committee noted that the value for money risk assessment at the planning stage of the audit had considered both the potential financial impact of issues facing the Council and also the likelihood that the issues would be of interest to local taxpayers, the Government and other stakeholders. At the time of planning, EY had identified one significant risk relevant to its 'Value for Money' conclusion, which was the effectiveness of the Council's Governance and Risk Management Framework. EY had concluded that the Council's risk management arrangements were adequate

and recognised that there had been improvements in the Council's Governance and Risk Management Framework during 2019/20. EY had made some suggestions in the draft Audit Results Report that the Council might like to consider to further embed risk management in the day-to-day business and reporting of the Council. It had further been suggested that disclosures in the draft 2019/20 Annual Governance Statement could be improved so that the Statement better described the effectiveness of the Council's governance arrangements in the year in question and any significant weaknesses and action plans for the resolution of prior year issues and issues going forward. EY had also considered that the Council could better disclose how the Council's risk management framework enabled the Council to achieve its strategic objectives and address areas for improvement.

In respect of the assessment of the internal financial control environment, EY had made recommendations in respect of:

- ensuring that appropriate documentation was retained and accessible in relation to property, plant and equipment and investment properties held;
- reviewing policies and procedures to ensure these were kept up-to-date;
- appropriate officer capacity to respond to audit queries within agreed timelines; and
- the collection and retention of all Declarations of Interest forms for all Members and key Officers

The Executive Head of Finance advised the Committee that progress had been made in terms of responding to the outstanding issues. Discussion would be required on the draft Audit Report by the management team. The Committee also noted that a draft timetable had been agreed by EY and the Council for the 2020/21 audit. The Council would be putting resources in place to respond to audit questions and it was hoped that EY would respond positively and timely when information had been provided.

During discussion, questions were raised regarding: risk management; the updating of the Council's policies and procedures; asset valuations; and, EY's audit fees. The Committee requested a breakdown on the final audit fee from EY.

The Chairman thanked Mr Adrian Balmer and Ms Justine Thorpe for their presentations.

**RESOLVED:** That the update be noted.

## 8. **MINUTES**

The Minutes of the meeting held on 27th May 2021 were approved and signed by the Chairman.

## 9. **STATEMENT OF ACCOUNTS 2020/21 - PROGRESS/UPDATE**

The Executive Head of Finance advised the Committee that work would commence in August 2021 on the 2020/21 financial statements. EY would be on site to do

testing of the financial statements and it was hoped to have an audit opinion by November 2021.

The Committee was referred to the late agenda paper circulated on EY's 'Going Concern' consultation for 2019/20 and the response provided by the Executive Head of Finance, as updated on 22nd July 2021.

During discussion, the Executive Head of Finance was asked to provide the Committee with a synopsis in respect of the Statement of Accounts for the 2020/21 financial year.

**RESOLVED:** That the update be noted.

#### 10. **ANNUAL GOVERNANCE STATEMENT 2020/21**

The Executive Head of Finance gave an update on progress with the Annual Governance Statement for publication alongside the Council's Statement of Accounts, under Regulation 6(1) of the Accounts and Audit Regulations 2015.

It was noted that the Regulations required councils to ensure that their financial management was adequate and effective and that there was a sound system of internal control. This facilitated the effective exercise of the Council's functions, including the management of risk and review of performance management. The system of internal control included more than the financial aspects of the Council's business. It included matters such as the establishment and monitoring of objectives, the arrangements for decision-making and ensuring compliance with established policies.

The Committee was advised that recent CIPFA guidance had requested that the Annual Governance Statement should include the Council's position in respect of continuing services during the Covid-19 pandemic. In accordance with the Council's Code of Corporate Governance, assurance statements had been obtained from Heads of Service in this respect. The Executive Head of Finance confirmed that there were no significant areas of concern given in the assurance statements.

The Executive Head of Finance undertook to provide the Committee with a synopsis on progress with the Annual Governance Statement.

**RESOLVED:** That the Executive Head of Finance's update be noted.

#### 11. **INTERNAL AUDIT OPINION 2020/21**

The Executive Head of Finance updated the Committee on the Internal Audit Opinion for 2020/21. It was noted that the Internal Audit Manager, Nikki Hughes, was currently on maternity leave and that an interim Internal Audit Manager (Mr David Thacker) had been appointed. Mr Thacker would commence work at the beginning of August 2021 and would be working closely with the Committee.



The Committee was advised that Nikki Hughes was being consulted to give an opinion on audits outstanding since the start of her maternity leave. An updated Audit Opinion would be provided to the Committee in due course.

The Executive Head of Finance also updated the Committee on audit resources negotiated with Wokingham Borough Council through a Section 113 agreement.

During discussion, the Executive Head of Finance was asked to provide the Committee with a written synopsis of the situation with regard to the Internal Audit Opinion for 2020/21.

**RESOLVED:** That the Executive Head of Finance's update be noted.

## 12. **RUSHMOOR COMMUNITY AWARD 2021**

The Head of Democracy and Community advised the Committee that the Rushmoor Community Award was an initiative that the Council had had in place for many years to recognise outstanding achievements of Borough residents. The Award was open to all local people and nominations were sought through advertising in the Arena magazine and through the Council's social media. Nominations made had to meet certain criteria: outstanding service to the community; outstanding service to an individual or individuals; or outstanding service to the voluntary sector.

2021 had seen an unprecedented number of nominations received for the Award. In previous years, between 5-10 nominations were normally received. However, 32 nominations had been received for 2021 and would require some time to go through by the Committee to make its decision for one, or rarely two, recipients of the Rushmoor Community Award. It was therefore proposed to set up a small group from the Committee to go through the nominations comprising the Chairman, Vice-Chairman, one representative of the Conservative Group and two representatives of the Labour Group. All Members of the Committee would receive a strictly confidential list of all nominees in order to make any comments to the Head of Democracy and Community before the small group would meet to make its decision. It was the intention to present the Rushmoor Community Award for 2021 at the October meeting of the full Council.

During discussion, Members agreed to the proposed way forward and suggested that a set of robust criteria be circulated to the Committee with the information on the nominees to assist with being able to make comments.

**RESOLVED:** That the following Members be appointed to the group to consider nominations for the 2021 Rushmoor Community Award and recommend a recipient:

- Chairman
- Vice-Chairman
- Conservative Group representative - Cllr Jacqui Vosper
- Labour Group representatives – Cllrs Sarah Spall and Ashley Halstead

### 13. TAXI LICENSING HEARINGS AND WHEELCHAIR ACCESSIBLE VEHICLES

The Committee considered the Head of Operations' Report No. OSP2109 which proposed an amendment to the Scheme of Delegation set out in the Council's Constitution (Taxi and private hire licensing and associated licensing arrangements) to reflect new arrangements required when an authorised officer was minded to refuse or revoke a licence for a private hire operator or a hackney carriage and/or private hire driver. The Report also proposed the designation of Wheelchair accessible vehicles in accordance with the power provided under Section 167 of The Equality Act 2010.

In respect of taxi decision making, the Report advised that the Council's current Scheme of Delegation allowed for all decisions on taxi licence applications and any interferences with licences once issued to be made by the Head of Operations or delegated officers. Historically, these decisions had been made by officers with the option to refer them to a sub-committee, which had been determined by the Manager or Head of Service on an exception basis with no specific criteria. This had resulted in very few taxi hearings.

DfT statutory guidance had recently been released which required the licensing authority to refer a contentious decision by the authorised officer to a sub-committee. However, an exception should be specified that delegation to the Head of Operations would remain in place where it was determined urgent or necessary for an expedient decision.

The Report also set out a proposed protocol and procedures for the arrangements for taxi hearings. It was proposed that training would be provided for the Committee incorporating mock hearings based on previously determined cases to comply with the DfT guidance to ensure that Members were confident on decision making on taxi hearing cases.

In respect of wheelchair accessible vehicles, it was proposed that the Council designated wheelchair accessible vehicles in accordance with the power provided at Section 167 of The Equality Act 2010, introducing statutory duties on the drivers of these vehicles. The DfT guidance recommended that the criteria used to determine that a vehicle was designated was if it would be possible for the user of a 'reference wheelchair (as detailed in Schedule 1 of The Public Service Vehicle Accessibility Regulations 2000, as appended to the Report) to enter, leave and travel in the passenger compartment in safety and reasonable comfort whilst seated in their wheelchair'. It was proposed that the responsibility for determining whether a vehicle was designated in accordance with the criteria should be delegated to officers in accordance with the current Scheme of Delegation. Licensing officers would produce a draft list of vehicles to be designated in accordance with the criteria and that the proprietors/drivers of these vehicles should be informed in writing of the decision to designate the vehicle, the duties that this put on them and additional information to assist them in those duties. The Report advised the Committee that, as there was a right of appeal to the Magistrate's Court within 28 days of the decision, the designated vehicles list and duties would be published online and

therefore made available to members of the public at the end of the appeal period for all vehicles where no appeal had been received.

During discussion, Members raised questions regarding: the number of taxi licensing hearings held over recent years; the training required for Members to sit on the Licensing Sub-Committee to undertake hearings; and, the enforcement of wheelchair accessibility requirements.

**RESOLVED:** That approval be given to:

- (i) the updating of the Scheme of Delegation, set out in Part 3, Section 4, Para. 4.5.2 of the Constitution (taxi and private hire licensing and associated licensing arrangements) to reflect that, where the authorised officer is minded to refuse or revoke a licence for a private taxi hire operator or a hackney carriage and/or private hire driver, the matter be referred to a taxi licensing hearing for decision, but an exception to be specified that delegation to the Head of Operations will remain in place where it is deemed urgent or necessary for an expedient decision; and
- (ii) a panel of three Members drawn from the Corporate Governance, Audit and Standards Committee by rotation, forming a sub-committee, be authorised to deal with the determination of taxi licensing applications, as set out in Recommendation (i) above, and that the Head of Democracy and Community be authorised to make the appointments to the sub-committee from amongst the trained Members of the Committee, in accordance with the proposed protocol and procedure, as set out in Appendix 3 of the Head of Operations' Report No. OSP2109;
- (iii) the adoption of the Taxi Hearings Protocol and Procedure, as set out in Appendix 3 of the Report;
- (iv) the arranging of training to support Members to determine matters at taxi licensing hearings and the Head of Operations be authorised to continue to use delegated powers in the absence of trained Members.
- (v) the designation of Wheelchair Accessible Vehicles in accordance with the power provided at Section 167 of The Equality Act 2010, using a reference wheelchair as detailed in Appendix 4 of the Report; and
- (vi) the delegation to officers of the designation of Wheelchair Accessible Vehicles, in accordance with the current Scheme of Delegation.

#### 14. **APPOINTMENT OF INDEPENDENT MEMBER**

The Monitoring Officer reminded Members that, at the meeting on 29th March 2021, the Committee had approved the appointment of Independent Members with technical knowledge and expertise in respect of audit matters to be co-opted on to the Committee to help with the process of in-depth questioning and committee discussion.

A public advertisement to recruit Independent Members had been published and, following an initial interview of candidates by the Monitoring Officer and the Committee Services Manager, two candidates would be interviewed in August 2021 by the Chairman of the Committee, Chief Executive and the Monitoring Officer.

The Monitoring Officer undertook to circulate details of the successful candidate(s) following the interviews.

During discussion, Members were advised that the Committee could have up to three Independent Members co-opted on to the Committee.

**RESOLVED:** That the update by the Monitoring Officer be noted.

The meeting closed at 8.39 pm.

CLLR SUE CARTER (CHAIRMAN)

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**CORPORATE GOVERNANCE,  
AUDIT AND STANDARDS  
COMMITTEE**

**EXECUTIVE DIRECTOR AND  
MONITORING OFFICER**

**27TH SEPTEMBER, 2021**

**REPORT NO. ED2101**

**APPOINTMENT OF INDEPENDENT PERSON (AUDIT)**

**1. INTRODUCTION**

- 1.1 This Report sets out the outcome of the process to appoint an Independent Person (Audit) to the Committee, and recommends that the Council be asked to confirm the appointment of Gwilym Davies, known as Tom Davies, as an Independent Member of the Corporate Governance, Audit and Standards (CGAS) Committee. The appointment follows a public advertisement, written application, and interview panel which comprised the Chairman of the CGAS Committee, the Chief Executive, and Executive Director/Monitoring Officer.

**2. BACKGROUND**

- 2.1 In April 2021, the Council agreed changes to help ensure the future effectiveness of the Committee with a stronger focus on its corporate governance role providing oversight and public confidence in Council activities. A key proposal was the co-option of Independent Member(s) to the Committee with experience in corporate governance. Good practice shows that for committees with audit responsibilities, the co-option of independent members with technical knowledge and expertise can be beneficial, as the addition of an external and independent view can help the process of in-depth questioning and committee discussion.
- 2.2 The Committee agreed a role description for the Independent Person (copy attached at Appendix 1), together with the following terms which would apply to the role:
- A fixed term of three years, with provision for early termination or extension of the appointment
  - An allowance equal to the statutory co-optee allowance as set out in the Members Allowances Scheme (currently £523 per year)
  - Expectation to follow the same code of conduct as elected Members and with a Register of Interests.

### 3. **PROCESS**

- 3.1 A public advertisement and application pack for the role was placed on the Council's website and Jobs Go Public website during May 2021. Three applicants submitted written applications, who were invited to a preliminary and informal discussion with the Monitoring Officer and Service Manager - Democracy. Following this, two applicants were invited to a formal interview with the Chairman of the CGAS Committee, Chief Executive, and Executive Director who is also the Council's Monitoring Officer.
- 3.2 The Interview Panel selected Mr. Tom Davies as the preferred candidate for the role, and he has confirmed his interest to accept the position.

#### **Mr Tom Davies**

- 3.3 Tom Davies' area of expertise is in audit and risk management, with Chartered Internal Auditor status (CMIIA), with an MSc in Internal Auditing and Management. He began his career performing audits in the private sector, and then moved into the public sector, including twenty years' experience in local government. His recent work has involved the development of Risk Management systems, and with depth of experience on the Local Code of Corporate Governance and Annual Governance Statements. He has previous Board Member experience on the British Transport Police Independent Advisory Network. Mr Davies has no connection past or present with anyone who has served on Rushmoor Borough Council.

### 4. **CONCLUSIONS AND RECOMMENDATION**

- 4.1 The Independent Person (Audit) will be a non-voting Member of the CGAS Committee, attending meetings in an advisory/consultative manner on all corporate governance and audit matters before the committee, and on the basis of the role description and terms set out in Para. 2 above.
- 4.2 **It is RECOMMENDED TO THE COUNCIL** that Mr Gwilym Davies (known as Tom Davies), be confirmed as an Independent Person (Audit) on the Corporate Governance, Audit and Standards Committee for a three-year term.

**IAN HARRISON**

**EXECUTIVE DIRECTOR AND MONITORING OFFICER**

**Contact:** [Jill.shuttleworth@rushmoor.gov.uk](mailto:Jill.shuttleworth@rushmoor.gov.uk) Service Manger - Democracy

## **INDEPENDENT PERSON (AUDIT) - ROLE DESCRIPTION**

**Responsible to:** Monitoring Officer, Section 151 Officer and Internal Audit Manager

**Liaison with:** Elected Members of the Corporate Governance, Audit and Standards Committee, Section 151 Officer, (Internal) Audit Manager any other relevant Members and officers and the External Auditors of Rushmoor Borough Council.

### **Responsibilities**

1. To engage fully in collective consideration of all corporate governance and audit matters before the Committee, taking into account a full range of relevant factors, including legislation and supporting regulation (e.g. the Accounts and Audit Regulations 2015), professional guidance (e.g. that issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) or the Chartered Institute of Internal Auditors (IIA)), and the advice of the Council's Section 151 Officer and Audit Manager.
2. To participate fully in the discharge of all audit functions, as set out in the Committee's terms of reference and the constitution.
3. To promote the concept of proportionate, effective risk management and internal control throughout the organisation; and to champion the work of Internal Audit, External Audit and Risk Management.
4. To participate in periodic review of the overall effectiveness of the committee with regards to audit matters, and of its terms of reference.

### **Audit Independent Person – Skills and Competencies**

1. Demonstrates up-to-date knowledge, skill and a depth of experience in the fields of audit, accounting, risk management, corporate governance, and performance management.
2. Operates consistently and without bias.
3. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
4. Contributes proactive, proportionate and independent thought, and also collaboration with officers to temper the opinions of Committee Members.
5. Works sensitively with people inside and outside the Committee / Council.
6. Listens to and balances advice.

Must have no personal, legal or contractual relationship with the Council (including employees or Members or former staff), or any other relationship/activity which might represent a conflict of interest.

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**CORPORATE GOVERNANCE, AUDIT  
AND STANDARDS COMMITTEE  
27 SEPTEMBER 2021**

**EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2120**

## **STATEMENT OF ACCOUNTS 2019/20 – UPDATE 5**

### **SUMMARY:**

The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the meeting on 27 July 2021. The Committee is reminded that the deadline for issuing a final set of audit statements of accounts and audit opinion of 30 November 2020 was not met.

### **RECOMMENDATIONS:**

It is recommended that the committee

- i) Note the Statement of Accounts Update Report
- ii) Note the indicative timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit opinion.
- iii) Subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

## **1 BACKGROUND**

- 1.1 This report updates members on the status of the 2019/20 Statement of Accounts and Audit Opinion.

## **2 INTRODUCTION**

- 2.1 Owing to the impact of Covid-19 deadlines for the completion and publication of the 2019/20 accounts have been relaxed recognising the possible disruption to relevant authorities caused by the spread of coronavirus
- 2.2 The table below sets out the changes made to the deadlines, as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which came into force on 30 April 2020.

Action	Deadline as set out in Accounts and Audit Regulations 2015	Revised Deadline as set out in Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
Draft Accounts completion	31 May	31 August
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of September of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November

- 2.3 The Council published a draft statement of account 2019/20 on 31 August 2020. These are available on the Council's website:  
<https://www.rushmoor.gov.uk/statementofaccounts>
- 2.4 The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit opinion the relevant Council Committee (being Licencing, Audit and General Purposes Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 30 November 2020.
- 2.5 As reported to the Corporate Governance, Audit and Standards committee in July 2021, there were several outstanding issues around asset valuations and the Going Concern consideration. Officers have been working closely with EY to resolve these issues and queries arising from EY's review of the audit. This report and the draft Audit Results Report from EY provides members with an update on progress made since July 2021.

### 3 CURRENT STATUS OF THE AUDIT

- 3.1 Members will be aware from the meeting in November 2020 that the Council's external auditors set out in the Audit Plan an outline of the timetable and work required to complete their audit and issue an Audit Results Report.
- 3.2 At the LA&GP meeting in January 2021, members were informed that following discussions with EY on 14 January 2021, it was agreed that the current audit work would be paused until mid-February. This would allow the finance team to complete work on the 2021/22 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of LA&GP in March 2021.

- 3.3 Audit work was restarted late in February 2021 and worked through some of the remaining issues. However, there were several audit queries that remained unresolved which meant the audit opinion was not available for the committee to consider at the meetings on 29 March 2021, 27 May 2021 or 27 July 2021.
- 3.4 Officers from the Council and EY held further virtual meetings in July and August to assess progress and resolve the audit queries. However, it became clear during August 2021 that there was no prospect of the property and valuation related audit issues being resolved before the end of the month preventing the audit reaching a conclusion. Therefore, it was agreed to work towards a revised timescale for receiving the audit opinion and this was anticipated to be available during October 2021 subject to the outstanding issues being resolved. The Chief Executive and Chair of the Committee were made aware of the delay and the impact this would have on the timetable for the 2020/21 audit work.
- 3.5 The detailed Disclosure Note that addresses Going Concern issues was provided to EY during August with a cashflow forecast covering the period required. This sets out the updated impact on the Council's finances from Covid-19 and any Post Balance Sheet Event (PBSE) given the ongoing risk Covid-19 poses to the Council's financial standing.
- 3.6 The Council and EY will need to assess the timing of finalising the audit opinion on the 2019/20 accounts given the outstanding matters that were outlined in the Audit Results Report considered by members at the meeting in July 2021.
- 3.7 At the time of writing this report there remains a small number of property and valuation related queries. Officers are reviewing documents and records to ensure that all outstanding points have been covered-off. Whilst it is anticipated that the Council will be able to provide the relevant information by the time the committee meet on 27 September, members will receive an update at the meeting informing them of the status of the audit.
- 3.8 It is not clear when the audit opinion will be received due to the the outstanding property and valuation issues. It had been anticipated that the audited Statement of Accounts, Audit Opinion, and the Final Audit Results Report will be available in October 2021 and prior to the next scheduled meeting of the committee (22 November 2021).
- 3.9 Should it be possible to resolve all remaining queries and receive the audit opinion during October 2021 it is proposed to agree the accounts and audit opinion before the next scheduled meeting of the committee. Subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

#### 4 2020/21 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS

- 4.1 Deadlines for the completion and publication of the 2020/21 and 2021/22 accounts were amended as part of the Government's response to the recommendations contained in the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond review reported on 08 September 2020.
- 4.2 The regulations will amend the draft and final accounts publication deadlines for relevant bodies from 1 June and 31 July to 1 August and 30 September for the next 2 accounting years – i.e. 2020/21 and 2021/22 and the position will be reviewed at that time. The regulations come into force on 31 March 2021.

Action	Deadline as set out in Accounts and Audit Regulations 2015	Revised Deadline as set out in Accounts and Audit (Amendment) Regulations 2021
Draft Accounts completion	31 May	01 August
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of September of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 September

- 4.3 The Council has amended its 2020/21 accounts closure process to meet the revised Accounts and Audit Regulation 2021 timetable. It is unclear when the audit of the 2020/21 financial statement will commence as the audit process for 2019/20 is not yet completed.
- 4.4 Further discussions will need to take place over the coming weeks with EY to schedule the 2020/21 audit work. It is unlikely the opinion will be received by the deadline indicated in the July 2021 update report to the committee (the report indicated no later than 31 December 2021). The schedule below sets out the indicative timings for the 2020/21 that were communicated to the committee in July 2021 and will be subject to significant change. It should be expected that the conclusion of the audit may now be in early 2022.

<b>Date</b>	<b>Activity</b>
w/c 19 July 2021 to w/c 09 August 2021	Scope and Strategy/Audit Planning
31 July 2021	Draft Accounts published
w/c 23 August 2021	Data Analytics
w/c 06 September 2021 to w/c 13 September 2021	EY Audit team – substantive work on walkthroughs and sample selection
w/c 20 September 2021 to w/c 04 October 2021	EY Audit team – substantive testing of financial statements
October 2021 (dates tbc)	Further audit work
November 2021	Conclusion of Audit work and draft opinion
December 2021	Audit opinion/Audit Results report

## **5 CONCLUSION**

- 5.1 There is some uncertainty around the timing of when the Council will receive the audited financial statements and EY's Audit Opinion as it is dependent on the Council providing further information to resolve the outstanding property-related queries. Subject to EY's internal consultation process, officers and EY will work towards a formal completion of the audit during October 2021. However, there remains some risk around the exact timing given the need to agree the final accounts position, review any proposed adjustments and a revision to the Council's financial statements.
- 5.2 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.

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**CORPORATE GOVERNANCE, AUDIT  
AND STANDARDS COMMITTEE  
27 SEPTEMBER 2021**

**EXECUTIVE HEAD OF FINANCE  
REPORT NO. FIN2117**

## **ANNUAL GOVERNANCE STATEMENT – 2020/21**

### **SUMMARY:**

The purpose of this report is to present the Annual Governance Statement 2020/21 for review and approval.

### **RECOMMENDATIONS:**

Members are requested to:

- i. Approve the Council's Annual Governance Statement 2020/21;
- ii. Approve the Chief Executive and Leader to sign the Annual Governance Statement; and
- iii. Agree to the publication of the Annual Governance Statement alongside the Council's Statement of Accounts.

## **1 Introduction**

- 1.1 In July 2017 the Council adopted a revised Code of Corporate Governance prepared in accordance with the CIPFA/ SOLACE framework document entitled 'Delivering Good Governance in Local Government: Framework (2016 Edition)'.
- 1.2 Regulation 6(1) of the Accounts and Audit Regulations 2015, provides that each financial year the Council must:
  - a) Conduct a review of the effectiveness of the system of internal control; and
  - b) Prepare an annual governance statement.
- 1.3 The Annual Governance Statement should be reviewed and approved by this Committee prior to being signed by the Chief Executive and the Leader. The statement will then be published alongside the Statement of Accounts.

## **2 What is the Annual Governance Statement**

- 2.1 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in the year and on any planned changes to our governance arrangements in the coming year.

- 2.2 The Committee provides essential support for the approval of the annual governance statement and for ensuring that good governance is embedded throughout the Council's activities.
- 2.3 Due to the current Covid-19 pandemic details of the changes impacting on the governance arrangements within the Council have been detailed within the statement, to provide an update on the current situation and the potential challenges faces the Council during 2021/22.

### **3 Methodology for compiling the annual governance statement**

- 3.1 The existing governance arrangements against the CIPFA/ SOLACE: 'Delivering good governance in Local Government framework – 2016 Edition' have been reviewed.
- 3.2 Assurance statements were obtained from Heads of Service to demonstrate how governance arrangements within their service meet the CIPFA/SOLACE framework for good governance.
- 3.3 Furthermore, the Corporate Governance Group have reviewed the AGS to ensure all governance arrangements have been reflected within the statement.
- 3.4 Actions to improve the governance arrangements are detailed within the AGS. Work undertaken towards implementing these actions will be regularly reviewed by the Corporate Governance Group and updates on the progress will be reported to this Committee.
- 3.5 The Annual Governance Statement for 2020/21 is contained within Appendix A of this report.

### **4. Requirements of the Committee**

- 4.1 To ensure a meaningful review of the annual governance statement, this committee should draw on its knowledge of the governance arrangements established and how they have operated during the course of the year, including:
- Reviewing the Local Code of Corporate Governance which is contained within Appendix B of this report
  - Ensure that the annual governance statement is underpinned by a framework of assurance, which has been set out within the AGS.
  - Assurances provided by Internal Audit throughout the course of the year for the application of governance arrangements in practice and



the monitoring of recommendations to improve governance arrangements.

- Consider how the Council applies governance principles in practice based on other agenda items reviewed by the Committee throughout the year.

4.2 The Committee needs to be satisfied that the annual governance statement contained in appendix A properly reflects the risk environment and any actions required to improve it and demonstrates how governance supports the achievement of the Council's objectives.

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**References:** CIPFA/ SOLACE framework: Delivering Good Governance in Local Government: Framework (2016 Edition)

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# Annual Governance Statement 2020/21

## Scope of responsibility

Rushmoor Borough Council (RBC) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

RBC has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website:

<https://www.rushmoor.gov.uk/CHttpHandler.ashx?id=18384&p=0>

The Annual Governance Statement (AGS) 2020/21 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Corporate Governance, Audit and Standards Committee (formerly Licensing, Audit and General Purposes Committee) and approval in advance of them agreeing the Statement of Accounts, in which the AGS is referred to.

## **What is Governance**

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

## **The purpose of the Governance Framework**

The Governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

## **What is the Annual Governance Statement (AGS)?**

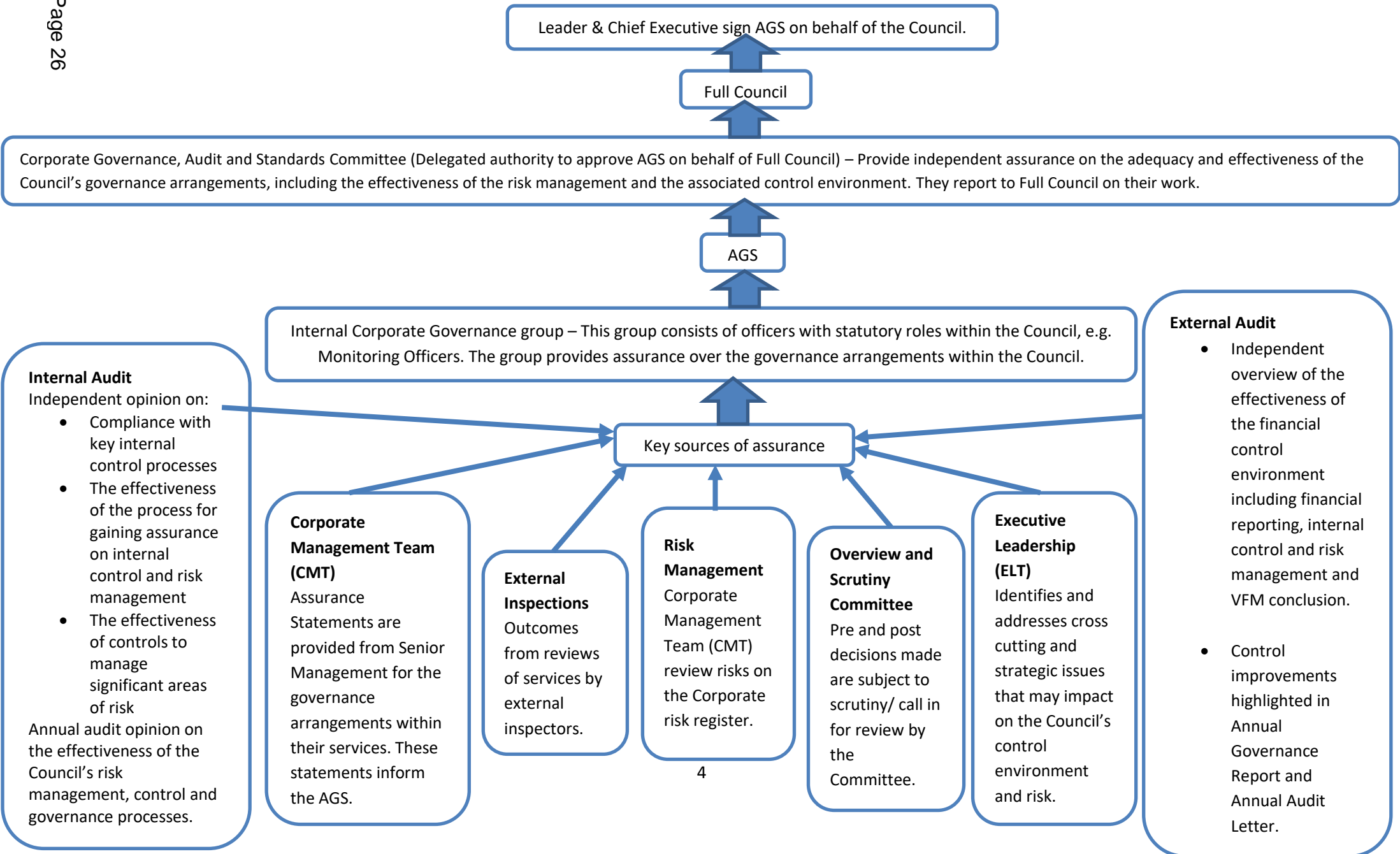
The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;

- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the AGS and Statement of Accounts.

## What is the Council's Governance Assurance Framework?



## **How does the Council monitor and evaluate the effectiveness of its governance arrangements?**

The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that informs this review are:

- The work of the Licensing, Audit and General Purposes Committee\*\* Members and Senior Officers of the Council who have responsibility for good governance.
- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that key risks are being adequately controlled and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the Licensing, Audit and General Purposes Committee monitoring the work carried out towards the Governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

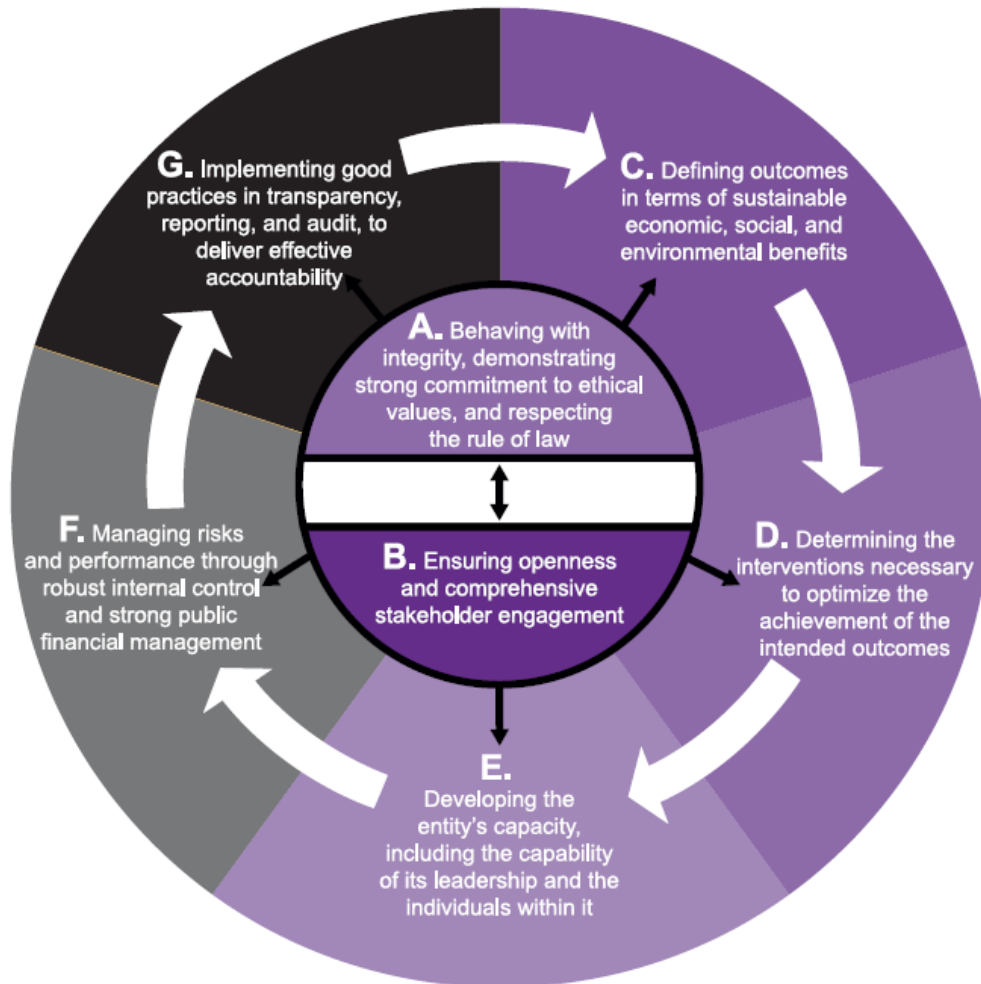
\*\* The terms of reference for the Licensing, Audit and General Purposes committee were reviewed towards the end of the 2020/21 civic year. Recognising the need to ensure robust, clear and strong Corporate Governance the focus of the committee was reviewed.

Central to this review was a change in the title of the committee and it's focus on Corporate Governance. Additional training has been arranged for members of this committee and during 2021/22 an Independent Member will be appointed to the committee.

Corporate Governance, Audit and Standards Committee (CGAS) replaced the Licensing, Audit and General Purposes Committee (LAGP) in May 2021. The AGS for 2020/21 has been prepared with references to LAGP as this was the appropriate committee during the AGS period

## **What are the key elements of RBC's Governance Framework?**

The Council aims to achieve good standards of governance by adhering to the seven core principles, detailed below, which form the basis of the Council's code of Corporate Governance.



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

## Covid-19 Pandemic

In March 2020, following the declaration of a major incident by the Local Resilience Forum, the Council activated its emergency structure, where emergency management protocols were initiated, to coordinate a response and ensure that resources were prioritised.

- Gold (Strategic decisions),
- Silver (Operational issues), and
- Bronze (Community welfare response)

There was a significant impact on Council services, due to the Covid-19 pandemic, but despite the challenges, the Council maintained consistent essential services, whilst adapting to provide alternative virtual services wherever possible.



## ***Impact of Covid-19 pandemic on the Council***

### **Priorities**

The Council adhered and responded at pace to government guidance in response to the pandemic. Priorities were changed to focus on the need to distribute emergency funding and to support essential services. Business as usual was changed to accommodate this - key processes and functions maintained, with demand led services under the most pressure.

Covid-19 and the subsequent recovery does present a number of risks to the delivery of the Council's Business Plan, Regeneration Programme and key procurement activity. Inevitably, there will be a requirement to review priorities and work programmes to ensure adequate risk mitigation is in place, with the Council's Corporate Risk Register being reviewed by Heads of Service.

### **Move to home working**

The Council brought forward its mobile working project from the ICE Programme to enable a substantial move from a small number of home workers to majority of the Council's workforce. There was a significant impact on the IT department in order to acquire, build and distribute additional laptops within a short period of time.

Furthermore, there was a significant shift for technology required to enable secure virtual meetings to be carried out. A review of the risks and mitigations required was carried out in order to identify the most appropriate platform solution for the Council to use. The platform determined was Microsoft Teams which has been deployed across the Council.

The risk around information security increased with this move and required effective arrangements and mitigation measures to ensure the security of data and processes. Staff were made aware of the information security requirement with awareness raised of the potential increase in phishing emails to obtain log on credentials.

The move to home working was challenging for many people and as such the Council, through its HR team, put in place a range of initiatives to support individuals and teams.

A new way of working programme was established and builds upon the changes outlined above. This programme enables a new norm can be established as the working environment and service delivery impact from Covid unwinds leading to more modern and efficient ways of working that embraces new technologies. Different approaches to leadership and management are required and the Council's adopted Workforce Strategy reflects this approach.

### **Committee meetings**

The Local Authorities & Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, allowed authorities to conduct meetings and take decisions in ways other than

face to face, so that decisions can still be made. As a result, virtual council and committee meetings were instigated to ensure transparency, maintain good governance and maintain principles of openness and accountability. Furthermore, this also allowed access to the public and press via live streaming. The Council developed a set of standard protocols for virtual meetings, in order to facilitate full Member engagement and public participation where appropriate. These protocols were communicated to all Members.

#### Temporary delegation arrangements for decision making

To enable executive decisions to be taken during this challenging period, Cabinet agreed to authorise the Chief Executive, in consultation with the Leader of the Council, to make Cabinet decisions in accordance with the following conditions.

- The provision of new and amended services as a result of Covid-19
- Changes in services which could have financial implication of up to the threshold that would make the decision 'key'
- Changes in existing service provision that would have an impact on the Borough and are not currently delegated to an individual portfolio holder or officer
- Those items set out in the powers and duties of the Cabinet
- The list of the decisions taken will be submitted to a formal meeting of the Cabinet in due course.

The process that will be followed for these decisions are as follows:

- A Head of Service, in conjunction with the appropriate portfolio holder, will develop proposals requiring an executive decision on which they will consult the Monitoring Officer and the Head of Finance (Section 151 Officer)
- The proposals are circulated to other Members of the Cabinet and the Council for comment (the period of comment is likely to be short, probably 1-2 days)
- The Chief Executive, in consultation with the Leader of the Council, will make a decision on the proposal, taking account of any comments made by other Members
- A short form decision sheet will be prepared and distributed to all Members of the Council and placed on the Council's website within a table established to include all decisions taken under this process.

These delegations were used under careful consideration and wherever possible, reports will be held over until a formal meeting can take place, but given the rapidly changing situation during the pandemic, it was essential that a process to make decisions at pace was in place.

#### Financial implications

Covid-19 and the subsequent recovery does pose a significant risk to the Council's finances. Over the immediate short-term, the Council experienced a reduction in income from Council Tax, Business Rates and Fees and Charges. Additional

expenditure was incurred, particularly around the Council's role in supporting the welfare of vulnerable individuals and IT costs associated with enabling Council staff to work remotely.

Initially, it was difficult to quantify the impact on the Council's finances given the uncertainty around how long restrictions would remain in place and how recovery from Covid may fundamentally change some of the Council services. Initial work was focussed on high-risk income and expenditure budgets, Council Tax and Business Rates, and cash flow forecasting. The Council provided financial management information to the Ministry of Housing, Communities and Local Government (MHCLG) during the year and monitored budgets closely. Further restrictions in place from December 2020 to March 2021 will have had a further impact on the Council Finances.

The Government provided Councils with a number of funding streams to help mitigate the financial impact from Covid. Funding was provided directly to the Council in the form of grant funding and compensation for income loss from sales, fees and charges. The Council also received a number of funding streams that it was required to use to support businesses that were required to close or were subject to financial pressure because of the pandemic. These included a number of Business Rates Grants schemes with the Council being required to design and approve local schemes to support businesses.

Un-ringfenced grant and compensation funding received from the Government included:

- Covid-19 Emergency Funding: £1.479m
- Covid-19 Income Loss Compensation: £1.008m

Funding in relation to Business support (grant schemes and compensation for additional business rates reliefs) was received during the year.

- Section 31 Grant (compensation for additional business rates reliefs): £11.3m
- Additional Restrictions Grant: £1.519m
- Local Authority Discretionary Grant Fund: £0.805m
- Local Restrictions Grant (Open): £0.196m
- Covid-19 Reopening High Streets: £83k

Funding was also provided to the Council from the Department for Business, Energy and Industrial Strategy (BEIS) on an agency basis (i.e. the Council was required to pass the funding through based on specific criteria). Approximately £14.8m was administered to businesses across a number of different grant schemes between April and September 2020.

Support for vulnerable individuals and families was provided through the Council Tax Hardship Scheme. The Council received £542k of funding which was used to support

Council Tax Support scheme recipients. In addition, the Council received £214k from the Government in support of the Test and Trace scheme.

Funding was also provided from Hampshire County Council to support local schemes in relation to Control Outbreak, managing clinically vulnerable individuals and Test centres. This funding offset costs incurred by the Council supporting communities:

- Control Outbreak Management Fund (COMF): £124k
- Covid-19 Clinically Extremely Vulnerable: £95k
- Covid-19 Emergency Assistance Grant: £81k
- Covid-19 Test Centre: £166k

At the time of writing, the Council had yet to finalise the outturn position for 2020/21 but it was anticipated that there would be a negative impact on the Council's revenue budget as a result of the pandemic. It is worth noting that the Council does have balances and reserves available to help mitigate the likely outturn position and some of the financial risks and pressures outlined. However, it is expected the Council will need to review the 2021/22 budget and Medium-Term Financial Strategy over the course of the financial year to ensure the Council remains financially resilient.

Councils are required by law to have balanced budgets. If a way in which to finance expenditure cannot be identified then it is the statutory responsibility of the Section 151 officer to, as a last resort, issue a section 114 notice. This notice prohibits all new expenditure, with the exception of safeguarding vulnerable people and statutory services. Due to the current financial challenges, as a result of the Covid-19 pandemic, CIPFA agreed with MHCLG to temporary modifications to the existing guidance around issuing section 114 notices, in order to create an opportunity, within existing statutory limits, to enable an exploration of what further options and/or financial assistance may be available.

Therefore, should this be considered by the Council's Section 151 Officer, the following process would be carried out in line with CIPFA's current guidelines:

- At the earliest opportunity the Head of Finance (Section 151 Officer) will make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming section 114 notice.
- The Head of Finance (Section 151 Officer) will communicate the potential unbalanced budget position, due to Covid-19, to MHCLG at the same time as providing a potential Section 114 report to Cabinet and the Council's external auditors (Ernst and Young).

A number of Council services that were reliant on income from sales or fee income were adversely impacted by the restrictions in place during the coronavirus pandemic. The Council reviewed opportunities for staff to be redeployed to areas that were supporting the Council's frontline services to the community. Whilst the Council was able to redeploy a number of staff over the course of the year, the Council did make use of the Government's furlough scheme with around £100k of funding received during 2020/21.

Procurement Policy Notes were issued by the Cabinet Office and provided guidance on best practice for public sector procurement, with a focus on Covid-19 issues. These notes covered a number of issues including:

- Public procurement regulations
- Guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current coronavirus, COVID-19, outbreak
- Use of procurement cards to support cash flow for suppliers
- Guidance for public bodies on viability and sustainability of contracts including working in partnership to plan an eventual exit from any relief and transition to a new, sustainable, operating model taking into account strategic and reprioritisation needs.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the accounting timetable, extending the deadline for the draft accounts to 31 August 2020 and the final audited accounts to 30 November 2020.

### Service reviews

Since the lockdown the Council has had to take urgent decisions related to its way of working and direct service provision. Most facilities that provide the opportunity for public gatherings or encourage non-essential travel have been closed, either by direction from the Government or because the Council has interpreted that it is the right thing to do, in accordance with the Government's guidelines. The key changes are:

- Farnborough and Aldershot Leisure Centres and associated facilities were closed at various points during the year in accordance with Government guidelines associated with the national and local restrictions in place during 2020/21. Limited reopening was possible during the year with Covid-secure measures in place.
- In February 2020 Cabinet and Council considered the future opening of Farnborough Leisure Centre. Indicative costs from the operator, Places Leisure, indicated that the additional cost in 2021/22 would be in the range of £0.550m to £2m per annum depending on the operating conditions and speed of recovery. Members considered these additional costs against a challenging financial position over the medium term and took into account representations made by local residents. The Council reluctantly agreed to bring forward the closure of Farnborough Leisure Centre, which facilitates an earlier regeneration programme in the Civic Quarter. Leisure facilities in Aldershot including the Lido continue to operate.
- Preparatory work necessary to enable the Aldershot Lido to start its season at the end of May 2020 was not possible. An extended period of lockdown or social distancing meant the Lido would not open until the 2021 season.
- Princes Hall Theatre was closed throughout the year given the national and local restrictions and the need to adhere to reduced capacity due to social distancing arrangements. The Council did utilise the site as part of its

response to the coronavirus pandemic and included the provision of the Food Hub and as a walk-in vaccination centre.

- Refuse, recycling, bulky waste and garden waste collection arrangements were changed over the initial lockdown period from April 2020 to July 2020. Refuse and recycling collections were moved to an alternating cycle with residents receiving a refuse collection one week and a recycling collection the next. Flats remained with weekly refuse collections. Garden and Bulky waste collections were suspended for an initial period but resumed relatively swiftly.
- Playgrounds and skate parks were closed during parts of the year owing to national and local restrictions and also for a period in early 2021 given the local infection rates.
- Council run car parks remained open, but cash machines have been emptied and no charges were levied between April 2020 and July 2020. Charging resumed in August 2020.
- The Council suspended the weekly Car Boot sale service and also operated a limited markets service whilst national restrictions and social distancing measures were in place during the year.
- The Council Offices were closed to the public in both the national and local restriction periods. During these times a small number of core staff were on site carrying out essential work that cannot be delivered from home. The Council offices did reopen to the public during the year as restrictions were lifted with the Council operating a Covid-secure environment and where possible on an appointment-only basis.
- Council run public conveniences were closed during national and local restriction periods
- The Crematorium continued to operate during 2020/21. However, restrictions to the number of mourners to facilitate social distancing have been introduced. Access to the grounds was prevented for a period of time but they were reopened with social distancing measures being put in place.

The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020, dealt with the closure of certain premises and venues. The proper designations are in force for environmental officers to enforce and the Secretary of State designated councils as prosecuting authorities for offences arising. The Council worked to support businesses in explaining the restrictions and investigated breaches taking appropriate action where necessary.

During the crisis the Council worked hard in its community response and was able to facilitate support to the community and voluntary sectors. The Council was very successful with partners on developing its community interventions to support vulnerable people. This support is continuing during 2021/22 as part of the Council's plan to assist communities in recovering from the pandemic.

### *Restore, Release and Rejuvenate*

In order to begin to address the recovery phase the Council adopted a structure based on 'Restore, Release and Rejuvenate' and identifying eight strategic objectives

covering the main priority areas for the Council. The actions and objectives listed below were identified in the first quarter of 2020/21 and have now been absorbed into service delivery plans and are now considered as 'business as usual'. They are outlined below for information.

- To facilitate improved capacity in the voluntary sector and support the most vulnerable
- To support the local economy and housing market in achieving restoration and growth and support new businesses
- To communicate, engage with and reassure the public whilst supporting Members in their community leadership role
- To restore existing services and review resources to redirect to priority areas
- To put in place a Covid secure working environment in council buildings and through the ICE programme establish a new and modern way of working that will enhance provision, reduce costs and offer a choice of working arrangements and patterns
- To ensure a sustainable financial position with particular emphasis on commercial income levels, the delivery of planned savings and the reduction of operational costs
- To engage Members in the 3R's to establish policy direction and a set of priority objectives
- To establish an enhanced and appropriately resourced policy, risk and response function

The Council will have an important role in the recovery effort and will need to provide support and resources in a number of areas. To assist with the recovery, specific workstreams were established, led by a designated member of Senior Management. The focus will be to carry out an impact assessment along with an associated plan, which will be reviewed by the cross-party Task and Finish Group and Cabinet. The recovery workstreams are:

- Community protection and assistance
- Economy, regeneration and housing
- Communication and engagement
- Recovery and review of services
- New ways of working
- Finance and commercial
- Democracy and governance
- Policy, risk and response

The recovery effort is likely to last longer than typical for emergencies of this nature being unlike anything experienced before. This focus could take up to 2 years and will require a new mind set and a review of priorities and actions that could see some delayed, parked or cancelled. This will be made more difficult by an environment that will likely see reduced income (from fees, charges, commercial sources and the

impact of a recession albeit potentially short), increased expenditure and increased demands and expectations from the local community.

In order to provide better alignment of resources to priorities over this period a number of key areas require further attention and consideration as far as council services are concerned:

- Executive Leadership Team
- Policy, Risk & Communications
- Financial & Cost Management
- ICE Programme – the New Norm

Therefore, in order to support the above areas of concern a new role of Assistant Chief Executive was created. This role provides further support at a senior level in relation to the areas of:

- Policy
- Strategy
- Risk (*Becoming the Senior Risk Officer (SRO)*)
- Emergency Planning and Business Continuity
- Covid-19 Recovery
- Performance

### **Summary**

The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the voluntary and community sectors.

The Council will need to work with its key partners to develop and support the local economic and community infrastructure in the future. All of the challenges will require a new way of working and thinking. The pandemic has created a step change in how businesses and public bodies operate.

The Council will look to learn the lessons of Covid-19, build on the successes and ensure that it is fit for purpose for what may be a very different landscape in the future.

The response to the crisis has added assurance to the effectiveness of the Council's business continuity plans and governance arrangements. The Council also faces a number of significant changes that will require ongoing consideration and action as appropriate in 2021/22 and the medium term, to ensure good governance is maintained.



## PRINCIPLE A

### Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub principles	Demonstrated by
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>• A code of conduct is in place for both Councillors and staff, both are contained within the Council’s constitution. The codes outline the ethical standards and behaviours to be adopted and observed by elected Members and officers to ensure that Council business is conducted with fairness and integrity. There are processes in place to ensure that Members and Officers are adequately trained in matters relating to the Constitution.</li> <li>• A Member Constitution review group are in place to assist with the bedding in of the Constitution.</li> <li>• The Council also has in place various policies, procedures and guidance including HR policies, Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality, which are regularly reviewed. All colleagues are made aware of any new policies or changes and training is provided as necessary.</li> <li>• Specific legal and regulatory requirements and/or Standards and Codes of Practice are maintained by staff for Membership of relevant professional bodies, including continuing professional development.</li> <li>• Where necessary the Council collaborates with other professionals for advice and guidance. For example, the Council has recently enlisted the assistance of Freeths for legal advice in establishing a Housing Company.</li> <li>• A register of Member interests is published on the Council’s website to ensure that any conflicts of interests are open and transparent. Furthermore, these are reviewed by the Corporate Governance Group on an ad hoc basis.</li> <li>• The Corporate Leadership Team has responsibility to ensure that decisions are made properly and that these are monitored by the Governance Group and Deputy Monitoring Officers.</li> </ul>
<b>Demonstrating strong commitment to ethical values</b>	<ul style="list-style-type: none"> <li>• The Council has established a Governance Group, which includes the Monitoring Officer, Deputy Monitoring Officers, the Chief Financial Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided.</li> <li>• The Council has adopted a Behaviours Framework which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people.</li> <li>• Rigorous procurement processes are followed to ensure high quality suppliers are selected and value for money is obtained.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> </ul>
<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>• The Constitution sets out responsibilities within the Council. This is maintained by the Head of Democracy, Strategy and Partnerships in conjunction with the Governance Group, to ensure that the Council’s legal requirements are met, and the provisions are up to date. A full review of the Constitution was carried out in 2019/20 with support from a cross party Member Constitution Review Group. This was formally adopted by the Council in June 2020</li> <li>• The Council has appointed the following officers as required:               <ul style="list-style-type: none"> <li>- <b>The Head of Paid Service</b> (Chief Executive) – Overall accountability for the governance arrangements operating within the Council</li> <li>- <b>The Monitoring Officer</b> – Ensures decisions taken are within the law and the Council complies with the provisions of its Constitution.</li> <li>- <b>The Chief Financial Officer</b> – Principal finance adviser to the Council and is responsible for the proper administration of the Council’s financial affairs and internal control environment.</li> </ul> </li> <li>• The Council’s in-house legal service identifies and advises the Council on key elements of the law and their application.</li> <li>• The Council ensures compliance with the mandatory elements of the Local Government Transparency Code.</li> <li>• The Corporate Health and Safety team collate breaches and liaise with appropriate partner organisations and authorities e.g. HSE</li> </ul>



Sub principles	Demonstrated by
<p><b>Openness</b></p>	<ul style="list-style-type: none"> <li>• The Council's policies and governance framework are published on the Council's website – this includes:                             <ul style="list-style-type: none"> <li>– The Constitution</li> <li>– Agenda and reports for all meetings within the Council's decision-making framework</li> <li>– Cabinet work programme</li> <li>– Annual budget</li> <li>– Pay Policy and Gender Pay Gap Statements</li> <li>– Record of Executive Decisions</li> <li>– Information required under the Transparency Code</li> </ul> </li> <li>• The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website.</li> <li>• Equality position statement reinforces how we will publish information to demonstrate compliance with the equality duty.</li> <li>• The Council has an up to date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders.</li> <li>• The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan.</li> <li>• During 2020/21 the Council published 4 Arena magazines, to inform the community of the work and services carried out by the Council.</li> <li>• Contracts are managed with a partnership approach and decisions are made in an open and transparent way, including open book accounting processes.</li> </ul>
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>• The Rushmoor Strategic Partnership has been reviewed and a Rushmoor Partners Network established, which in future will focus on projects and consider multi-agency issues.</li> <li>• A statement of community involvement is published on the Council's website.</li> <li>• Formal and informal consultation is carried out with Members (e.g. Budget Strategy Working Group)</li> <li>• As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council etc.</li> <li>• The Council adopted the Local Plan 2014-2032 on 21 February 2019, which involved participation from numerous stakeholders. Details are published on the Council's website.</li> <li>• Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP.</li> <li>• We have in place a relationship management approach and system. Social media is used to communicate and receive comments and increase levels of engagement through visits, meetings and working through partners.</li> <li>• The Council supports the Prospect Estate Big Local (PEBL)</li> </ul>

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**Engaging with individual citizens and service users effectively**

- The Council has invested in a range of traditional, digital and social media channels to enable regular contact, engagement and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues.
- We have effective arrangements in place to communicate and consult with relevant key stakeholders where appropriate and to fully consider/ use their feedback and/or complaints to help inform decisions. Furthermore, following a Peer Review the Council has established a process for undertaking regular citizen consultation on both Borough-wide and place specific issues.
- The Council has a corporate modernisation programme (ICE) in place and consultation with Members, Officers, Key stakeholders and the public is ongoing to assist and shape this programme delivery and underpin the principle of a 'one-Council' approach.
- Examples of significant consultation exercises carried out during 2020/21 included:
  - Local Council Tax Scheme – annual consultation process
  - Code of Conduct for Members
  - Covid-19 Wellbeing consultation open to all residents
- A scheme is in place within the Council's Constitution to have public participation at Member meetings, although this was subject to change as a result of Covid-19. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.

## PRINCIPLE C

### Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub principles	Demonstrated by
<b>Defining outcomes</b>	<ul style="list-style-type: none"> <li>• The Council’s plan has been developed with a 10 year ‘vision’ and a 3-year rolling business plan with objectives to assist with the achievement of the vision. The plan is shown on the council’s website along with the monitoring of the actions towards the plan.</li> <li>• A People Strategy is being developed for the organisation which identifies the objectives and priorities linked to the priorities within the Council plan.</li> <li>• Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board.</li> <li>• The size of the Council’s workbook may need to be reviewed over the coming year in order to review priorities, due to the impact of Covid-19 pandemic, which has resulted in the Council spending an amount of time carrying out work which had not been planned.</li> <li>• Service business plans have been developed and cover:               <ul style="list-style-type: none"> <li>- Linking actions to priorities</li> <li>- Identification of outcomes</li> <li>- Performance indicators</li> <li>- Risks and expected service changes</li> </ul> </li> </ul>
<b>Sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>• The Council’s reports to Cabinet require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made. All reports requiring executive decisions (except those exempt) are accessible via the Council’s website. (<a href="https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions">https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions</a>)</li> <li>• A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council’s plans and objectives. The Council’s Policy and Performance team monitors place and organisational data to support the work.</li> <li>• Risk registers are regularly updated with links to the Corporate Risk Register.</li> <li>• The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council’s website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan</li> </ul>

- In November 2019, members of the council's Cabinet approved the council's Climate Change Action Plan 2020-2030. There are more than 90 actions in the plan, which will be updated every year and includes plans to
  - increase recycling and reduce waste, including by introducing a weekly food waste collection service in 2021/22, ahead of the anticipated national introduction in 2023
  - To look at how we make sure Aldershot and Farnborough town centre regeneration schemes include measures like energy efficient buildings, energy generation, and green transport
  - To involve local people in our efforts, including through things like community gardens and helping people get more involved in their local neighbourhoods
  - To make our own buildings more energy efficient, moving to green energy where possible, and to look at how our staff can work differently to reduce our impact on the environment

## PRINCIPLE D

### Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principles	Demonstrated by
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts when making a decision on establishing a housing company.</li> <li>• Consideration of alternative courses of action for all decision making.</li> <li>• The Corporate Governance Group has been established to consider legal/constitutional issues associated with decision making.</li> </ul>
<b>Planning interventions</b>	<ul style="list-style-type: none"> <li>• At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.</li> </ul>
<b>Optimising achievement of intended outcomes</b>	<ul style="list-style-type: none"> <li>• Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring.</li> <li>• The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan.</li> <li>• The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following:             <ul style="list-style-type: none"> <li>- Licensing, Audit and General Purposes Committee, with specific roles to ensure effective governance</li> <li>- The Property Investment Advisory Group (PIAG), provides early consideration of projects prior to submission to the Cabinet. For example, Establishment of the Housing Company, re-letting of the leisure contract and the Council's ICE Modernisation programme. This group is supported by LSHIM who provide detailed assessments of acquisition, disposal, and asset performance.</li> <li>- The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects.</li> </ul> </li> </ul>

## PRINCIPLE E

### Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub principles	Demonstrated by
<p style="text-align: right; margin-right: 10px;">Page 44</p> <p><b>Developing the entity's capacity</b></p>	<ul style="list-style-type: none"> <li>• A follow-up visit from the peer challenge team was undertaken in September 2019 review the progress made towards the recommendations of the previous visit in December 2017. In particular, the team looked at the areas of strategic planning and partnerships, scrutiny, financial strategy and transformation and change management. The recommendations from the review and follow-up have now been fully implemented. More details can be found on the Council's website (<a href="#">Peer Challenges</a>).</li> <li>• The council asked the Local Government Association (LGA) to carry out an equality peer challenge based on the Equality Framework for Local Government which was undertaken in January 2021. The main findings and recommendations from this review can be found on the Council's website (<a href="#">2021 Equality Peer Challenge Report</a>)</li> <li>• The Council, where possible, collaborates with other authorities to share information and best practice, e.g. Hampshire &amp; Isle of Wight Chief Executive group and subsequent groups.</li> <li>• Service reviews are being carried out by the newly constituted corporate leadership team, to ensure that services are best placed to meet the overall objectives of the Council.</li> </ul>
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g. CPD through attendance at seminars/conferences, training courses etc.</li> <li>• Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required.</li> <li>• The Council has engaged in 'learning at work week', which has been carried out virtually during the Covid-19 pandemic and will be carried out again later in the year.</li> <li>• The Council has adopted a Behaviours Framework, which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people.</li> <li>• The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff.</li> <li>• The Council has introduced an Employee Assistance Programme to support health and wellbeing. Training courses are also offered for example a recent mental health awareness course through the Council's Occupational Health provider. Wellbeing weeks have also been introduced encouraging staff to participate. This has also been carried out 'virtually' during the current Covid-19 pandemic.</li> <li>• Yammer has been introduced to promote staff working and includes learning and development elements.</li> <li>• The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to who decision making powers are delegated to.</li> </ul>



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|--|---|
|  | <ul style="list-style-type: none"><li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li></ul> |
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## PRINCIPLE F

### Managing risks and performance through robust internal control and strong public financial management

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Subprinciples	Demonstrated by
<b>Managing risk</b>	<ul style="list-style-type: none"> <li>• Risk management arrangements were reviewed in 2019/20 with a new process being put in place. The Corporate Management Team reviews the risk registers on a bi-monthly basis. Service risk registers feed into the Corporate risk register. Furthermore, risks are considered within activities and decision-making reports taken to Cabinet.</li> <li>• Internal audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Licensing, Audit &amp; General Purposes Committee.</li> <li>• In recent years pressure has been placed on the County Council, and some of this pressure has flowed through to Districts. This poses some risks at a social level and within the budgets for the Council.</li> </ul>
<b>Managing performance</b>	<ul style="list-style-type: none"> <li>• Effective performance, financial and risk management arrangements are an integral part of all business activities, examples include:                             <ul style="list-style-type: none"> <li>- Option appraisals/ risk assessment</li> <li>- Day to day business / performance / service business planning arrangements/ quarterly reporting</li> <li>- Projects and programme management</li> <li>- Contractual and third-party arrangements (including shared risks)</li> <li>- Business continuity plans are in place, tested and communicated to staff as necessary</li> </ul> </li> <li>• The creation and publication of the Council's 3-year business plan. The plan is published on the council's website along with the monitoring of the actions.</li> <li>• The Council has in place an Overview and Scrutiny Committee to encourage debate on policies, objectives and outcomes before, during and after decisions are made. They also review the quarterly monitoring of the Council plan.</li> </ul>
<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>• Internal Audit provide an annual opinion on the effectiveness of the Council internal control environment. This is based on the outcome from audit reviews carried out within the year. Details of this are reported to the Licensing, Audit &amp; General Purposes Committee for review.</li> <li>• The Council has a Corporate Investigations Team who investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council.</li> </ul>
<b>Managing data</b>	<ul style="list-style-type: none"> <li>• Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements.</li> <li>• An information Governance Officer is in place and has recently introduced an Information Security policy.</li> <li>• Effective arrangements are in place for the disposal, storage of legacy IT equipment: All hard disk-based systems are erased to HMG Infosec Standard 5 prior to disposal using accredited partners. IT equipment is stored in a locked storeroom when not in use\awaiting disposal.</li> <li>• IT Security: IT follows End User Device (EUD) guidance issued by National Cyber Security Centre when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual Public Services Network assessment). A bid is currently being made to NCSC for funding to support user training relating to cyber security.</li> </ul>

**Strong public financial management**

- There are effective mechanisms in place for financial planning, budgetary control and reporting, including the management of financial risk
- External Audit review and report on the Council's financial statements providing an opinion on the accounts.
- **CIPFA** Financial Management Code compliance during 2021/22

## PRINCIPLE G

### Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Key principles	Demonstrated by
<p>Page 48</p> <p><b>Implementing good practice in transparency</b></p>	<ul style="list-style-type: none"> <li>• Agendas and minutes of Committee meetings are publicly available on the Council’s website.</li> <li>• An Overview and Scrutiny Committee is in place to monitor and review performance, review and/or scrutinise decisions proposed to be made, review policy and strategy with a view to securing continuous improvement.</li> <li>• The Council ensures compliance with the mandatory elements of the Local Government Transparency Code</li> <li>• On the Council’s website there is a Freedom of Information Act page to enable members of the public to have access to all recorded information held by the Council.</li> <li>• Committee meetings are, where possible, are open to the public for contribution and attendance.</li> <li>• Decisions are recorded and published on the Council’s website.</li> </ul>
<p><b>Implementing good practices in reporting</b></p>	<ul style="list-style-type: none"> <li>• The Annual Statement of Accounts is published on the Council’s website to give clear information on the income and expenditure of the Council.</li> <li>• The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in the year and any planned changes in the coming year.</li> <li>• The Licensing, Audit and General Purposes Committee review and approve the Annual Statement of Accounts and the Annual Governance Statement.</li> <li>• Performance is reported quarterly on a range of indicators, comparing some items with other Local Authorities and public sector bodies. A new performance management framework has been established for use by both Members and Officers. Performance progress is regularly reported on and communicated at Cabinet</li> <li>• Reporting arrangements for RDP/Hosing Company have been put in place. Regular update seminar through the Policy and Projects Advisory Board, formal presentation to all Members at the point of submission of a planning application. Formal monitoring reports will be provided every six months to the Council’s shareholder and the Chief Executive. The Chief Executive will enable consideration of these reports by the Council’s Overview and Scrutiny Committee on progress and the Licencing Audit and General Purposes Committee on any governance matters.</li> </ul>
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• The terms of reference and working arrangements of the Licensing, Audit and General Purposes Committee have been revised to ensure greater focus on ensuring transparency and effective audit of processes.</li> <li>• There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Actions from the Peer Review were embedded into business as usual and monitored by the Executive Leadership Team and the Head of Democracy, Strategy and Partnerships.</li> <li>• Risk based internal auditing provides ongoing assurance that the key risks are being managed.</li> <li>• A fundamental review and update of the Constitution has been carried out in 2019/20 and formally adopted by Council in June 2020.</li> </ul>

## How has the Council addressed the governance improvement actions from 2019/20?

The Annual Governance Statement 2019/20 contained the following key improvement actions. Updates have been provided throughout the year to Licensing, Audit and General Purposes Committee. Details of the latest update on these actions are detailed below. However, it should be noted that due to the Covid-19 pandemic the implementation dates may be further extended. Where actions are ongoing these will be carried forward into the 2020/21 Action plan.

Governance Issue	Action	Current status
<p>Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council.</p>	<p>The increase in information risk exposure due to home working will be reviewed by the Information Governance Group.</p> <p>The information governance policy has been implemented and mandatory online training will be put in place.</p>	<p><b>Implemented</b>  <b>October 2020 update to LA&amp;GP</b>  <i>The Information Governance Officer has updated the Information Security Policy and guidance to staff on working from home is available on the Intranet. Mandatory annual training is in place to mitigate the risk as well as regular messaging to staff and managers. As we move forward to full adoption of the Office 365 suite and the systems upgrades through the ICE project information security will be strengthened.</i></p>
<p>Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income.</p>	<p>Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.</p>	<p><b>Carried forward</b>  <b>February 2021 update to LA&amp;GP</b>  Improved reporting through Integra Sales Ledger module with changes made to the way data on properties/debtors are held to improve monitoring. Regular reviews of debt taking place. Implementation of Property Management System (PMS) due in 2021/22.  <b>Revised implementation date December 2021</b></p>
<p>The Council faces a number of significant changes that will require consideration and action as appropriate in 20/21. Covid -19</p>	<p>An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems will be needed to ensure good governance. This is being approached by the following workstreams, which are led by a member of Senior Management:</p> <p>The streams will assess the risks and develop tactical plans. Updates on the work being carried out by these workstreams will be</p>	<p><b>Implemented</b></p>

	<p>regularly provided to the Member Task and Finish group and ELT/Gold group.</p> <p>Furthermore, Cabinet has approved the creation of the Assistant Chief Executive role to provide support at a senior level in relation to:</p> <ul style="list-style-type: none"> <li>• Policy</li> <li>• Strategy</li> <li>• Risk (<i>Becoming the Senior Risk Officer (SRO)</i>)</li> <li>• Emergency Planning and Business Continuity</li> <li>• Covid-19 Recovery</li> </ul> <p>Performance</p>	
Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return.	Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream.	<p><b>Carried Forward</b>  <b>February 2021 update to LA&amp;GP</b>  Action being incorporated into the updated Savings Programme  As set out in the Revenue Budget, Capital Programme and Council Tax Level 2021/22 report to Cabinet in February 2021 (FIN2106):</p> <p>5.7 The Council is developing a revised approach to its Savings Programme that seeks to address the funding gap identified in the MTFS. The programme will include a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. This new approach will be approved during March 2021, to then be implemented to cover the new MTFS period  <b>Revised Implementation Date February 2022</b></p>
External Audit have yet to provide an opinion for the 2018/19 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 18/19 accounts.	<p><b>Complete</b>  Audit opinion issued 23 November 2020</p>
EU General Data Protection Regulation ( <i>b/f from previous year</i> )	Ensure that the necessary resulting changes for the GDPR are finalised and embedded within a	<b>Carried Forward</b>

	broader information governance framework following the review of the effectiveness of the current arrangements the Council has implemented.	
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice ( <i>b/f from previous year</i> )	<p>Capital Strategy was approved by Council in February 2019 and will be reviewed on an annual basis.</p> <p>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy.</p> <p>Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio.</p>	<p>Council approved the 2020/21 Capital Strategy at their meeting in February 2020. The Capital Strategy will be reviewed during the Autumn. <b>(Implemented)</b></p> <p><b>Carried Forward</b> Due to changes in the PWLB lending rules (November 2020) the Council will need to revise its Investment Strategy with a focus on Regeneration. This will be completed during Q3 2021. <b>Revised implementation date: December 2021</b></p> <p>Quarterly reporting in place since February 2021 <b>Implemented</b></p>
Risk Management ( <i>b/f from previous year</i> )	Formal adoption of the risk management process and work carried out to embed risk management within all Council activities. Development and adoption of an information risk policy.	<p><b>Implemented</b></p> <p>The Corporate Management Team (CMT) agreed changes to the Risk Management Policy on 1 December 2020. CMT will now oversee the management of risk across the Council. The risk management process will be overseen by the Assistant Chief Executive (ACE). The day-to-day management and maintenance of the risk management process is the responsibility of the Corporate Risk Manager (CRM). Training for those who update risk registers was provided in February 2021. The updated Corporate Risk Register will be reviewed by CMT in March 2021 and form part of quarterly performance management from 2021/22.</p>
Workforce/ people strategy	Develop and adopt a longer-term workforce/ people strategy	<p><b>Implemented</b></p> <p>The people strategy went to Cabinet on the 19th January 2021 and was approved. Year 1 actions have been detailed within the strategy for implementation.</p>

Relationship Management and economic engagement plan	Develop relationship management approach and processes and economic engagement plan.	<p><b>Carried Forward</b> Visits continue to be carried out in order to populate the data into the Relationship Management system. However, this will take time to carry out in full.</p> <p>The outline of the Economic engagement plan has been developed however it has not yet been fully developed. As part of the service changes an Economy and Growth Manager will be recruited and it will be within their remit to bring forward the plan and implement it. <b>Revised implementation date: July 2021</b></p>
Procurement Strategy	Revision and adoption of the procurement strategy	<b>Implemented August 2020</b>
Financial Regulations	Revision and adoption of the financial regulations	<b>Implemented June 2020</b>
Review of the entire constitution	The entire constitution will be reviewed and updated to ensure that it remains relevant.	<b>Implemented June 2020</b>
Housing Company Governance	The governance arrangements in place around the Housing Company needs to be formally agreed.	<p>The governance around the housing company has been written into the updated Constitution.</p> <p>A report on the housing company went to Cabinet on the 4th February which detailed the governance arrangements in place. The report has been forwarded to Council and will be considered on 20 Feb 20. <b>(Implemented)</b></p>



## Governance issues identified for 2020/21

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2021/22, excluding the actions carried forward from 2019/20 as detailed above. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

Governance Issue	Action	Target date	Lead Officer
The Council faces a significant funding gap over the Medium-Term Financial Strategy period.	<p>The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period.</p> <p>A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22.</p> <p>The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to enable members to consider options to close the funding gap.</p>	December 2021	<p>Rachel Barker, Assistant Chief Executive</p> <p>David Stanley, Executive Head of Finance</p>
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan.	March 2022	David Stanley, Executive Head of Finance
External Audit have yet to provide an opinion for the 2019/20 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts.	November 2021	David Stanley, Executive Head of Finance

## Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on page 19 above. We propose over the coming year to take steps to address the above matters identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

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Signed:



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**David Clifford**  
**Leader of the Council**

Date: August 2021



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**Paul Shackley**  
**Chief Executive**

August 2021

# Local Code of Corporate Governance

## Introduction

Rushmoor Borough Council recognises the importance of effective corporate governance so that local communities can place trust in the way that the Council undertakes and carries out its duties. This document sets out the Council's commitment to corporate governance and identifies the arrangements to ensure its effective implementation and application in all aspects of the Council's work.

## What is Corporate Governance?

Rushmoor Borough Council has accepted the definition of Governance as stated within the CIPFA/ SOLACE Framework,

*'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'*

*To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times.*

*Acting in the public interest implies primary consideration of the benefits for society which should result in positive outcomes for service users and other stakeholders'.*

## Core Principles

Rushmoor Borough Council is committed to applying the seven core principles of good governance set out in the CIPFA/ SOLACE framework, which are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This code identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The details are set out in Appendix A and the relevant evidence is detailed within Appendix B.

## Appendix A

### Principle A

#### Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub Principles	Council actions and behaviours
Behaving with integrity	<ul style="list-style-type: none"> <li>• Ensure that Members and Officer behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council.</li> <li>• Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. There will build on the Seven Principles of Public Life (The Nolan Principles)</li> <li>• Lead by example and use these standard operating principles or values as a framework for decision making and other actions</li> <li>• Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• Seek to establish, monitor and maintain the Council's ethical standards and performance</li> <li>• Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council's culture and operation</li> <li>• Develop and maintain robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensure that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the Council.</li> </ul>
Respecting the rule of law	<ul style="list-style-type: none"> <li>• Ensure Members and Officers demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions</li> <li>• Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Deal with breaches of legal and regulatory provisions effectively</li> <li>• Ensure corruption and misuse of power is dealt with effectively.</li> </ul>

## Principle B Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub Principles	Council actions and behaviours
Openness	<ul style="list-style-type: none"> <li>• Ensure an open culture through demonstrating, documenting and communicating the Council's commitment to openness</li> <li>• Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided.</li> <li>• Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequence of those decisions are clear</li> <li>• Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.</li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>• Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</li> </ul>
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> <li>• Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</li> <li>• Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement</li> <li>• Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account</li> <li>• Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Take account of the interests of future generations of tax payers and service users.</li> </ul>

## Principle C

### Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for finite resources available.

Sub Principles	Council actions and behaviours
Defining outcomes	<ul style="list-style-type: none"> <li>• Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning and other decisions</li> <li>• Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>• Deliver defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identify and manage risks to the achievement of outcomes</li> <li>• Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li> <li>• Take a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensure fair access to services.</li> </ul>

## Principle D

### Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Sub Principles	Council actions and behaviours
Determining interventions	<ul style="list-style-type: none"> <li>• Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided</li> <li>• Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land, and assets and bearing in mind future impacts.</li> </ul>
Planning interventions	<ul style="list-style-type: none"> <li>• Establish and implement robust planning and control cycles that cover strategic and operational plan, priorities and targets</li> <li>• Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>• Consider and monitor risks facing each partner when working collaboratively including shared risks</li> <li>• Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</li> <li>• Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>• Ensure capacity exists to generate the information required to review service quality regularly</li> <li>• Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan</li> <li>• Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Ensure the medium term financial plan integrates and balances service priorities, affordability and other resource constraints</li> <li>• Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>• Ensure the medium term financial plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> <li>• Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".</li> </ul>



## Principle E

### Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub Principles	Council actions and behaviours
Developing the Council's capacity	<ul style="list-style-type: none"> <li>• Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness</li> <li>• Improve resources use through appropriate application of techniques such as benchmarking and other options to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently</li> <li>• Recognise the benefits of partnership and collaborative working where added value can be achieved</li> <li>• Develop and maintain an effective workforce plan to enhance the strategic allocation of resources</li> </ul>
Developing the capability of the Council's leadership and other individuals	<ul style="list-style-type: none"> <li>• Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• Publish a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority</li> <li>• Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risk by:               <ul style="list-style-type: none"> <li>- ensuring Members and Officers have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>- ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> </li> <li>• Ensure that there are structures in place to encourage public participation</li> <li>• Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections</li> <li>• Hold staff to account through regular performance reviews which take account of training or development needs</li> </ul>

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|--|--|
|  | <ul style="list-style-type: none"><li>• Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li></ul> |
|--|--|

## Principle F

### Managing risks and performance through robust internal control and strong public financial management

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Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub Principles	Council actions and behaviours
Managing risk	<ul style="list-style-type: none"> <li>• Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>• Implement robust and integrated risk management arrangements and ensure that they are working effectively</li> <li>• Ensure that responsibilities for managing individual risks are clearly allocated.</li> </ul>
Managing performance	<ul style="list-style-type: none"> <li>• Monitor service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>• Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook</li> <li>• Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible</li> <li>• Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>• Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>
Robust internal control	<ul style="list-style-type: none"> <li>• Align the risk management strategy and policies on internal control with achieving objectives</li> <li>• Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis</li> <li>• Ensure effective counter fraud and anti-corruption arrangements are in place</li> <li>• Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> <li>• Ensure and Audit Committee, which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> <li>- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>- That its recommendations are listened to and acted upon.</li> </ul> </li> </ul>
Managing data	<ul style="list-style-type: none"> <li>• Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li> <li>• Ensure effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>• Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring</li> </ul>

Strong public financial management

- Ensure financial management supports both long term achievement of outcomes and short term financial and operational performance
- Ensure well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

**Principle G**  
**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub Principle	Practice
Implementing good practice in transparency	<p>the intended audience ensuring that they are easy to access and interrogate</p> <ul style="list-style-type: none"> <li>• Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>
Implementing good practices in reporting	<ul style="list-style-type: none"> <li>• Report at least annually on performance, value for money and the stewardship of the Council's resources.</li> <li>• Ensure Members and senior management own the results</li> <li>• Ensure robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement – AGS)</li> <li>• Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul>
Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Ensure that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>• Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations</li> <li>• Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement</li> <li>• Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</li> </ul>

## Appendix B

'The International Framework: Good Governance in the Public Sector' defines 'governance' as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council's objectives while acting in the public interest at all times.

Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council's capacity of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practice in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance Page 65	<p><a href="#">The Constitution</a></p> <p><a href="#">Whistleblowing policy</a></p> <p><a href="#">Anti-money laundering policy</a></p> <p><a href="#">Anti-fraud, bribery and corruption policy</a> – (Part 5 of the Constitution section 10)</p> <p><a href="#">Member Code of Conduct</a> – (Part 5 of the Constitution section 1)</p> <p><a href="#">Officer Code of Conduct</a> – (Part 5 of the Constitution section 8)</p> <p><a href="#">Gifts and Hospitality policy</a></p> <p>Statutory Officer Roles – Head of Paid services (Chief Executive), Chief Financial Officer (S151), Monitoring Officer and Data Protection Officer.</p> <p><a href="#">Contract Standing Orders</a> – (Part 4 of the Constitution section 10)</p> <p><a href="#">Financial Regulations</a> – (Part 4 of the Constitution section 9)</p> <p><a href="#">Decision Making/ Schemes of Delegations</a> – (Part 3 of the Constitution section 3 &amp; 4)</p>	<p><a href="#">Council website</a></p> <p><a href="#">Council Plan and monitoring</a></p> <p><a href="#">Freedom of Information</a></p> <p><a href="#">Public consultations</a></p> <p><a href="#">Committee meetings – Agenda &amp; Minutes</a></p> <p><a href="#">Records of Executive Decisions</a></p> <p><a href="#">Decision Making/ Schemes of Delegations</a> – (Part 3 of the Constitution section 3 &amp; 4)</p> <p><a href="#">Annual statement of Accounts and Annual Governance Statement</a></p> <p><a href="#">Open data/ Transparency Code</a></p> <p><a href="#">Local Plan</a></p>	<p><a href="#">Council Plan and monitoring</a></p> <p><a href="#">Committee meetings – Agenda &amp; minutes</a></p> <p>Service business plans</p> <p><a href="#">Financial/ capital programme reporting</a></p> <p><a href="#">Decision Making/ Schemes of Delegations</a> – (Part 3 of the Constitution section 3 &amp; 4)</p> <p><a href="#">Records of Executive Decisions</a></p> <p><a href="#">Contract Standing Orders</a> – (Part 4 of the Constitution section 10)</p> <p><a href="#">Local Plan</a></p>	<p><a href="#">Council Plan and monitoring</a></p> <p><a href="#">Decision Making/ Schemes of Delegations</a> – (Part 3 of the Constitution section 3 &amp; 4)</p> <p><a href="#">Medium Term Financial Strategy</a></p> <p><a href="#">Committee meetings – Agenda &amp; Minutes</a></p> <p>Service business plans</p>	<p><a href="#">The Constitution</a></p> <p><a href="#">Decision Making/ Schemes of Delegations</a> – (Part 3 of the Constitution section 3 &amp; 4)</p> <p>Development reviews – highlighting any training needs for employees.</p> <p>Member development</p> <p>Member and employee induction programmes</p> <p>Council wide training e.g. Health and Safety, Data Protection</p> <p>Staff development including, Action Learning sets, Apprenticeships, and Leadership and management development</p> <p><a href="#">Peer review</a></p> <p>HR policies and wellbeing promotion</p>	<p><a href="#">The Constitution</a></p> <p><a href="#">Licensing, Audit &amp; General Purposes Committee (Corporate Governance, Audit and Standards Committee from May 2021)</a></p> <p><a href="#">Financial Regulations</a> – (Part 4 of the Constitution section 9)</p> <p><a href="#">Contract Standing Orders</a> – (Part 4 of the Constitution section 10)</p> <p>Information Governance Group</p> <p>Corporate Governance Group</p> <p><a href="#">Risk based audits</a></p> <p><a href="#">Annual Audit Opinion</a> -(28/5/20 meeting)</p> <p><a href="#">External Audit of Accounts</a></p> <p><a href="#">Overview &amp; Scrutiny – Agenda &amp; Minutes</a></p> <p><a href="#">Annual Governance Statement</a></p> <p><a href="#">Budget monitoring reports</a></p> <p><a href="#">Anti-fraud, bribery and corruption policy</a> – (Part 5 of the Constitution section 10)</p>	<p><a href="#">Council website</a></p> <p><a href="#">Council plan and monitoring</a></p> <p><a href="#">Annual Statement of Accounts and Annual Governance Statement</a></p> <p><a href="#">Open data/ Transparency Code</a></p> <p><a href="#">Freedom of Information</a></p> <p><a href="#">Annual Audit Opinion</a></p> <p><a href="#">Audit update reports</a></p> <p><a href="#">Licensing, Audit &amp; General Purposes Committee – Agenda &amp; Minutes</a></p> <p><a href="#">Peer review</a></p> <p><a href="#">External Audits</a></p>

	<a href="#">Member interests register (shown against each Councillor)</a>					<a href="#">Anti-money laundering policy</a> <a href="#">Whistleblowing policy</a> Corporate Risk Register & Risk Management group	
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**CORPORATE GOVERNANCE, AUDIT AND  
STANDARDS COMMITTEE  
27 SEPTEMBER 2021**

**EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2121**

**TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT  
OPERATIONS 2020/21**

**SUMMARY:**

This report sets out the main activities of the Treasury Management and non-Treasury Investment Operations during 2020/21. Prudential indicators for the 2020/21 financial year have been updated for all treasury management and non-treasury activity during 2020/21.

**RECOMMENDATIONS:**

Members are requested to:

- (i) Note the contents of this report in relation to the treasury management and non-treasury investment operations carried out during 2020/21

**1. INTRODUCTION**

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operations for 2020/21. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.
- 1.2 Full Council originally approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for 2020/21 on 20 February 2020. The Council has invested substantial 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 and non-treasury investment strategies.

**2. PURPOSE**

- 2.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2017 ("the Code"), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members be informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

- 2.2 The CIPFA “Prudential Code” 2017 edition, “Treasury Management Code of Practice” 2017 edition and MHCLG revised guidance February 2018 focus on “non- treasury” investments. With attention on the purchase of investment property and other commercial activities that aim to generate income; but may require external borrowing (or the use of existing cash balances) to raise the cash to finance such activities. Non-treasury investments have been incorporated into the operations report for 2020/21.
- 2.3 The appendices (A to C) set out the Treasury Management operations, Non-Treasury Investment Operations and Prudential Indicators for 2020/21 and fulfil key legislative requirements as follows:

#### **Appendix A**

- The **Treasury Management operations** which sets out how the Council’s treasury service operated during 2020/21, in accordance with CIPFA’s Code of Practice on Treasury Management and Prudential Code;
- The **Treasury Management Borrowing operations** which sets out the Council’s borrowing during 2020/21 in accordance with CIPFA’s Code of Practice on Treasury Management, and;
- The **Treasury Management Investment operations** which sets out the Council’s Treasury Management investment operations during 2020/21, in accordance with CIPFA’s Code of Practice on Treasury Management.

#### **Appendix B**

- The **Non-Treasury Investment operations** sets out the Council’s Non-Treasury investment performance during 2020/21, in accordance with MHCLG Investment Guidance.

#### **Appendix C**

- the **Prudential indicators forecast** sets out the prudential indicators position at the end of 2020/21. Performance is compared to the indicators set out in the Annual Capital Strategy for the year 2020/21.

### **3 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2020/21**

- 3.1 The Council’s treasury team continued to concentrate on the security of investments taking due regard for the returns available.
- 3.2 The return on treasury management activity is in line with the revised budget for 2020/21. Pooled funds have proven to be robust and have performed well given the wider economic downturn as a result of COVID-19.



- 3.3 With increased levels of borrowing the treasury team continually reviews the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2020/21 financial year short-term interest rates have remained low and are forecast to remain low. However, borrowing levels have increased, raising refinancing risk. Levels of borrowing will be continually reviewed to mitigate refinancing risk.
- 3.4 Total borrowing at 31 March was £102m, an increase of £12m from 2019/20 year-end position. The increased level of borrowing has been offset by reduced interest rate of borrowing. This has resulted in interest cost of borrowing decreasing by £83,000 compared with 2019/20 costs.
- 3.5 The Council's non-treasury investments risk exposure at 31 March 2021 of £155.1m of which £91.6m is funded via external loans.
- 3.6 Rate of return across all Council's investments have been variable. However, aggregate rate of return on all Council investments is in line with estimated return for 2020/21 due to the cost associated with commercial property being clarified during the financial year and the impact of COVID-19.

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## APPENDIX A

### TREASURY MANAGEMENT OPERATION FOR 2020/21

#### **1 INTRODUCTION**

- 1.1 The purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk approach, pursuing optimum performance while ensuring that security of the investment is considered ahead of investment return. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve the arrangement of long and/or short-term loans (external borrowing) or may use longer term cash flow surpluses in lieu of external borrowing (internal borrowing).

#### **2 TREASURY MANAGEMENT ADVICE**

- 2.1 The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2020/21. Arlingclose provide specialist treasury support to 25% of UK local authorities. They provide a range of treasury management services including technical advice on debt and investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.2 With the exception of pooled funds all investment activity is carried out by the Council's own treasury team with advice from Arlingclose, and having due regard to information from other sources such as the financial press and credit-rating agencies.
- 2.3 Pooled funds are managed at the discretion of the external fund managers associated with each fund. It should however be noted that whilst the funds are externally managed, the decision as to whether to invest lies solely with the Council in accordance with its Treasury Management Strategy.
- 2.4 The needs of the Council's treasury management staff for training in investment management are assessed on an ongoing basis and as part of the staff appraisal process, and additionally when the responsibilities of individual

members of staff change. During 2020/21, staff attended relevant workshops provided by Arlingclose and other service providers.

### 3 EXTERNAL CONTEXT

- 3.1 The Council's treasury management advisors have provided commentary on the economic background that prevailed during 2020/21. This commentary is provided at **Appendix D**.

### 4 LOCAL CONTEXT

- 4.1 On 31 March 2021, the Council had net borrowing of £75.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes for the 2020/21 financial year is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The projected CFR is summarised in **Appendix C**.
- 4.2 The treasury management position at 31 March 2021 and the change during the year is shown in Table 1 below.

Table 1: Treasury Management Summary

	<b>31.3.20 Balance £m</b>	<b>Movement £m</b>	<b>31.3.21 Balance £m</b>	<b>31.3.21 Rate %</b>
Long-term borrowing	30.0	-30.0	0.0	0.0
Short-term borrowing	60.0	42.0	102.0	0.9
<b>Total borrowing</b>	<b>90.0</b>	<b>12.0</b>	<b>102.0</b>	
Long-term investments	-21.9	0	-21.9	4.31
Short-term investments	0	0	0	0
Cash and cash equivalents	-5.3	0.5	-4.8	0.15
<b>Total investments</b>	<b>-27.2</b>	<b>0.5</b>	<b>-26.7</b>	
<b>Net borrowing/(investments)</b>	<b>62.9</b>	<b>12.5</b>	<b>75.3</b>	

- 4.3 **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 same forecasts as CFR, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	<b>2020/21 Budget £m</b>	<b>20120/21 Outturn £m</b>
Outstanding borrowing	154.1	119.4
Investment min	-10.0	-10.0
Investments held that can be redeemed	-22.9	-26.7
<b>Liability benchmark</b>	<b>141.2</b>	<b>102.7</b>

## 5 BORROWING ACTIVITY IN 2020/21

- 5.1 At 31 March 2021 the Council held £102m of loans, an increase of £12.0m since 31 March 2020, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	<b>31.03.20 Balance £m</b>	<b>Net Movement £m</b>	<b>31.03.21 Balance £m</b>	<b>31.03.21 Rate %</b>
Local authorities (long-term)	30.0	-30.0	0.0	0.00
Local authorities (short-term)	60.0	42.0	102.0	0.9
<b>Total borrowing</b>	<b>90.0</b>	<b>12.0</b>	<b>102.0</b>	

- 5.2 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 5.3 With short-term interest rates remaining much lower than long-term rates, the Council considered it to be more cost effective in the near term to use short-term loans.

## 6 INVESTMENT ACTIVITY IN 2020/21

6.1 The Council holds significant invested funds. During the year, the Council's investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.20 Balance £m	Movement £m	31.03.21 Balance £m	31.03.21 Average Rate %	
<b>Managed in-house:</b>					
Money Market Funds	5.3	-0.5	4.8	0.15	*
Managed externally:					
<b>Pooled Funds:</b>					
CCLA LAMIT Property Fund	3.9	0	3.9	5.91	*
M&G Investments Strategic Corporate Bond Fund	4	0	4	2.07	*
UBS Multi Asset Fund	5	0	5	4.33	*
Kamas	2	0	2	4.42	*
Threadneedle Investments	2	0	2	2.78	*
Schroder Income Maximiser Fund	5	0	5	5.41	*
<b>Total Investments</b>	<b>27.2</b>	<b>-0.5</b>	<b>26.7</b>		

\*Annualised return based on income received between April 2020 to March 2021

6.2 The following chart illustrates the spread of investment by type of investment (figure 1) along with maturity analysis (figure 2).

Figure 1: Type of Counterparty

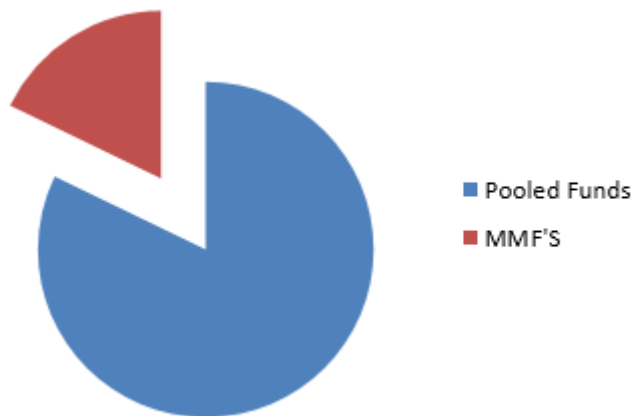


Figure 2: Maturity analysis

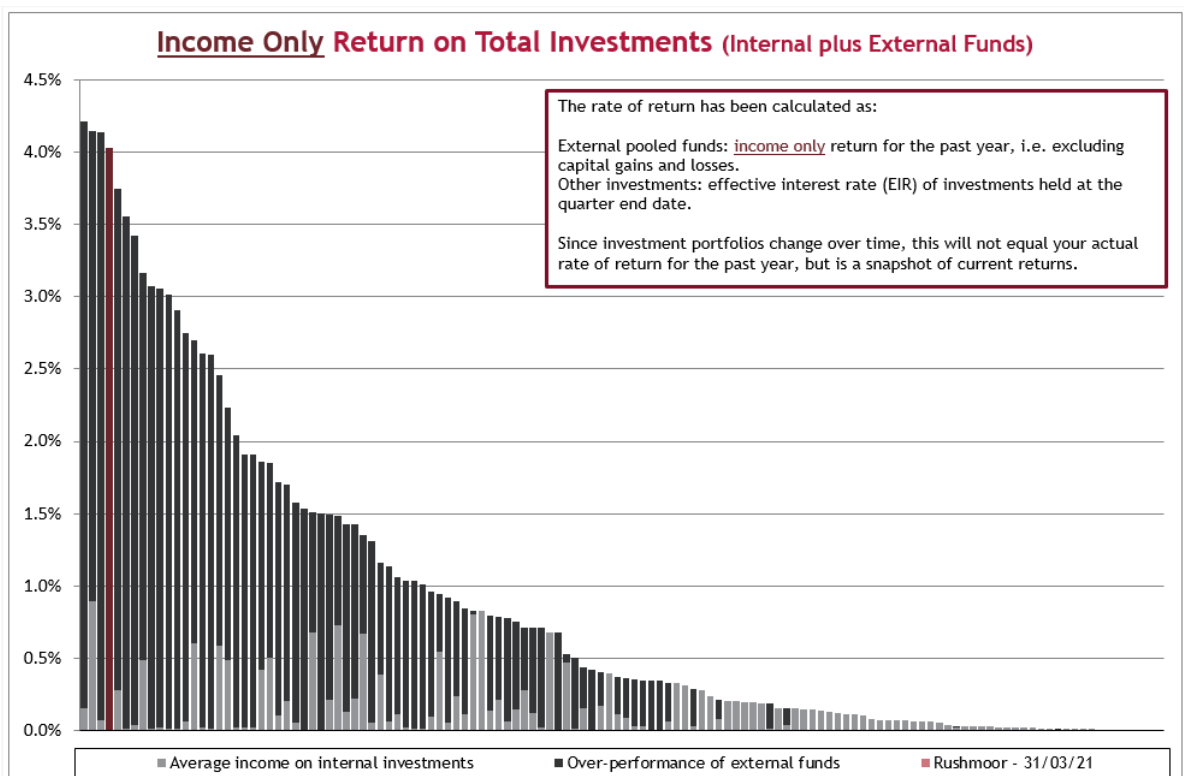


Table 5: Maturity analysis

<b>Maturity Analysis for ALL INVESTMENTS</b>	<b>Type of Counter Party</b>	<b>Amount invested £m</b>	<b>% of total investments</b>
Instant	MMF	4.8	18%
0 - 3 months	Pooled Fund	0	0%
3 - 6 months	Pooled Fund	0	0%
6 - 12 months	Pooled Fund	0	0%
> 1 year	Pooled Fund	21.9	82%
<b>Total for all duration periods</b>		<b>26.7</b>	<b>100</b>

- 6.3 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.
- 6.4 Treasury management total investment income return during 2020-21 was 3.61% as compared with 4.1% in 2019-20. The decrease in interest rate return needs to be considered against the backdrop of COVID-19, which only impacted the last month of 2019-20, but had a significantly impact on the economy during the whole of 2020-21. The diverse nature of the Council's pooled fund investment portfolio has reduced the potential impact of COVID-19, spreading risk of loss and aiding recovery during the 2020-21 financial year.
- 6.5 Investment Income Benchmarking: The graph below has been produced by Arlingclose and demonstrates that the Council income only returns on total investment portfolio for the last 12 months up to March 2021 was 4.03%.

Figure 3: Total income return on investment portfolio



6.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>
31.03.2020	3.85	AA-	100%
31.03.2021	5.32	A+	100%
<b>Similar LAs</b>	<b>4.53</b>	<b>A+</b>	<b>59%</b>
<b>All LAs</b>			

External Strategic Pooled Funds

6.7 £21.9m of the Council's investments are held in externally managed strategic pooled equity funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. During 2020/21 these funds generated an average total return of £3m (13.7%), comprising a £0.9m (4.31%) income return which is used to support services in year, and £2.1m (9.39%) of unrealised capital gain.

6.8 A summary of returns and diversification is set out below.

Figure 4: Pooled fund diversification

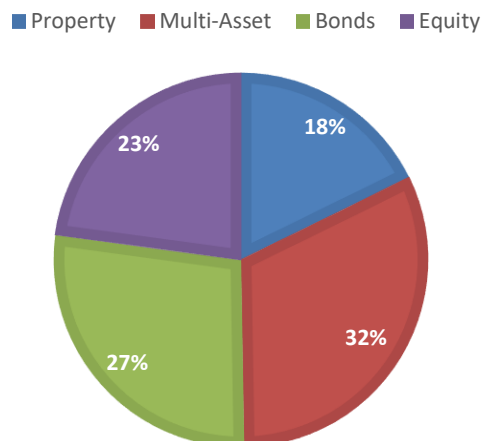




Table 7: Pooled fund diversification

Type of Pooled Fund	Amount invested £m	% of total investments
Property	3.9	18%
Multi-Asset	7.0	32%
Bonds	6.0	27%
Equity	5.0	23%
<b>Total</b>	<b>21.9</b>	<b>100%</b>

Figure 5: Total returns year-on-year comparison

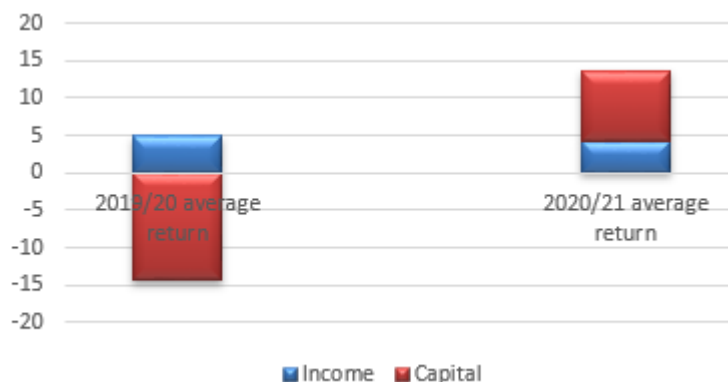


Table 8: Total return breakdown

Type of return	2019/20 average return %	2020/21 average return %
Income	4.97	4.31
Capital	-14.29	9.39
<b>Total Returns</b>	<b>-9.32</b>	<b>13.70</b>

- 6.9 The Council is using the alternative fair value through profit and loss (FVPL) accounting and must defer the funds' fair value losses to the Pooled Investment Fund Adjustment Account until 2023/24.
- 6.10 As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the

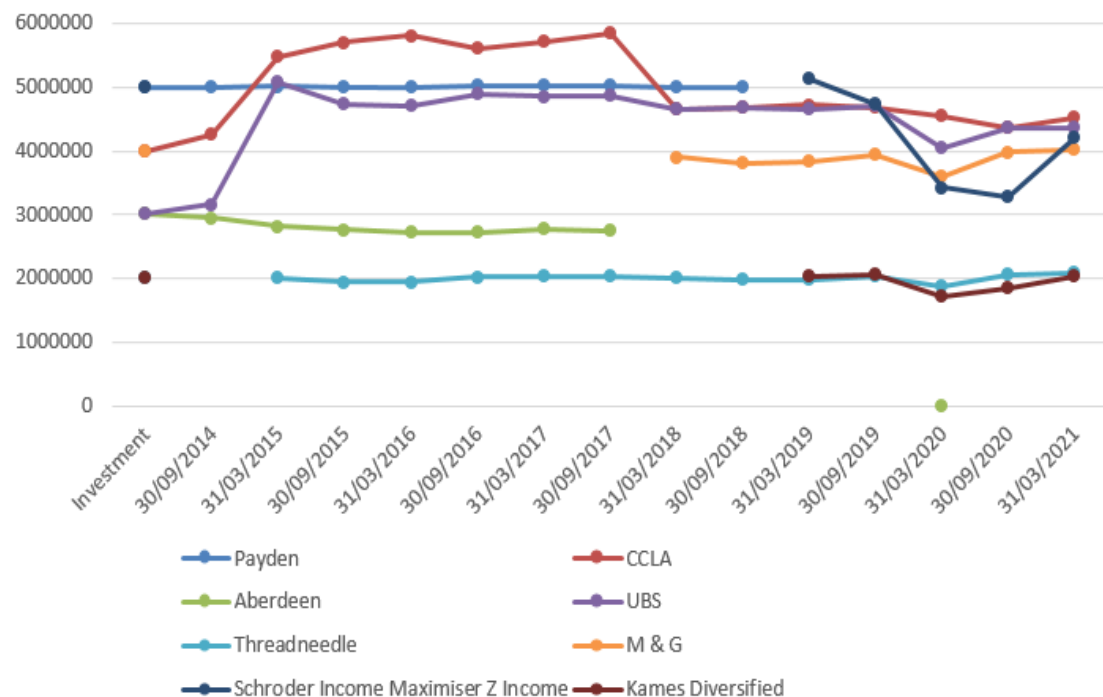
Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium-/long-term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

6.12 Details of the Council's investment activity together with returns generated during 20120/21 are outlined as follows:

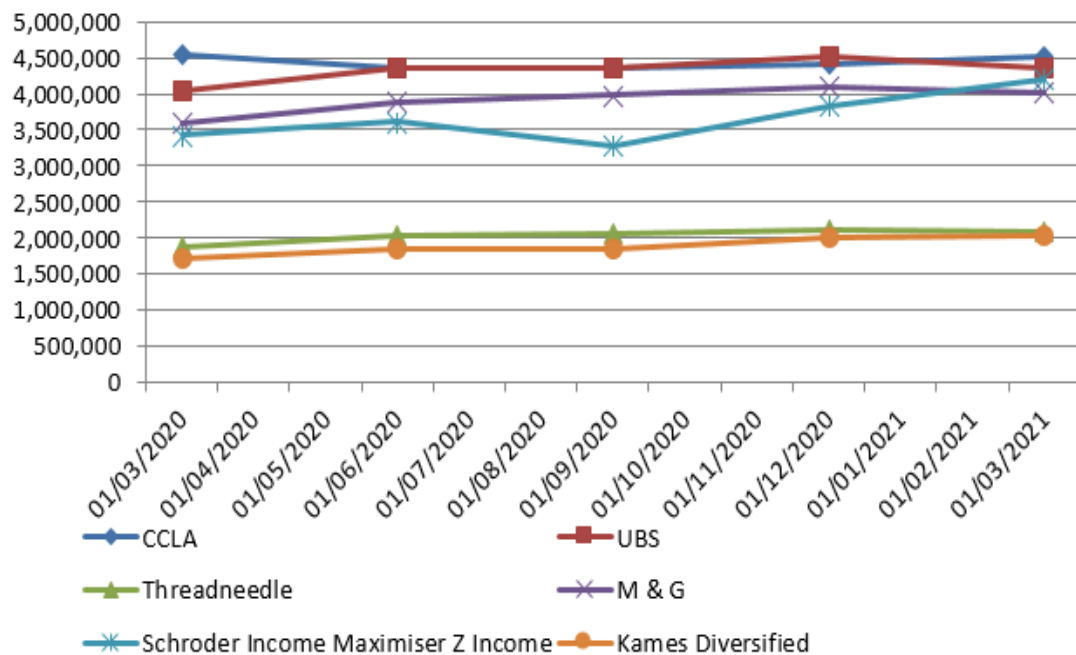
6.13 **Capital returns** – the Council's pooled funds continued to experience some variations in performance during the year 2020/21 and COVID-19 had a significant impact on the UK economy during 2020/21. Against this background the Council's pooled funds have performed well, returning an overall net increase in fair value for the year 2020/21 of £2.1m (an aggregate increase of 9.39% of overall pooled funds invested). Significantly offsetting the capital losses in 2019/20.

6.14 There is variation in performance across the portfolio as shown in figure 6 and 7 below.

Figure 6: Movement in capital value of pooled funds during over the last 7 years



**Figure 7: Movement in capital value of pooled funds during 2020/21**



**6.15 Income Returns** – The income returned by fund for the period to 31 March 2021 is analysed below:

- CCLA’s Local Authorities’ Mutual Investment Trust - £3.9 million investment at commencement of the year. The Property Fund is designed to achieve long-term capital growth and income from investments in the commercial property sector. The fund has returned 5.91% annualised income during 2020/21.
- UBS Multi-Asset Income Fund - £5 million investment. This fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. This fund has returned 4.33% annualised income during 2020/21.
- Threadneedle Strategic Bond Fund - £2 million investment. The fund aims to provide income and capital appreciation through investment grade and high yield bonds. This fund has returned 2.78% annualised income during 2020/21
- M & G Corporate Bond Fund - £4m investment. This fund aims for a target total return of 3-5% from a combination of investment income or capital appreciation. This fund has returned 2.07% annualised income during 2020/21.

- Schroder Income Maximiser Fund - £5m investment made in December 2018. The fund aims to provide both income and capital growth, delivering a target income of 5.41% per annum. The fund has returned 7.6% annualised during 2020/21.
- Kames Diversified Monthly Income Fund - £2m investment made in February 2019. The fund aims is to provide income with the potential for capital growth over the medium term. The fund has returned 4.42% annualised during 2020/21.

## 7 TREASURY MANGEMENT COMPLIANCE PERFORMANCE

- 7.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.
- 7.2 **Compliance** - The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy with the exception of current account balance limits.
- 7.3 Compliance with specific investment limits is demonstrated in table 9 below.

Table 9: Investment Limits

	2020/21 Actual £m	2020/21 Limit £m	Complied?
Any group of pooled funds under the same management	21.9	25.0	Yes
Money Market Funds	4.8	25.0	Yes

## 8 TREASURY MANAGEMENT INDICATORS

- 8.1 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 8.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment

(AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2020/21 Actual	2020/21 Target	Complied?
Portfolio average credit rating	A+-	A-	YES

- 8.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each period without giving prior notice.

	2020/21 Actual £m	201/21 Target £m	Complied?
Total sum borrowed in past 3 months without prior notice	0	1.0	YES

- 8.4 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

	2020/21 Actual	2020/21 Limit	Complied?
Upper limit on one-year impact of a 1% <b>rise</b> in interest rates.	£332,000	£500,000	YES
Upper limit on one-year impact of a 1% <b>fall</b> in interest rates.	£356,000	£500,000	YES

- 8.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 8.6 **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 all borrowing were:

	<b>2020/21 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	100%	100%	0%	YES
12 months and within 24 months	0%	100%	0%	YES
24 months and within 5 years	0%	100%	0%	YES
5 years and within 10 years	0%	100%	0%	YES
10 years and above	0%	100%	0%	YES

8.7 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.

8.8 **Principal Sums Invested for Periods Longer than a year:** 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 limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Actual principal invested beyond year end	£21.9m	£21.9m	£21.9m
Limit on principal invested beyond year end	£90.0m	£90.0m	£90.0m
Complied?	YES	YES	YES

8.9 **Total Investment Yield:** The Council's revised estimates regarding investment yields and costs compared to the actual outturn for 2020/21 is shown in the table below.

<b>Budgeted income and outturn</b>	<b>2020/21 Actual</b>	<b>2020/21 Revised Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest receivable	(1,071)	(1,6090)	19
Interest Payable	870	758	85
<b>Net Amount</b>	<b>(201)</b>	<b>(305)</b>	<b>104</b>

**NON-TREASURY INVESTMENT OPERATIONS FOR 2020/21**

**1 INTRODUCTION**

- 1.1 The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG’s Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 1.2 The purpose of non-treasury investment management operations is to ensure that all investment decisions that are made primarily to generate a profit have a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.
- 1.3 The second main function of investment management is to generate potential returns and monitor performance of returns on a regular basis.
- 1.4 The Council also holds £131.65m of such investments at as 31 March 2021 in:
- directly owned property £123.7m
  - loans to local businesses and landlords £7.6m
  - shareholding in subsidiaries £0.35m

**2 PROPORTIONALITY**

- 2.1 The Council is becoming increasingly dependent on profit generating investment activity to achieve a balanced revenue budget. Table 1 below shows the forecast proportion of gross service expenditure funded by investment activity.

Table 1: Proportionality of Investments

	<b>2020/21 Estimate</b>	<b>2020/21 Outturn</b>
Proportion	14.3%	13.8%

### 3 SERVICE IMPROVEMENT LOANS

- 3.1 The Council lends money to its subsidiaries, local businesses, and its employees to support local public services and stimulate local economic growth. The Council is a funding partner of Farnborough International Limited. The loans have enabled the development of the Farnborough International exhibition and conference centre. Expanding the exhibition and conferencing capabilities in Farnborough brings increased economic capacity to the Borough and is a reinvestment in local business.
- 3.2 The Council performance and upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 2: Loans for service purposes in £ millions

Category of borrower	2020/21	2020/21
	Approved Limit	Actual
Local businesses	6.7	6.7
Subsidiaries and Partnerships	3.5	0.8
Employees	0.1	0.1
<b>TOTAL</b>	<b>10.3</b>	<b>7.6</b>

Service loans have generated 1.3% rate of return for the Council during 2020/21 financial year. The rate of return on Service loans is lower than estimated due to follow two events:

- delays in issuing loans to Rushmoor Housing Company. Only one loan note was issued during March 2021
- funding consortium partnership agreeing to defer interest payments on loans to provide cashflow support to by Farnborough International Limited (FIL) following the cancellation of the 2020 Air show. Further detail is given in report FN2115

### 4 SERVICE INVESTMENTS: SHAREHOLDING IN SUBSIDIARIES

- 4.1 The Council invests in the shares of its subsidiary and holds a financial share in a development partnership and Rushmoor Homes Limited to support local public services and stimulate local economic growth.



- 4.2 The Council performance and upper limits on the sum invested in each category of shares have been set as follows:

Table 3: Shares held for service purposes in £ millions

Category of company	2020/21	2020/21
	Approved Limit	Actual
Subsidiaries and Partnerships	0.5	0.35
<b>TOTAL</b>	<b>0.5</b>	<b>0.35</b>

## 5 COMMERCIAL INVESTMENT: PROPERTY

- 5.1 The Council invests in local and regional commercial and residential property with the intention of making a profit that will be spent on local public services. The forecast transactions during 2020/21 will increase the overall portfolio to £123.7m as outline in table 4 below.

Table 4: Property held for investment purposes in £ millions

Property by type	2019/20 Carry forward	2020/21 Actual transactions	
		Purchase cost	Yearend Value
Mixed use	4.5	0.0	4.5
Industrial units	24.3	0.0	24.3
Retail	29.3	15.7	45.0
Offices	48.5	1.4	49.9
<b>TOTAL</b>	<b>106.6</b>	<b>17.1</b>	<b>123.7</b>

### Return on Commercial investment

- 5.2 Commercial property investments generated £3.2m of net investment income for the Council after taking account of direct costs, cost of borrowing and Minimum Revenue Provision (MRP). This is lower than the estimated return of £3.6m. This represents a rate of return of 2.61%.
- 5.3 The rate of return on commercial property is higher than the reported level in the non-treasury investment strategy to Council on 20 February 2020. This is due to actual MRP and borrowing costs being lower than budgeted. Therefore, reducing the over cost associated with commercial property. These two factors have offset the reduction in actual income received during 2020/21 as a result of COVID-19.

## **6 NON-TREASURY INVESTMENT INDICATORS**

- 6.1 The Council measures and manages its exposures to non-treasury investment risks using the following indicators.
- 6.2 **Total risk exposure:** This indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 5: Total investment exposure in £millions

<b>Total investment exposure</b>	<b>2020/21 Estimate</b>	<b>2020/21 Actual</b>
Treasury management investments	22.9	26.7
Service investments: Loans	10.3	7.6
Service investments: Shares	0.5	0.35
Commercial investments: Property	125.8	123.7
<b>TOTAL INVESTMENTS</b>	<b>159.5</b>	<b>158.3</b>
Commitments to lend	0	0
<b>TOTAL EXPOSURE</b>	<b>159.5</b>	<b>158.3</b>

6.3 **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.

Table 6: Investments funded by borrowing in £millions

	<b>2020/21 Estimate</b>	<b>2020/21A ctual</b>
Treasury management investment	0.0	0.0
Service investments: Loans	4.4	3.0
Service investments: Shares	0.5	0.35
Commercial investments: Property	87.2	90.3
<b>TOTAL FUNDED BY BORROWING</b>	<b>92.1</b>	<b>93.65</b>

6.4 **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. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

	<b>2020/21 Estimate</b>	<b>2020/21 Actual</b>
Treasury management investments	4.9%	3.6%
Service investments: Loans	3.87%	1.3%
Service investments: Shares	0%	0%
Commercial investments: Property	2.3%	2.6%
<b>ALL INVESTMENTS</b>	<b>2.7%</b>	<b>2.7%</b>

6.5 The above table shows variable performance across all types of investment. However, in aggregate the total rate of return is in line with the estimate for 2020/21.

6.6 The Council has considered the following additional indicators prudent to report given the investment activities.

Table 8: Other investment indicators

<b>Indicator</b>	<b>2020/21 Estimate</b>	<b>2020/21 Actual</b>
Debt to net service expenditure ratio	13.7	8.7
Commercial income to net service expenditure ratio	0.8	0.6

## APPENDIX C

### PRUDENTIAL INDICATORS

- 1.1 **Prudential Indicators:** The following indications are required by the CIPFA “Prudential Code” 2017 edition
- 1.2 **Estimates of Capital Expenditure:** The Council’s planned capital expenditure and financing may be summarised as follows.

Table 1: Capital Expenditure and Financing in £ million

	<b>2020/21 Budget</b>	<b>2020/21 Outturn</b>
General Fund services	55.4	22.3
<b>TOTAL</b>	<b>55.4</b>	<b>22.3</b>
External sources	8.0	2.2
Own resources	1.0	0.2
Debt	46.4	19.9
<b>TOTAL</b>	<b>55.4</b>	<b>22.3</b>

- 1.3 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 2: Replacement of debt finance in £ million

	<b>2020/21 Budget</b>	<b>2020/21 Actual</b>
Own resources	2.2	1.8

- 1.4 **Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council’s underlying need to borrow for a capital purpose.

Table 3: Estimates of Capital Financing Requirement in £ millions

	<b>2020/21 Budget</b>	<b>20120/21 Actual</b>
General Fund services	154.0	121.6
MRP	-2.2	-1.8
IFRIC 4 Lease Adjustment	2.3	-0.4
<b>TOTAL CFR</b>	<b>154.1</b>	<b>1119.4</b>

- 1.5 **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table 4: Gross Debt and the Capital Financing Requirement in £ millions

	<b>2020/21 Budget</b>	<b>2020/21 Forecast</b>
Debt (incl. leases)	154.1	119.4
Capital Financing Requirement	208.4	189.2
Difference	54.3	69.8

- 1.6 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 5: Affordable borrowing limit in £m

	<b>2020/21 Limit</b>	<b>2020/21 Actual</b>
Authorised limit – total external debt	169.1	134.4
Operational boundary – total external debt	164.1	129.4

- 1.7 **Ratio of Financing Costs to Net Revenue Stream:** 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.

Table 6: Ratio of financing cost to net revenue stream

	<b>2020/21 Budget</b>	<b>2020/21 Forecast</b>
Financing costs (£m)	3.5	2.7
Proportion of net revenue stream	34.0%	26.1%

### **Market commentary regarding the year 2020/21 from the Council's treasury management advisors Arlingclose**

#### **External Context**

##### **Economic commentary**

The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31<sup>st</sup> March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31<sup>st</sup> December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46<sup>th</sup> US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

### **Financial markets:**

Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.



1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

**Credit background:**

After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

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**CORPORATE GOVERNANCE, AUDIT  
AND STANDARDS COMMITTEE  
27 SEPTEMBER 2021**

**MONITORING OFFICER'S  
REPORT NO. IT2175**

**ANNUAL OMBUDSMAN COMPLAINT REVIEW LETTER 2021  
(LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN)**

The Council receives an annual summary from the Local Government and Social Care Ombudsman (LGSCO). This covers how Rushmoor Borough Council has responded to a complaints recorded with the Ombudsman following an original investigation that will have been conducted under the Council's own Complaint's Policy. This year's review period covered 1 April 2020 to 31 March 2021. It is worth noting that, from April 2020 to late June 2020, the Ombudsman took the unprecedented decision to stop taking on new casework, temporarily, to allow authorities to concentrate efforts on frontline services during the first wave of the Covid-19 outbreak.

The LGSCO feels that maintaining good public administration is more important than ever during this time. It provides an opportunity to reflect on the performance and helps plan for our future. The information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

The LGSCO is finding that, due to considerable and prolonged budget and demand pressures during the Covid-19 pandemic, it has amplified problems and issues. They are finding with much greater frequency, poor local complaint handling practices when investigating substantive service issues.

**1. Purpose:**

To update the Committee on the positive response and outcome of the review letter (attached).

**2. Findings:**

The LGSCO carried out no detailed investigations during this period, matching the Council's record during the previous year. Therefore, there are no further recommendations for service improvement.

**3. Conclusion:**

It is recommended the Committee note the position and that the Council carry on managing any complaints through the current complaints policy and ensure that the Council continue to monitor and review the effectiveness of its policy and responses. This report provides the Council with the evidence that Council is responding well to complaints and is in effect a "clean bill of health" from a credible third party.

**IAN HARRISON  
EXECUTIVE DIRECTOR AND MONITORING OFFICER**

**Contact: [marybeth.quaintmere@rushmoor.gov.uk](mailto:marybeth.quaintmere@rushmoor.gov.uk) Service Manger – Customer Services**

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21 July 2021

*By email*

Mr Shackley  
Chief Executive  
Rushmoor Borough Council

Dear Mr Shackley

### **Annual Review letter 2021**

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

### **Complaint statistics**

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

**Complaints upheld** - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

**Compliance with recommendations** - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

**Satisfactory remedy provided by the authority** - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

### **Supporting complaint and service improvement**

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

**Complaints upheld**

The Ombudsman carried out no detailed investigations during this period

**Compliance with Ombudsman recommendations**

No recommendations were due for compliance in this period

**Satisfactory remedy provided by the authority**

The Ombudsman did not uphold any detailed investigations during this period

**NOTE:** To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

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**INTERNAL AUDIT – AUDIT UPDATE****SUMMARY:**

This report describes:

- The work carried out by Internal Audit since the last report;
- An update on the overall progress on the 2021-22 Audit Plan, and
- An update on outstanding audit issues from reports issued in 2019-20 & 2020-21.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in Quarters 1 & 2.
- ii. Note the update to the expected deliverables for Quarter 3.
- iii. Note the outstanding audit issues and engagement by the Services to address them.

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work carried out by Internal Audit for Q1&2 2021-22.
- An update on progress towards the Audit Plan for 2021-22
- A schedule of work expected to be delivered in Q3
- An update on the outstanding audit issues from Internal Audit reports covering 2019-20 & 2020-21 focusing on the high-risk issues.

**2 Overview of Work Carried Out for Q1&2**

2.1 The Permanent Audit Manager, Nikki Hughes, left on maternity leave from 1<sup>st</sup> March 2021 and was not replaced until the Interim Audit Manager was appointed and started on 2<sup>nd</sup> August 2021.

2.2 As there is no other Audit staff in-house, including the Corporate Investigations Officers having been transferred to Benefits in Finance, no work was carried out in Q1 and audit work re-commenced in the middle of Q2.

2.3 In the interim, Wokingham Borough Council (WBC), under a s113 Agreement to conduct audits on behalf of RBC Internal Audit, issued a report on Council Property Maintenance (from 2020-21 and awaiting management responses) and commenced an audit on Homelessness, B&B and Temporary Accommodation.

2.4 As it was not possible to have a handover from the Permanent Audit Manager, the Interim Audit Manager has had to spend significant time getting familiar with the structure and current work situation of Internal Audit. This included finding out what audits were outstanding.

- 2.5 The Interim Audit Manager worked on the External Tenants of the Council Building audit from 2020-21, which had not been finalised and is still in progress, as well as reviewing the status of the 2020-21 follow up audit reports for Corporate Governance, Depot (Capital Project) and GDPR. There is still work to be completed on these reports, which will be done in Q3.

### **3 Progress towards the 2021-22 Audit Plan**

- 3.1 Since the last update to the Committee the following changes have been made to the Audit Plan:

- The Legal System Set Up audit has been cancelled. There was no perceived benefit from a post-implementation review, as the system is mainly a database of legal files and not linked to main systems.
- The CCTV audit has been postponed to 2022-23, as the system is in the process of being transferred to Runnymede Council. The Operations Head of Service advised that this could be done in the first half (April to September), if required.

Other audits on the Plan are under review by the Interim Audit Manager and may be adjusted or even cancelled, as scarce Audit resources have to be allocated efficiently and effectively.

- 3.2 The table below provides a summary of progress relevant to the 2021-22 Audit Plan, including the changes to the plan detailed above in 3.1:

<b>Audit Status</b>	<b>Number of reviews</b>	<b>%</b>
Finalised	1	6.25
Draft report with Auditee for management response	1	6.25
Testing in progress	2	12.5
Not yet started	10	62.5
Postponed to 2022-23	1	6.25
Cancelled	1	6.25
<b>Total</b>	<b>16</b>	<b>100%</b>

- 3.3 Regular update meetings with WBC have been scheduled to ensure that audits assigned to the contract auditors will be completed on time.

**4. Audit Work Completed**

4.1 The table below provides an overview of the assurance opinions, given to completed audits since the last update, based on Internal Audit’s assessment of the control environment:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2021-22 Internal Audit Plan</b>				
Homelessness, B&B and Temporary Accommodation	Substantial	0	3	0

4.2 The table above highlights one audit, Homelessness, B&B and Temporary Accommodation. The three Medium-risk issues relate primarily to management information and the regular monitoring of budgets by Operations in conjunction with Finance.

**5. Expected Deliverables for Q3 2021-22**

5.1 Due to the 5-month delay between the temporary departure of the Audit Manager and the interim replacement’s arrival, the Audit Plan has needed to be reviewed and updated.

The work expected to be carried out and completed in Q3 is detailed within the table below. However, a review will be undertaken of expected deliverables for Q3, in relation to the resource availability within the services whilst ensuring that sufficient coverage is provided to enable an audit opinion to be given at the end of the year and fed into the Annual Governance Statement. Any changes to the expected deliverables will be communicated to the Committee.

Service	Audit/ follow up/descriptor	Status
Finance	Benefits – <i>A full review of the benefits applications processed for accuracy, completeness and approval.</i>	Audit being finalised.
Finance	FMS & Bank Reconciliations – <i>A review of the Finance Management System and bank reconciliations as part of the key financial systems review</i>	Audit being finalised.

ACE	Corporate Risk Management – <i>A review of the process for identifying, assessing, monitoring and reporting risk across RBC.</i>	In progress.
HR	Contractors/Consultants & IR35 – <i>A review of the IR35 contracts in RBC with reference to the relevant budget costs and compliance with IR35 guidelines</i>	In progress.
Finance	Insurance – <i>A key financial system review looking at adequate coverage for RBC assets.</i>	Due to commence
Finance	Sales Ledger – <i>A key financial system review.</i>	Due to commence

**6. Outstanding Audit Issues from 2019-20 & 2020-21**

6.1 From a review of the Audit reports issued during 2019-20 & 2020-21, the following information was identified:

Year	# of Reports	# of Issues	# Implemented	% Implemented
2019-20	12	106	18	17
2020-21	10	89	31	35

6.2 For 2019-20, of the 106 issues raised, 17 were high-risk and 4 (25%) have been implemented.

6.3 For 2020-21, of the 89 issues raised, 13 were high-risk and 5 (35%) have been implemented.

6.4 Details of the outstanding high-risk issues for the two years are attached in Appendix A below.

**7. Recommendation**

- 7.1 Members are requested to note the information provided within the report in relation to the audit work carried out in Quarters 1&2, the expected deliverables for Quarter 3 and the outstanding audit issues from 2019-20 & 2020-21.

**AUTHOR:** David Thacker, Interim Audit Manager  
07867 377484

[david.thacker@rushmoor.gov.uk](mailto:david.thacker@rushmoor.gov.uk)

**HEAD OF SERVICE:** David Stanley, Executive Head of Financial Services

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 29<sup>th</sup> March 2021.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 29th March, 2021, 7.00 pm - Rushmoor Borough Council](#)

APPENDIX A

OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit			
2019-20			
Report	Key findings	Management response and agreed action	Action by whom and when
PCI DSS	<p>a) The Council are allegedly paying a fine as a result of not being fully compliant with PCI DSS standards. This is due to the card terminal within the Princes Hall Theatre not transferring Cardholder data securely to the in-house CAPITA 360 system. This could not be confirmed at the time of audit.</p> <p>b) There is no management or oversight of the alleged fine within the Council, with no one being able to provide details i.e. start date, monthly amount, expiry date or whether this was still ongoing.</p>	<p>AGREED The Council has been making a monthly payment to CAPITA since late-2018 in respect of "CAPITA PCI DSS ANNUAL MGMT FEE". Whilst the charge is relatively low (£10 per month) it is unclear what this fee covers.</p> <p>In the absence of any detailed knowledge or awareness across Finance and IT teams, the Executive Head of Finance will review</p>	<p>David Stanley, Executive Head of Finance 30/10/20</p>
Estates Management & Commercial Lettings	<p>Information Sharing</p> <p>Prior to the Property and Estates Manager joining the council in March the graduate surveyor was the only officer with full knowledge of how to manage the records management spreadsheet</p>	<p>But now the knowledge sits with the P&amp;E Manager and alternative means to manage this needs to be put in place, with a dedicated Admin role to do so.</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property No date</p>
Estates Management &	EPC requirements	The Council's Compliance Officer collates and retains this information for Rushmoor properties, arranges	Paul Brooks, Executive Head of Regeneration & Property

Commercial Lettings	Assurance could not be gained that RBC properties met the new minimum EPC requirements.	inspections and commissions works required to meet the current requirements.	No date
Estates Management & Commercial Lettings	<p>Debt Write Off</p> <p>Audit were advised by the Sales Ledger team that a debt of £26,595 relating to one of the two tenants at Wellesley House was awaiting write off authorisation. However, the property team were unclear who had responsibility to do this and the process to follow for writing off/chasing debts was unclear.</p>	<p>The current procedures contain debt management within the Finance Team. This responsibility needs to be shared and properly communicated through clear and jointly owned information collected in a way that reflects property as a different kind of debt to others.</p> <p>See above</p> <p>Through proactive tenant management the situation has improved on the retained office part occupied in the building and as at Jan 2020 the tenant had caught up with the rental payments for that Ground Floor Office Suite only.</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>30/06/21</p>
Estates Management & Commercial Lettings	<p>Aged Debt</p> <p>The 63.1% of the total debt (29/8/19), £142,238.36, has been outstanding for over 90 days.</p>	As above	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>30/06/21</p>
Estates Management & Commercial Lettings	<p>Financial Monitoring</p> <p>There is currently no reporting on the performance requirement that the Council needs to achieve a net initial yield of approximately 5.25% to make an asset purchase financially viable. In addition, there is confusion as to whose responsibility it is to undertake this monitoring and reporting</p>	<p>LSHIM is reporting on the Investment and Legacy portfolios to the PIAG</p> <p>There is no such reporting on the remainder of the Councils properties managed in house by the Estates Team. These do not sit comfortably within the same performance parameters or</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>No date</p>

		expectations as the Investment/Legacy Portfolios but still a means to measure and to report will be required to be developed.	
Taxi Licencing	Due to the manual nature of inputting the data into the system this has highlighted a number of human errors. Ranging from not recording payments which have been made against accounts, to the incorrect amount being inputted and charged. Options should be considered to see if elements of the system could be more automated to minimise the potential for errors and have a more efficient process.	We recognise that the current systems and processes for Taxi Licensing are open to human error, due to the lack of automation available with the systems that we are working on. The errors identified have been corrected as far as possible, and changes have been made to the documents, processes and performance monitoring of the work to reduce the likelihood of errors, and to identify errors sooner. Longer term, we are reviewing the way that licences are processed, with a view to improving the technology to allow for more automation, therefore reducing the likelihood of human error, whilst improving the service to customers. We are undergoing continuous review, and where errors are identified, consideration is given to any process or system change that could be implemented to reduce the likelihood of the same error occurring. Since implementing this, we have seen a reduction in the error rate on the cases which are reviewed.	Shelley Bowman, Principal Licencing Officer No date



Building Control Partnership	2010 Building Regulations Requirement Hart do not publish their surplus or deficit figures as is required by the 2010 Building Regulations	Look to resolve during negotiations on new Deed, referring to The Building (Local Authority Charges) Regulations 2010. Review of Regs to agree how the Partnership adheres to the requirement.	Martin Hobley, Building Control Partnership Manager 31/01/21
Building Control Partnership	Rushmoor Deficit Figure RBC's three year rolling surplus/deficit figure was reported as £87,697 in deficit for 2018/19. This figure had however reduced in year	Review 3 year rolling figure for 2019 - 20 and take action accordingly. Both Councils to consider proposal to set charges and review % split each year to respond to financial position	Martin Hobley, Building Control Partnership Manager 31/01/21
Building Control Partnership	Annual Review of the Hosting Charge As the Steering Group has not met for over a year the Hosting Charge has not been formally audited by both parties prior to its submission to HDC for approval, as per the requirement detailed in point 10.2.5 of the Deed	Arrange meeting of the Steering Group once proposed new Deed is ready and establish a diary of meetings for future years. Set schedule of meetings for the period of the term of the new Deed	Martin Hobley, Building Control Partnership Manager 31/01/21
S106 SANGS	Invoice repayment plans are being allowed to be arranged for S106/SANGS invoices. As at 23/03/2020 there were 10 invoices on payment arrangement plans. The Sundry Debtor process should be altered for S106/SANGS payments to reflect legal obligations surrounding the payment agreement, ensuring payment arrangements are not applied	Immediate action required as review and roll out of procedures will take time. Longer term review of coding of debts to support procedures required. Immediate instruction issued to Sundry debtors to explain and prevent future payment arrangements being made Revised procedure as above. Revised guidance on the raising of s106-related invoices to include a change to the guidance on payment of invoices. This will make it clear that	Head of Economy, Planning and Strategic Housing/ Executive Head of Finance 31/08/20

		payment plans or part payment of s106 obligations cannot be agreed.	
S106 SANGS	<p>a) There is no log/register that lists all agreements that the service holds. A log/register should be compiled and held within the service.</p> <p>b) The agreements are not monitored once commenced to ensure all triggers are met. This should be monitored by one person to inform trigger actions and should be updated when the status application / agreement changes</p>	<p>Recommendation agreed.</p> <p>Housing and s106 Officer appointed</p>	<p>Housing and s106 Officer</p> <p>30/06/21</p>
S106 SANGS	<p>a) There should be a plan in place as to how the funds are properly utilised and regular meetings to monitor this. This needs to include a plan of how to utilise monies that the Council may currently hold over 5 years or determine to repay sums. This would ensure that all monies that have been paid to the Council are utilised appropriately and prevent Developers successfully requesting funding back.</p> <p>b) There should be knowledge of who manages this fund. There should be regular meetings to discuss the value to enable full oversight.</p>	<p>Recommendation agreed.</p> <p>As part of the process of compiling the register and cleansing data any sums held for over 5 years will be identified. Regular meetings will be held between the Head of Economy, Planning and Strategic Housing, Planning and finance will be held quarterly starting in September</p> <p>All sums will be allocated to specific officers and teams and monitored through the quarterly meetings</p>	<p>Tim Mills, Head of Economy, Planning and Strategic Housing</p> <p>30/9/20</p>

OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit			
2020-21			
Report	Key findings	Management response and agreed action	Action by whom and when
Alderwood Leisure Centre	It is unclear to identify if payments have been received for all of the bookings made as clear payment records are not held on the EZ facility system and unclear narratives on the Integra code.	EZ confirm certain aspects can be tied into RBC system. Nigel Swan emailed for guidance 30/11/21.Meeting with Alex Shiell 6/01/2021 to discuss requirements to integrate the two systems.	Chris Beckett, ALC Manager No date
Application Patch Management	<p>The Council's approach to application change/patch management is inconsistent, not documented and reliant on a small number of IT staff.</p> <p>Evidence of changes/patches applied (to show a consistent process was followed, with sign off/approval, prior to migration to live) is not retained in a structured manner.</p> <p>Not all changes are tested by services, prior to migration to live.</p> <p>Third parties are commissioned on a per job basis, rather than as part of ongoing contracts.</p> <p>Batching of patches is excessive.</p>	<p>The council has a small IT team and tends to focus its limited resources on key line of business applications support. There are plans to recruit a service delivery manager to improve consistency of application support. It should be noted that key systems e.g payments, payroll, revenues and benefits, business rates are well supported, including the use of external support companies – to ensure applications are patched and upgraded to the correct level.</p> <p>The regulatory services applications e.g GIS/LLPG, Confirm and Uniform have dedicated IT staff employed to carry out</p>	Nick Harding, Head of ICT, Facilities & Projects 30/10/21

		<p>upgrade works and maintain the systems to the correct level. It is agreed that the exception is the financial system, which is of ongoing concern. There are plans for a major review planned for 2021 as part of the ICE programme. On Risk, the over-reliance point is more a management prioritisation issue both for Heads of IT and Finance.</p>	
Application Patch Management	Up to date contracts with vendors, which set out relative responsibilities, support, performance expectations and oversight arrangements are not fully in place for most of the five systems reviewed.	<p>Disagree – this is in medium priority and not a priority at this time/ the ICE and C19 projects have a higher priority. If additional resource are provided this task could be agreed Many of the Councils line of business applications have been in place with suppliers for many years and over time contracts have not been reviewed as the systems and support have been satisfactory. The councils has good ongoing working and support arrangements so contracts have only been reviewed as services have decided to change applications. If for any reason, we needed to request an up to date contract from a supplier this would be possible. Given the amount of work involved we have not been able to</p>	<p>Nick Harding, Head of ICT, Facilities &amp; Projects 31/12/22</p>

		allocate resources from IT to Legal to carry this task.	
Contract Management Follow Up	<p>There is no Contract Management corporate framework in place to provide guidance for Contract Managers, Procurement and management to:</p> <ul style="list-style-type: none"> <li>a) Assess the level of contract management required, e.g. formal, ad-hoc, 'light touch';</li> <li>b) Assess the risk to the business, e.g. financial, Health and Safety, reputational, business continuity, etc;</li> <li>c) To re-assess the level of contract management as the contract becomes established and client relationships evolve;</li> <li>d) Set out the requirement of recording meeting minutes / contract issues / progress, including the need for a standard template;</li> <li>e) Set out the steps to take if a contractor's performance / quality of delivery is inadequate, e.g. KPIs.</li> <li>f) Set out the process for the review / monitoring of continual contracts, e.g. HAGS/SMP Ltd, those contracts with expiry dates and any action required, e.g. PHS;</li> <li>g) Set out the process for adding on to the Contract Register;</li> <li>h) Set out the process when handing over an on-going contract to a new manager to oversee, e.g. PHS.</li> <li>i) Set out the reporting requirements to senior management and Members</li> </ul>	<p>The New Constitution with the Contract Standing Orders, which covered the elements highlighted in the recommendation, went to Cabinet in May and was agreed. The Policy and Project Advisory Board (PAB) were consulted on the Council's Procurement Strategy 2020-2024 at their meetings in November 2019 and June 2020. A final draft of the Procurement Strategy was considered by Cabinet in August 2020. Training and Guidance will be produced for all officers involved in the procuring of services following the adoption of the revised Contract Standing Orders and Procurement Strategy</p>	<p>Katherine Berry,  Principal Procurement Officer  No date</p>

Contract Management Follow Up	There is no corporate guidance that sets out the clear roles and responsibilities for the Contract Managers, Procurement and management	The updated Contract Standing Orders (CSO), sets out the roles and responsibilities. However, training on the update CSO will be given in the next few months so that contract managers are aware of their roles and responsibilities	Katherine Berry, Principal Procurement Officer No date
Disabled Facilities Grants Follow Up	Two quantity surveyors are exclusively used (with one particularly favoured- BJC Design with payments in 2018/19 of c.£46k). The Contract Standing Orders 'requirement of aggregation' are not applied in assessing contract requirements.	The Procurement Officer is working with Property Services to set up a separate framework agreement for surveyors and to advertise for new surveyors to be 'procured' and vetted. The Procurement Officer confirmed this will go out to competition for acquiring new contractors/surveyors (see also recommendations 5 and 6 above).	Hilary Smith, Private Sector Housing Manager No date
Housing Faster Payments	Documents, (required to verify the link between the property and the landlord) were not obtained prior to requesting the housing deposit faster payment. This was also not picked up by the second housing officer who authorised the payment.	Officers have received training to ensure that: <ul style="list-style-type: none"> <li>they follow the procedure to establish the link between the property and landlord.</li> <li>The second officer who checks the first officer's request understands that this is a full check to establish that all documents are present, and procedures have been followed confirmed by signing off.</li> </ul>	Suzannah Hellicar, Housing Options Manager No date
Housing Faster Payments	The Housing Officers were not aware of the requirement to obtain certain documents prior to submitting the matter for authorising a faster payment.	This error happened with an inexperienced officer who was working remotely and was not aware or had forgotten to obtain the full information.	Suzannah Hellicar, Housing Options Manager No date

		However, a check by a more experienced officer should have identified this.	
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**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE**

**AUDIT MANAGER  
REPORT NO. AUD 21/05**

**27 SEPTEMBER 2021**

**INTERNAL AUDIT – AUDIT OPINION**

**SUMMARY**

This report sets out the Internal Audit coverage, findings and performance for 2020/21 and presents the Audit Manager's overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment.

It also covers the self-assessment carried out against the Public Sector Internal Audit Standards (PSIAS) and the progress on the Quality and Assurance Improvement Plan (QAIP) for the year.

**RECOMMENDATIONS**

Members are requested to:

- I. Note the coverage of assurance obtained across the Council.
- II. Note the level of internal control assessed in 2020/21 through opinion-based audit assurance work.
- III. Note the Audit Opinion given for 2020/21.
- IV. Endorse the Performance Indicators for the internal audit activity for 2021/22.
- V. Note the self-assessment exercise against the Public Sector Internal Audit Standards and the areas of non-conformance with the standards, and
- VI. Endorse the Quality and Assurance Improvement Plan for 2020/21 shown in Appendix C, which details areas of improvement to reduce the areas where the audit activity does not conform to the PSIAS standards.

**1 INTRODUCTION**

- 1.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report, on an annual basis, on the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, Risk Management and control.
- 1.2 The report in Appendix A sets out the internal audit work carried out within 2020/21 and the coverage of work carried out to enable the Audit Manager to form this opinion.
- 1.3 Furthermore, annually the Audit Manager is required to carry out a self-assessment on the internal audit activities conformance with the Public Sector Internal Audit Standards (PSIAS) and communicate this to the Licensing, Audit and General Purposes Committee. The report details the outcome of the self-assessment carried out.

- 1.4 The internal audit plan for 2020/21, was approved by this Committee on the 23 March 2020. Due to the Covid-19 pandemic changes have been made to the plan as assurance have been required in other areas of the organisation. Subsequent changes to the audit plan have been communicated within the regular audit update reports.
- 1.5 Covid-19 had an adverse impact on delivery of audits against the audit plan. The Council prioritised the response to the pandemic and focussed on supporting communities and ensure vital services were provided. This meant that planned audits were in some cases deferred as the availability of auditors and Council staff was not necessarily aligned. Remote working during the pandemic also had an impact on the scope of audits covered during the year.

## **2 AUDIT OPINION**

- 2.1 The report within Appendix A details the areas of assurance obtained in order to form the audit opinion. In assessing the level of assurance to be given for 2020/21, the opinion is based on:
- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
  - results of any follow up exercises undertaken in respect of previous years' internal audit work;
  - the results of work of other review bodies where appropriate for example PSN certification;
  - The counter-fraud work carried out by the Corporate Investigations Team;
  - the quality and performance of the internal audit service and the extent of compliance with the Standards
  - Participation in the Corporate Governance group.
  - Mitigations in place to minimise the risks identified within the Corporate risk register.

## **3. CONCLUSION**

- 3.1 Insufficient assurance work has been completed within the year to enable a full overall audit opinion to be provided on Rushmoor Borough Council's framework of governance, risk management and management controls. This has been due to a lack of audit resources and insufficient engagement and availability of resources within services.
- 3.2 The impact on the Audit opinion from Covid-19 should also be considered. As set out in paragraph 1.5, the number of audits completed in the year was lower than planned due to availability of audit resources and staff time given other priorities around the Council's response to the coronavirus pandemic.

- 3.3 Whilst it has not been possible to provide an assurance level within the audit opinion above, audit work that has been completed and other governance work carried out with the involvement of audit during the year.
- 3.4 Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement but not tracked and reported to the committee to confirm implementation.
- 3.5 The key areas of non-compliance for the PSIAS, are due to not having:
- An external assessment carried out on the audit activity – *This is due to be carried out every 5 years. However, the cost and resource time required to have this assessment carried out is not seen of benefit at this moment but will be re-evaluated next year.*
  - Up to date policies and procedures – *Due to other higher priority work/ Covid-19 these were not updated during 2020/21 but have been included as an action within the improvement plan within Appendix 3.*
  - Regular meetings with External audit – *Regular meetings have not been carried out with External audit but has been included as an action point within the 2020/21 improvement plan in Appendix 3.*
  - An assurance map in place – *a recent assurance map has not been developed to identify all the areas of assurance which can be/are obtained including 3<sup>rd</sup> parties.*

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**HEAD OF SERVICE:** David Stanley, Executive Head of Finance

**References:** *Public Sector Internal Audit Standards (2013)*  
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

## ANNUAL REPORT AND AUDIT OPINION 2020/21

### 1. INTRODUCTION

1.1 The Internal Audit plan for 2020/21 was presented to and approved by the Licensing, Audit & General Purposes Committee on the 23 March 2020. The following report and appendices set out:

- The internal audit coverage, findings and performance for 2020/21
- The Audit Manager's opinion on the overall adequacy and effectiveness of the Council's internal control framework, which can be used to inform the Council's governance statement.
- The result of the Public Sector Internal Audit Standards (PSIAS) self-assessment for 2020/21.
- The performance against the agreed Quality Assurance and Improvement Plan (QAIP) for 2019/20
- The Quality Assurance and Improvement plan (QAIP) for the internal audit service for 2021/22.

### 2. ROLE OF INTERNAL AUDIT

2.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 which states that a relevant body must:

*'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

2.2 The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 [*the Standards*]. The role of internal audit is best summarised through its definition within the Standards, as an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

2.3 Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to the internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

### 3. INTERNAL AUDIT APPROACH

3.1 To enable effective outcomes, internal audit provides a combination of assurance and consultancy activities. Assurance work involves assessing how well the system and processes are designed and working, with consulting

activities available to help to improve those systems and processes where necessary.

- 3.2 All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to assist with improvement.

#### **4. INTERNAL AUDIT COVERAGE AND OUTPUT**

##### Coverage

- 4.1 The annual internal audit plan was prepared to take account of internal audits own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to key risks facing the organisation.

- 4.2 The plan has remained fluid throughout the year to ensure an effective focus can be provided. Due to the Covid-19 Pandemic some changes have been made to the plan due to resource availability and providing assurance in other areas of the organisation where it was more of a priority, for example around the issuing of business grants. The following revisions to the plan were made in 2020/21:

- The Petty cash audit was brought forward from 2019/20
- The RDP/ Housing company set up audit was brought forward from 2019/20
- The Alderwood audit was carried out instead of the Financial assistance to organisations audit.
- A review was carried out of faster payment following a payment to a fraudster.
- Due to resource availability as an impact of additional work required due to the Covid-19 pandemic the Capital project audit was removed from the plan and the Legal system set up and FMS bank reconciliation audit has been deferred to the 2021/22 audit plan.
- The Corporate Investigations Officers were due to carry out proactive anti-fraud work on the Housing tenancy/ allocation list and Procurement. However, due to carrying out pre and post assurance checks on the business grants issued as a result of the Covid-19 pandemic and other reactive referral work there was not the scope within 2020/21 to carry out this proactive work.

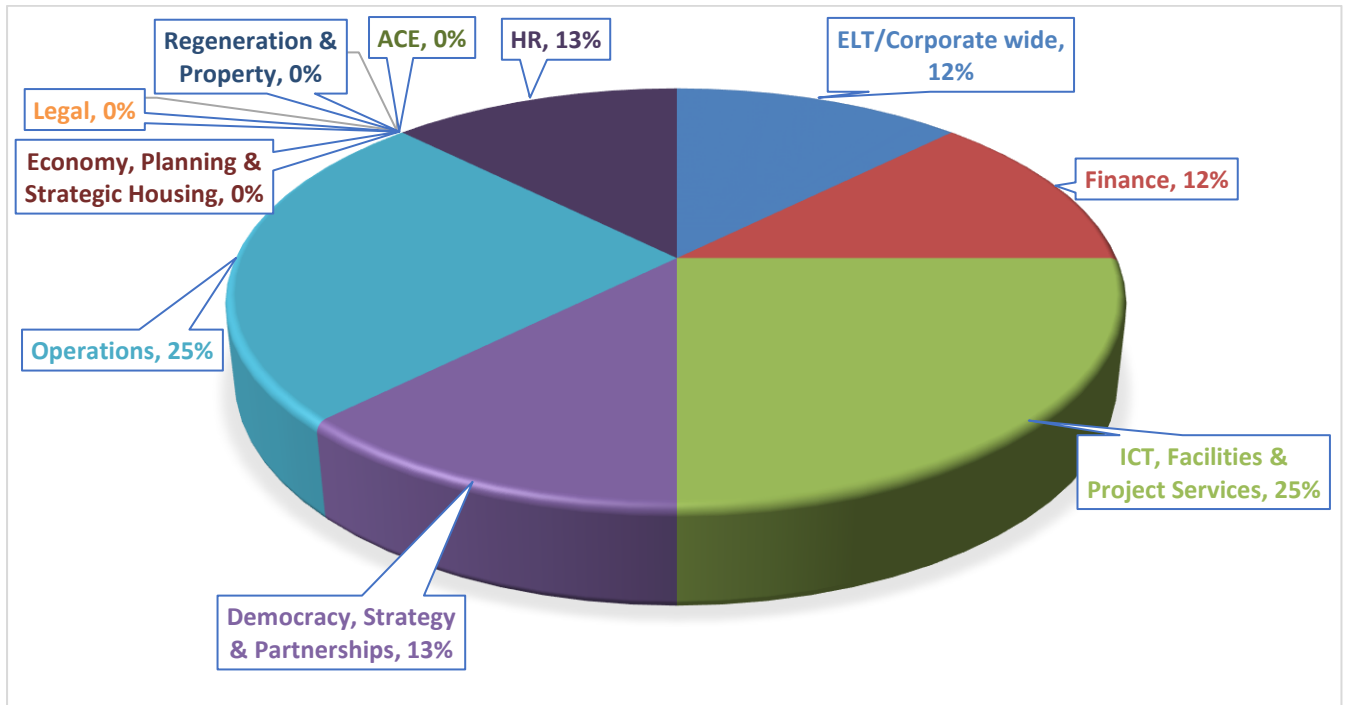
- 4.3 Work has been planned and performed in order to obtain sufficient evidence to enable a reasonable assurance to be given that the internal control environment is operating effectively. However, due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within services, insufficient audits have been completed to enable an overall opinion to be given. Whilst it has not been possible to provide an assurance level within the audit opinion above, audit work that has been completed and other governance work carried out with the involvement of audit during the year,

it should be noted that this is limited due to the lack of sufficient evidence across the organisation in order to enable a full opinion to be provided.

4.4 The internal control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives
- Facilitate policy and decision making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

4.5 The pie chart below shows the revised internal audit coverage for 2020/21 based on the substantially completed and finalised audits.



4.6 Specific IT network security audits are not carried out as reliance on IT assurance is taken from the annual Public Services Network (PSN) certificate. PSN outlines the minimum Information Assurance standards expected of organisations connected to the Public Services Network (PSN) and carries out an assessment against these standards. Areas covered within this review are:

- Operational security – Appropriate policies, processes and procedures in place
- Authentication and access control – Appropriate access levels for users' needs
- Boundary protection and interfaces – Firewall and network parameter security

- Protecting data at rest and in transit – Encryption and data access security
- User and Administrator separation of data – Access controls
- Users – Pre-employment checks for users with administrative privileges
- Testing your security – Carry out regular IT health checks including penetration testing

4.7 The Council has achieved its PSN compliance until October 2021.

4.8 The view of External Audit is also taken into account. Any areas which are highlighted within their annual report will be considered when developing the audit plan.

4.9 The corporate risk register is reviewed to place some assurance that appropriate mitigation has been put in place against the strategic and operational risks identified (but these are not supported by any audit assurance).

#### Output

4.10 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report.

4.11 All final audit reports include an action plan which identifies responsible officers, and target dates, to address any control issues identified. Implementation of action plans resets with management.

4.12 High risk control issues identified and/or Limited overall assurances are reviewed during subsequent audits or as part of a specific follow up.

4.13 Any significant weaknesses identified are put forward for consideration when preparing the Council's Annual Governance Statement.

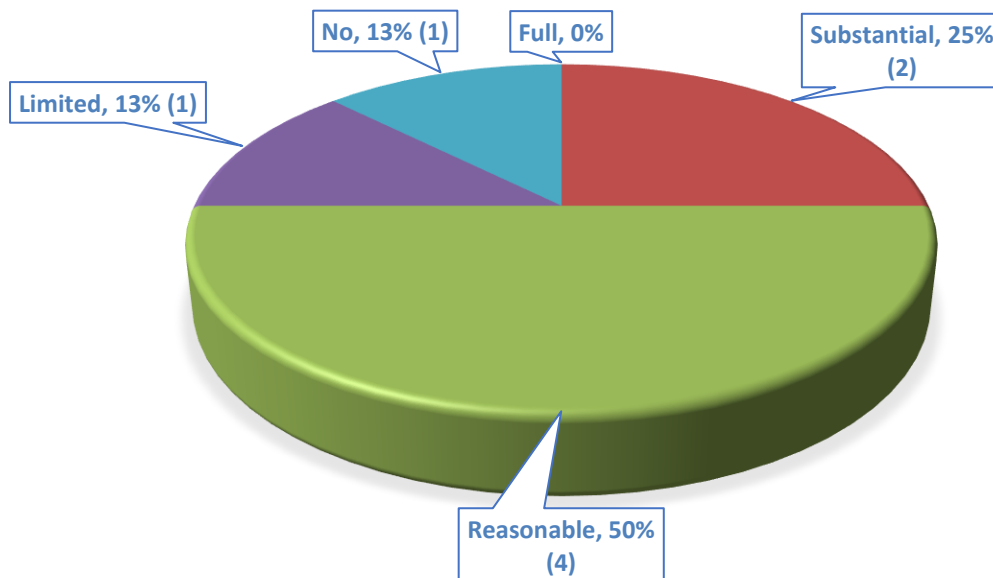
4.14 The revised 2020/21 internal audit plan has not been fully delivered. Work has only been substantially complete for 8 out of the 14 audits originally planned for enabling an overall opinion to be provided.

4.15 The above exceptions have impacted on the overall audit opinion that can be provided. Therefore, only a reduced level of assurance can be provided for the audit opinion, which is based on the work completed to date and the audit managers understanding of the governance, risk management and control arrangements based on involved with these areas throughout the year.

4.16 Most of Internal Audit's assurance work results in the issue of an opinion on the controls and procedures in place, categorised as follows:

Full	A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
Substantial	Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
Reasonable	Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
Limited	Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
No assurance	No controls that achieve the system/function/process objectives, are in place.

4.17 Analysis of the opinion-based assurance work shows the following distribution of opinions issued during 2020/21. Based on this, I can conclude that a reasonable level of internal control is in operation in the Council. See also the audit update reports, which provide further detail on the assurances provided for each report.

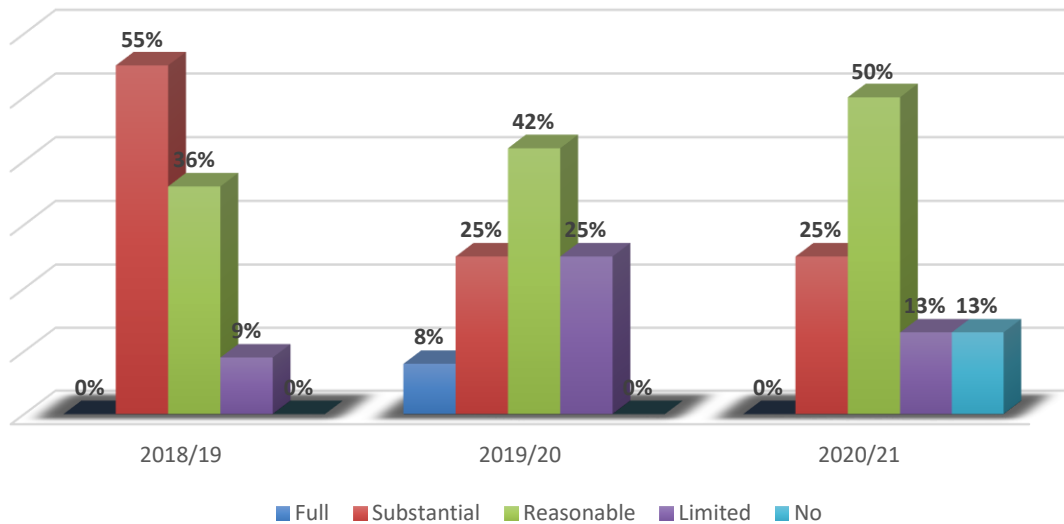


4.18 The trend in the audit opinions over the past few years is illustrated in the graph below. This shows that, in percentage terms:

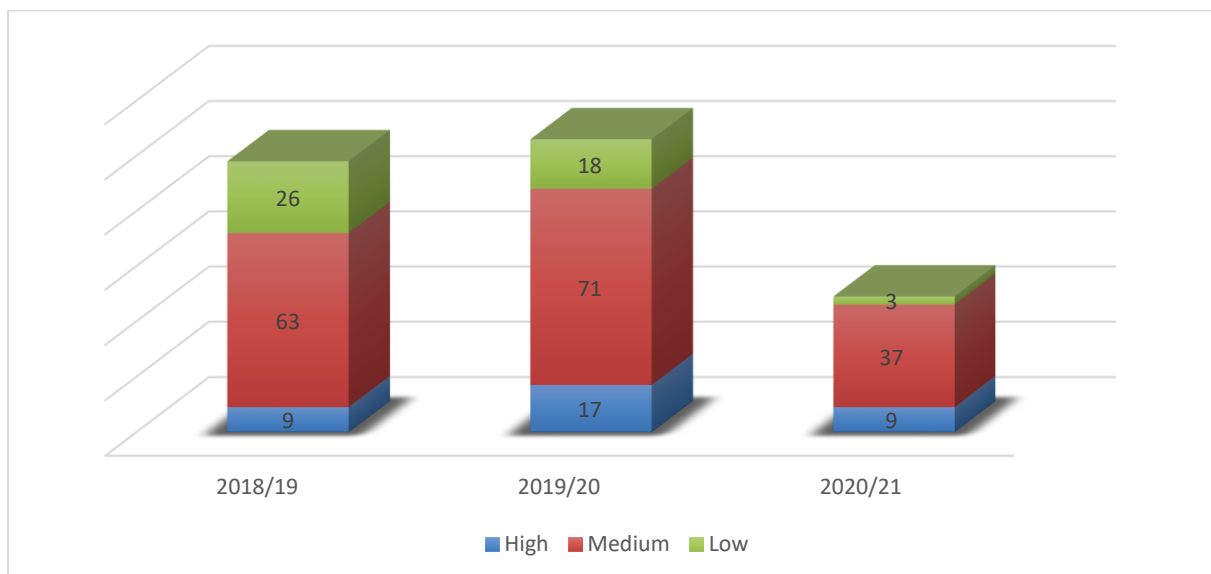
- Substantial assurances have remained the same from 2019/20.
- Limited assurance has decreased from 2019/20.
- Reasonable assurance has slightly increased across all 3 years.
- No assurance has been given for the first time for one audit.

4.19 Internal Audit's opinion remains that the overall level of internal control in the Council is reasonable.





4.20 The bar chart below shows the number and level of priority of recommendations made in comparison to previous years. Although, the overall number of audits completed is lower in 2020/21 than previous years majority of the recommendations made remain as medium with a small number of high.



4.21 A summary of audit work across the organisation is shown within the table in Appendix 1

## 5. PERFORMANCE INDICATORS

- 5.1 The following performance measures were put in place within 2020/21:
- % of draft reports received by the audit manager within 6 weeks of the initial meeting with the auditee
  - % of draft reports finalised with the auditee within 21 days following the Audit Managers review.

- A target of 90% of the audit plan programme to be completed/ at draft report stage, by the end of the financial year.
- 5.2 The outcome of the performance measures for 2020/21 are detailed below:
- 37.5% of the draft reports were received by the audit manager within 6 weeks.
  - 62.5% of draft reports were finalised with the auditee within 21 days.
  - 57% of the audit plan programme was completed by the end of the financial year.

Majority of the audits were not within the timescales for the performance measures due to Covid-19, resource availability (services and contractors) and service priority.

## **6. ANTI-FRAUD AND CORRUPTION**

- 6.1 The Council is committed to the highest possible standards of openness, probity and accountability. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Counter-fraud arrangements assist in the protection of public funds and accountability.
- 6.2 Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption, including an Anti-fraud, bribery and corruption policy and a Money-laundering policy.

### National Fraud Initiative (NFI)

- 6.3 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). An annual SPD NFI exercise is carried out to match data from the Council tax system and the Electoral roll. The Council submitted the required data sets for this in February 2020, with feedback on potential matches being received instantly.
- 6.4 Due to the better information sharing between electoral registration and Council Tax the previous year's Council Tax savings had continued to decrease. As a result, majority of the matches were already known and had been dealt with meaning it was not effective use of the Corporate Investigation Officer resource. Therefore, it was agreed that for the 2020 matches the Council Tax team would review the matches and any requiring further investigation would be past to the CIO.
- 6.5 Due to the impact of the Covid-19 pandemic on the Council Tax/NNDR team the SPD matches were not fully reviewed by the time that the new matches for 2021 were made available. Therefore, work will not continue on the 2020 matches, as this data has now been superseded with the 2021 data.
- 6.6 Furthermore, a biennial NFI exercise is carried out which is classed as a 'full match'. This reviews areas such as, Parking permits, Payroll, Licenses etc. The Council submitted required data sets for the full match in October 2020

receiving feedback on potential matches in February 2021. Work will be carried out in 2021/22 by the CIO to review identified matches.

#### Proactive anti-fraud work

- 6.7 Pro-active fraud work was carried out on 196 cases to assist with issuing of Covid-19 business grants. This involved reviewing applications put forward by the business rates team to determine if the business was entitled to the grant and ensure paid to the correct business accounts.
- 6.8 Furthermore, 965 cases had account verification checks carried out by NFI with 65 cases further reviewed by the CIO, as a result of the outcomes of the NFI checks. A significant number of checks have been carried out by the CIO on the discretionary business grants to ensure that they have been paid to eligible businesses in line with the pre and post payment assurance requirements.
- 6.9 Monthly post assurance checks have also been carried out on 10% of the benefit test and trace payments made.

#### Irregularities

- 6.10 The Corporate Investigation Officers have assessed and where appropriate, advised, investigated or supported the investigation of any allegations of fraud, corruption or improper practice. Due to the Covid-19 restrictions and the need to provide pre and post payment assurance on the payment of Business Rates Grants, no substantive investigations were carried out in 2020/21.

## **7. INTERNAL AUDIT OPINION**

- 7.1 The Audit Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 7.2 In giving this opinion, assurance can never be absolute, as audit cannot review every decision and transaction of the Council. Therefore, only a reasonable assurance can be provided that there are no major weaknesses in the Council's processes reviewed and any reliance placed on other sources of assurance.
- 7.3 In assessing the level of assurance to be given, I have based my opinion on:
- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
  - results of any follow up exercises undertaken in respect of previous years' internal audit work;
  - the results of work of other review bodies where appropriate for example PSN certification;
  - The counter-fraud work carried out by the Corporate Investigations Team;
  - the quality and performance of the internal audit service and the extent of compliance with the Standards

- NFI data match checks
- Participation on the corporate governance group.
- Mitigations in place to minimise the risks identified within the Corporate risk register.

**Opinion of the Audit Manager**

Due to issues with a lack of audit resources and input from relevant services to deliver and complete audits, an insufficient number of audits have been undertaken to allow me to form a reasonable overall conclusion on the adequacy and effectiveness of Rushmoor Borough Council's internal control environment.

An overall opinion cannot be provided due to insufficient assurance work being carried out in part due to the impact from Covid-19.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

7.4 Whilst it has not been possible to provide an assurance level within the audit opinion above, audit work that has been completed and other governance work carried out with the involvement of audit during the year.

## 8. PSIAS

8.1 The Public Sector Internal Auditing Standards (PSIAS) and the Local Government Application Note (LGAN), together came into effect from April 2013 and supersedes the 2006 CIPFA Code of Practice for Internal Audit in Local Government.

8.2 A self-assessment against the standards for 20/21 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below.

	<b>Compliant</b>			
	<b>Yes</b>	<b>Partial</b>	<b>No</b>	<b>N/A</b>
2020/21	299 (94.62%)	12 (3.80%)	5 (1.58%)	20

8.3 A detailed breakdown of the areas of compliance and non-compliance is shown within Appendix 2.

8.4 The key areas of non-compliance are due to not having:

- An external assessment carried out on the audit activity – *This is due to be carried out every 5 years. However, the cost and resource time required to have this assessment carried out is not seen of benefit at this moment but will be re-evaluated next year.*

- Up to date policies and procedures – *Due to other higher priority work/ Covid-19 these were not updated within 20/21 but have been included as an action within the improvement plan within Appendix 3.*
- Regular meetings with External audit – *Regular meetings have not been carried out with External audit but has been included as an action point within the 2020/21 improvement plan in Appendix 3.*
- An assurance map in place – *a recent assurance map has not been developed to identify all the areas of assurance which can be/are obtained including 3<sup>rd</sup> parties.*

## **9. QUALITY ASSURANCE AND IMPROVEMENT PLAN (QAIP)**

- 9.1 The QAIP for 2021/22 will look to address some of the non-compliance and partial compliance identified within the PSIAS self-assessment, over the next financial year, taking in to account the resources available. The full QAIP for 2021/22 is set out in Appendix 3.

	Assurance reviews			
	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
ELT/Corporate wide			RDP/Housing company set up	
Finance			Petty cash	
ICT, Facilities & Project Services		Application Patch Management	External tenants	
HR				Payroll
ACE				
Democracy, Strategy & Partnerships	Alderwood Leisure Centre			
Operations			Faster payment	Car Park PCNs
Legal				
Regeneration & Property				
Economy, Planning & Strategic Housing				

	Advisory Work	Counter-Fraud
	ELT/Corporate wide	Corporate Governance Group
Finance		Revenues & Benefits
ICT, Facilities & Project Services		
HR		
Customer Experience		
Democracy, Strategy & Partnerships		
Operations		Fly tipping
Legal	RIPA policy	
Regeneration & Property		
Economy, Planning & Strategic Housing		

## PSIAS – Self-assessment

Aspect of Standards	No. of requirements in the standards	Standards not applicable at RBC	No. of applicable standards assessed	Compliance assessment		
				Yes	Partial	No
Definition of internal auditing	3		3	3		
Code of ethics	13		13	13		
<i>Attribute Standards</i>						
Purpose, authority & responsibility	23		23	23		
Independence & objectivity	30	5	25	22	2	1
Proficiency & due professional care	21		21	21		
Quality assurance & improvement programme	27	6	21	18	2	1
<i>Performance Standards</i>						
Managing the internal audit activity	47		47	41	4	2
Nature of work	31		31	28	3	
Engagement planning	58	3	55	55		
Performing the engagement	22		22	22		
Communicating results	55	6	49	47	1	1
Monitoring progress	4		4	4		
Communicating the acceptance of risk	2		2	2		
<b>Totals</b>	<b>336</b>	<b>20</b>	<b>316</b>	<b>299</b>	<b>12</b>	<b>5</b>
				<b>94.62%</b>	<b>3.80%</b>	<b>1.58%</b>

## Quality Assurance and Improvement Plan (QAIP) 2021/22

<b>Non-conformance</b>	<b>Action</b>	<b>Comments</b>
Do not have in place up to date policies and procedures for the internal audit activity	The internal audit policies and procedures will be updated.	This was due to be carried out within 2020/21. However, due to other higher priority work and Covid-19 this was not carried out.
Do not regularly meet with external audit.	Communication between internal and external audit should be improved.	The Redmond review suggested that Internal and external audit should engage more effectively.
Have not carried out assurance mapping for the Council this year.	An assurance map should be set out.	Assurance mapping should be carried out to clearly show where the committee can gain assurance on the risks facing the Council.